

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, OR AMENDMENT WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED BEFORE THE TIME THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 26, 2024

Book-Entry Only
New Issue - Not Bank Qualified

Rating: Moody's "Aa3"
See "RATING" herein

In the opinion of Bond Counsel, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the Commission, and subject to the conditions and limitations set forth herein under the caption "LEGAL MATTERS - Tax Treatment," interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is exempt from Kentucky income taxation, and the Bonds are also exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

\$27,505,000*

BOONE-FLORENCE WATER COMMISSION **WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

Dated: Date of Initial Delivery

Due: December 1, as shown on inside cover hereof

The above-captioned Bonds (the "Bonds") will bear interest from their dated date, payable on each June 1 and December 1, commencing June 1, 2025. The Bonds will mature on December 1 of the years and in the amounts, will bear interest at the annual rates, and will have the yields, prices, and CUSIP numbers as set forth on the inside cover hereof.

The Bonds are being issued under a General Revenue Bond Resolution adopted by the Board of Commissioners of the Boone-Florence Water Commission (the "Commission") on October 16, 2024 (the "General Resolution") and a Series 2024A Water Supply Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (the "Series Resolution" and, together with the General Resolution, the "Resolution"). The Bonds constitute Senior Obligations under the General Resolution and shall be entitled to a pledge of the Net Revenues of the water supply and distribution system of the Commission (the "System") on a parity with all other Senior Obligations issued or incurred thereunder and on a basis superior to all Senior Subordinate Obligations and all Subordinate Obligations issued or incurred thereunder. The Commission reserves the right to issue or incur additional Obligations on a parity with or subordinate to the Bonds, subject to the satisfaction of the conditions established in the Resolution. The Bonds are special and limited obligations of the Commission and do not constitute a debt, liability, or general obligation of the Commission within the meaning of the Constitution or laws of the Commonwealth of Kentucky, nor a pledge of the full faith, credit, and taxing power of the Commission. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued under a book-entry system and registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See "DESCRIPTION OF THE BONDS - Book-Entry Only System" herein. The principal of the Bonds will be payable when due at the designated corporate trust office of U.S. Bank Trust Company, National Association in Louisville, Kentucky, as Paying Agent and Bond Registrar. Interest payments will be mailed by the Paying Agent and Bond Registrar to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. The Bonds are subject to redemption before maturity as described herein. See "DESCRIPTION OF THE BONDS."

The Commission deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for certain information on the cover page and inside cover hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

The Bonds are offered when, as, and if issued, subject to the approval of the legality and the tax exemption by Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. Certain legal matters have been passed upon for the Commission by Skees Wilson Nienaber PLLC and David A. Koenig, Co-Counsel for the Commission. Certain legal matters have been passed upon for the City of Florence, Kentucky by Skees Wilson Nienaber PLLC, Counsel for the City. Certain legal matters have been passed upon for the Boone County Water District by David A. Koenig, Esq., Counsel for the District. The Bonds are expected to be available for delivery on or about December 19, 2024.



Dated December __, 2024

* Preliminary, subject to change.

\$27,505,000*
BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS,
SERIES 2024A

Maturity Date	Amount*	Interest Rate	Yield	Price	CUSIP 099003†
December 1, 2025	\$ 710,000	___%	___%	___%	
December 1, 2026	740,000				
December 1, 2027	765,000				
December 1, 2028	800,000				
December 1, 2029	830,000				
December 1, 2030	865,000				
December 1, 2031	900,000				
December 1, 2032	735,000				
December 1, 2033	760,000				
December 1, 2034	795,000				
December 1, 2035	650,000				
December 1, 2036	675,000				
December 1, 2037	705,000				
December 1, 2038	735,000				
December 1, 2039	765,000				
December 1, 2040	795,000				
December 1, 2041	825,000				
December 1, 2042	860,000				
December 1, 2043	895,000				
December 1, 2044	930,000				
December 1, 2045	970,000				
December 1, 2046	1,010,000				
December 1, 2047	1,050,000				
December 1, 2048	1,095,000				
December 1, 2049	1,140,000				
December 1, 2050	1,185,000				
December 1, 2051	1,240,000				
December 1, 2052	1,300,000				
December 1, 2053	1,360,000				
December 1, 2054	1,420,000				

* Preliminary, subject to change.

† Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders only at the time of issuance of the Bonds and the Commission and the Underwriter does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, without limitation, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

BOONE-FLORENCE WATER COMMISSION

Board of Commissioners

James E. Parsons, Chair
James Daugherty, Secretary
Jeffrey P. Koenig, Treasurer
Chuck Session
William R. Viox

Manager

Jeff Eger

Co-Counsel for the Commission

David A. Koenig, Esq.
Skees Wilson Nienaber PLLC

CITY OF FLORENCE, KENTUCKY

City Council

Jenna Kemper, Vice Mayor
Mel Carroll
Lesley Chambers
David A. Osborne
Patricia Wingo
Gary Winn

City Attorney

Skees Wilson Nienaber PLLC

BOONE COUNTY WATER DISTRICT

Board of Commissioners

Mike Giordano, Chairman
Charlie Cain, Vice Chairman
James Daugherty, Treasurer
Tim Alexander, Jr., Secretary
James E. Parsons

General Manager

Harry Anness

Counsel for the District

David A. Koenig, Esq.

BOND COUNSEL

Dinsmore & Shohl LLP
Covington, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank Trust Company, National Association
Louisville, Kentucky

TABLE OF CONTENTS

INTRODUCTION.....	1
The Commission	1
Authority for Issuance.....	1
Security and Source of Payment for the Bonds	1
Purpose of the Bonds	1
Description of the Bonds	2
Redemption	2
Book-Entry.....	2
Payment of the Bonds	2
Interest	2
Tax Treatment.....	2
Parties to the Issuance of the Bonds	3
Offering and Delivery of the Bonds	3
Disclosure Information	3
Additional Information	3
THE COMMISSION	4
Organization.....	4
Management	4
Background	4
Cincinnati Agreement.....	5
Water Purchase Agreements	5
Investment Policies	6
Additional Water Supply Customers	7
THE SYSTEM.....	7
THE CITY	8
General.....	8
Rate-Setting Power.....	8
Governance	8
Management	9
Investment Policy.....	9
Existing System and Source of Water Supply	9
Capital Improvement Program	10
Outstanding Bonds	10
THE DISTRICT.....	10
General.....	10
Rate-Setting Power.....	10
Governance	10
Management	11
Investment Policy.....	11
Service Area.....	11

Existing System and Source of Water Supply	11
Outstanding Bonds	13
DESCRIPTION OF THE BONDS	13
Redemption Provisions	13
Book-Entry Only System	14
SECURITY AND SOURCE OF PAYMENT FOR THE BONDS	14
Security for the Bonds	14
Source of Payment for the Bonds	14
Debt Service Reserve Fund	15
Rate Covenant	15
PLAN OF FINANCE	15
SOURCES AND USES OF FUNDS	16
INVESTMENT CONSIDERATIONS	16
Limitation on Enforcement of Remedies	16
Suitability of Investment	16
Additional Debt	16
General Economic Conditions	16
Market for the Bonds	16
Bond Ratings	17
Tax Implications	17
LEGAL MATTERS	17
General Information	17
Transcript and Closing Certificates	17
Litigation	17
Tax Treatment	17
RATING	19
CONTINUING DISCLOSURE	19
UNDERWRITING	20
FINANCIAL ADVISOR	20
MISCELLANEOUS	20

APPENDICES:

APPENDIX A -	Estimated Debt Service Requirements for the Bonds
APPENDIX B-1 -	General Operating Information for the Commission
APPENDIX B-2 -	General Operating Information for the City
APPENDIX B-3 -	General Operating Information for the District
APPENDIX C-1 -	Audited Financial Statements of the Commission for the Fiscal Year Ending June 30, 2024
APPENDIX C-2	Annual Comprehensive Financial Report of the City for the Fiscal Year Ending June 30, 2023
APPENDIX C-3	Audited Financial Statements of the District for the Fiscal Year Ending December 31, 2023
APPENDIX D -	Summary of the General Revenue Bond Resolution
APPENDIX E -	Form of Legal Approving Opinion of Bond Counsel
APPENDIX F -	Book-Entry Only System

- APPENDIX G-1 - Form of Continuing Disclosure Certificate of the Commission
- APPENDIX G-2 - Form of Continuing Disclosure Certificate of the City
- APPENDIX G-3 - Form of Continuing Disclosure Certificate of the District
- APPENDIX H - Official Terms and Conditions of Bond Sale
- APPENDIX I - Official Bid Form

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Commission. No dealer, broker, salesman, or other person has been authorized by the Commission to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Commission. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commission since the date hereof.

Upon issuance, the Bonds will not be registered by the Commission under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the Commission will have, at the request of the Commission, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the Commission, the City of Florence, Kentucky, or the Boone County Water District (each, an "Obligated Person" and, collectively, the "Obligated Persons") from their respective records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the respective Obligated Person. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future. Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources before the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the Commission preliminary to the sale of the Bonds should be regarded as part of the Commission's contract with the successful bidder or the Holders from time to time of the Bonds.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncodified, or to any provisions of the Kentucky Constitution or the Commission's resolutions, or municipal orders are references to such provisions as they presently exist. Any of these provisions may be amended, repealed, or supplemented from time to time.

As used in this Official Statement, "debt service" means the principal of and premium, if any, and interest on the obligations referred to; "Commission" means the Boone-Florence Water Commission; "City" means the City of Florence, Kentucky; "District" means the Boone County Water District; and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and inside cover hereof and the appendices hereto, is to provide certain information with respect to the issuance of \$27,505,000* aggregate principal amount of Water Supply Revenue and Refunding Revenue Bonds, Series 2024A (the “Bonds”) of the Boone-Florence Water Commission, as specified on the cover page and inside cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and inside cover hereof and the appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Commission

The Bonds are being issued by the Boone-Florence Water Commission (the “Commission”), a statutory water commission of the Commonwealth of Kentucky. The Commission is located in Boone County in northern Kentucky and serves residents of Boone County, Kentucky and the City of Florence, Kentucky.

Authority for Issuance

The authority for the issuance of the Bonds is provided by Chapter 58 and Chapter 74 of the Kentucky Revised Statutes (collectively, the “Act”), the General Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (the “General Resolution”), and the Series 2024A Water Supply Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (the “Series 2024A Resolution” and, together with the General Resolution, the “Resolution”).

Security and Source of Payment for the Bonds

The Bonds constitute Senior Obligations under the General Resolution and are thereby secured by the pledges and liens set forth therein on a parity with all other Senior Obligations issued or incurred thereunder and on a basis superior to all Senior Subordinate Obligations and all Subordinate Obligations issued or incurred thereunder. In accordance with the Resolution, the Bonds are payable solely and only from, and are secured by a pledge of, (i) the proceeds of the sale of the Bonds, (ii) any Investment Obligations acquired with the proceeds of any Obligation or by the application of moneys derived from the Revenues of the Commission’s water supply and distribution system (the “System”), (iii) the Net Revenues of the System, and (iv) the Sinking Fund and the Debt Service Reserve Fund established under the Resolution, including all Accounts within such Funds and all moneys and securities on deposit therein. The Commission reserves the right to issue or incur additional Obligations on a parity with or subordinate to the Bonds, subject to the satisfaction of the conditions set forth in the Resolution. (See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein).

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE COMMISSION WITHIN THE MEANING OF THE CONSTITUTION OR LAWS OF THE COMMONWEALTH OF KENTUCKY. THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE COMMISSION PAYABLE SOLELY AND ONLY FROM THE NET REVENUES OF THE SYSTEM AND THE OTHER LIMITED SECURITY PLEDGED THEREFOR UNDER THE RESOLUTION. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMISSION, THE COMMONWEALTH OF KENTUCKY, OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS.

Purpose of the Bonds

The Bonds are being issued for the purposes of (i) financing a portion of the costs of the acquisition, construction, installation, and equipping of capital improvements to the System, including without limitation, (a) a new 15,904 linear foot north-west water main transmission line and related equipment and facilities and (b) a ground storage and re-pump facility and

* Preliminary, subject to change.

related equipment to be located on Global Way, all to be utilized by the Commission in connection with the System; (ii) refunding in advance of maturity the Commission's Water Supply System Refunding Revenue Bonds, Series 2010 dated November 2, 2010; (iii) paying the costs of credit enhancement for the Bonds, if any; (iv) funding a debt service reserve; and (v) paying the costs of issuance of the Bonds. (See "PLAN OF FINANCE" herein.)

Description of the Bonds

The Bonds mature on the dates and in the amounts set forth on the inside cover hereof. The Bonds are being offered in denominations of \$5,000 or any integral multiple thereof. The Bonds are initially being issued in book-entry only form and will be registered in the name of The Depository Trust Company, New York, New York ("DTC"), as the securities depository for the Bonds, or in the name of its nominee. There will be no distribution of the Bonds to the ultimate purchasers thereof. (See "DESCRIPTION OF THE BONDS - Book-Entry Only System" herein.)

Redemption

The Bonds maturing on and after December 1, 2033 are subject to optional redemption before maturity on any date on and after December 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the Commission and by lot within a maturity, at the election of the Commission upon thirty-five days' written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Registrar (the "Paying Agent and Registrar"), at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date. (See "DESCRIPTION OF THE BONDS - Redemption Provisions - Optional Redemption" herein.)

[The Bonds maturing on December 1, 20__ are subject to mandatory sinking fund redemption before maturity commencing on December 1, 20__ . See "DESCRIPTION OF THE BONDS - Redemption Provisions - Mandatory Sinking Fund Redemption" herein.]

If any of the Bonds are called for redemption, notice of such redemption shall be given by mailing a copy of the redemption notice to the Holder of each Bond to be redeemed at least thirty days before the date fixed for redemption. (See "DESCRIPTION OF THE BONDS - Redemption Provisions - Notice of Redemption" herein.)

Book-Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, shall be registered in the name of Cede & Co., as the nominee of DTC. The purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as DTC or its nominee is the Holder of the Bonds, payments of the principal, premium, if any, and interest due on the Bonds will be made directly to DTC by the Paying Agent and Registrar. (See "DESCRIPTION OF THE BONDS - Book-Entry Only System" and "APPENDIX F - Book-Entry Only System" attached hereto.)

Payment of the Bonds

The principal of and interest on the Bonds are payable in lawful money of the United States of America. The principal of the Bonds shall be paid upon their surrender by the Holders thereof at the designated corporate trust office of the Paying Agent and Registrar in Louisville, Kentucky, and interest on the Bonds shall be mailed by the Paying Agent and Registrar to the Holders of the Bonds, as of the applicable record date set forth below, at their addresses appearing on the registration books maintained by the Paying Agent and Registrar. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Registrar and the Holders of the Bonds. The record dates for each June 1 and December 1 interest payment date shall be the preceding May 15 and November 15, respectively.

Interest

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest at the rates set forth on the inside cover hereof, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2025.

Tax Treatment

Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the federal alternative minimum tax imposed on individuals. In addition, interest on the Bonds is also exempt from Kentucky income taxation and the Bonds are also exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. In rendering the opinions set forth in this paragraph, Dinsmore & Shohl LLP, Bond Counsel for the Bonds, has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

The Commission has not designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See “LEGAL MATTERS - Tax Treatment” herein and “APPENDIX E - Form of Legal Approving Opinion of Bond Counsel” hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

The Paying Agent and Registrar for the Bonds will be U.S. Bank Trust Company, National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with respect to the treatment of the interest thereon for purposes of federal and Kentucky income taxation are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, as Bond Counsel for the Bonds. The Financial Advisor to the Commission is RSA Advisors, LLC, Lexington, Kentucky.

Offering and Delivery of the Bonds

The Bonds are offered when, as, and if issued by the Commission, and will be delivered on or about December 19, 2024, in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the continuing disclosure documents of the Commission are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the Resolution and the bond forms, are available from the Commission.

The Commission deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), except for certain information on the cover page and inside cover hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

Additional Information

Additional information concerning this Official Statement and copies of the basic documentation relating to the Bonds is available from RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795, Attention: Joe Lakofka.

All summaries of any documents or agreements contained herein are qualified in their entirety by reference to such documents or agreements, copies of which are available from the Commission or the Financial Advisor.

All capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE COMMISSION

Organization

The Boone-Florence Water Commission is a statutory water commission created in 1998 under authority of Sections 74.420 through 74.520 of the Kentucky Revised Statutes by the Boone County Judge/Executive at the request of the City of Florence, Kentucky (the “City”), and the Boone County Water District (the “District”). The Commission is a public body corporate and politic consisting of five Commissioners, one appointed by the City, one appointed by the District and three appointed by the Boone County Judge/Executive. The Commission was created and organized for the purpose of planning, developing, acquiring, constructing, and operating a reliable, permanent water supply system that meets the needs of the City and the District at the lowest cost over the long term. The Commission’s present address is the office of District, 2475 Burlington Pike, Burlington, Kentucky 41005.

The present Commissioners and officers of the Commission are as follows:

Commissioner	Principal Occupation	Appointed By	Term Expires
James E. Parsons Chair	Partner, Keating Muething & Klekamp PLL	Boone County Judge/Executive	October 31, 2026
James M. Daugherty Secretary	Retired Certified Public Accountant	Boone County Water District	October 31, 2028
Jeffrey P. Koenig Treasurer	President, Automotive Service Products	City of Florence, Kentucky	October 31, 2025
Chuck Session	Executive in Residence, United Way of Northern Kentucky	Boone County Judge/Executive	October 31, 2025
William R. Viox, PE	Partner and Managing Principal, Viox & Viox	Boone County Judge/Executive	October 31, 2028

Management

The five appointed Commissioners of the Commission constitute its governing body, as provided in the Act and its adopted bylaws. Under the Act, upon expiration of each Commissioner’s term of office a successor is appointed for a term of four years. The Act also provides that Commissioners are eligible for reappointment and shall serve until his or her successor has been appointed and qualified. Commissioners, by the Act, must be residents of the service area of the water systems represented by the Commission. Management of the Commission is headed by Jeff Eger, General Manager, who has served in that capacity since March 2023 and was previously a member of the Commission. From 2014 to 2021, he served as the National Stormwater Business Class Director for HDR Engineers. Before that, he was the Executive Director of the Sanitation District No. 1 and then of the Water Environment Federation. Mr. Eger is a member of the Kentucky Rural Water Association and the American Water Works Association and is the Past Chairman of the Ohio River Valley Water Sanitation Commission.

Background

The Commission, the District, and the City entered into a Water Service Agreement dated March 2, 1999 (the “Cincinnati Agreement”), with the City of Cincinnati, Ohio (“Cincinnati”). Pursuant to the Cincinnati Agreement, the Commission and Cincinnati constructed major water system improvements to permit Cincinnati, through the Greater Cincinnati Water Works, to supply to the Commission, for ultimate sale to the District and City, a permanent and sufficient source of potable water at a reasonable cost to be paid by the Commission periodically. The Commission commenced purchasing water pursuant to the Cincinnati Agreement on March 4, 2003.

The Commission supplies water to the City and the District pursuant to the Water Purchase Agreements (as defined herein) entered into by the Commission with the City and District, respectively. Pursuant to the Water Purchase Agreements, the City and the District have agreed to make payments sufficient in the aggregate to enable the Commission to operate the

System, maintain adequate reserves and pay debt service on bonds and obligations issued by the Commission to finance the costs of construction of the System and related costs.

Based on present water usage, the District, with 29,303 customers, provides approximately 74.5% of the Commission's revenues, and the City, with 9,201 customers, provides approximately 25.5% of the Commission's revenues.

The Cincinnati Agreement and the Water Purchase Agreements are exclusive and are sufficient to satisfy anticipated demand through their termination. The Cincinnati Agreement and the Water Purchase Agreements have been amended for the sole purpose of extending the terms of the Cincinnati Agreement and Water Purchase Agreements from their original terms of 29 years to a term of 50 years, expiring on February 28, 2049.

The Commission and the City are not directly subject to the jurisdiction of the Kentucky Public Service Commission.

Cincinnati Agreement

The term of the original Cincinnati Agreement was 29 years, the first four years of which were the planning and construction phase of the System, with the balance of 25 years covering the delivery of water to the Commission. The Cincinnati Agreement obligates Cincinnati to provide 30 million gallons per day of potable water to the Commission, which, in conjunction with the storage requirements in the Cincinnati Agreement, is expected to be sufficient to supply water to the District and the City throughout the term of the Cincinnati Agreement.

Pursuant to the Cincinnati Agreement, Cincinnati has designed, built, owns, maintains and operates water transmission improvements necessary to convey water from Cincinnati to the Commission in amounts provided for under the Cincinnati Agreement. These capital improvements include a 36-inch main under the Ohio River that is fed from Cincinnati's Eden Park Reservoir in Ohio. The 36-inch main transports water to a ground storage reservoir on the Kentucky side of the Ohio River, having a current 2.5 million gallon capacity and expansion capability to 5.0 million gallons. This reservoir and a pump station is located near Anderson Ferry and Dry Creek in Boone County, Kentucky, at the "point of delivery" to the Commission. From that "point," the Commission transports the water via its System to the distribution systems of the District and the City.

The Cincinnati Agreement provides that the Commission pay for water provided, including maximum quantities, at the current rate of \$1.91 per 100 cubic feet. On March 4, 2003, the date on which the System became operational, the rate was \$0.87 per 100 cubic feet. This rate is 0.89 times (89%) the current rate paid by Cincinnati residential customers in the monthly consumption bracket for usage over 60,000 cubic feet plus one cent. That differential of 0.89 applicable to the Commission wholesale water rate will not change, except by amendment to the Cincinnati Agreement, for its first 24 years. After the 24th year, however, the commodity charge paid by the Commission will be reduced by 18%, which as expressed in dollars and cents will change the 0.89 differential in effect during the first 24 years. Further, the 0.89 differential solely applies to water consumption in Boone County. If the Commission desires to purvey water provided by Cincinnati beyond Boone County, the rate differential for such additional water is subject to negotiation.

Effective March 1, 2023, the rate charged by Cincinnati to the Commission is 0.74 x (74%) the current rate paid by Cincinnati residential customers in the monthly consumption bracket for users over 60,000 cubic feet plus one cent.

In March, 2024, the term of the Cincinnati Agreement was extended to expire on February 28, 2049.

Commencing March 1, 2003, the Commission became obligated to accept and pay for no less than a minimum daily quantity of 6 million gallons per day of potable water. Cincinnati has agreed that the water it supplies will satisfy all Ohio EPA, United States EPA Region Five and the Safe Drinking Act requirements. It has also agreed to add chlorine as directed by Kentucky water quality agencies.

Water Purchase Agreements

In June, 1999, the District concluded an agreement with the Commission under which the District purchases water from the Commission that the Commission receives from Cincinnati pursuant to the Cincinnati Agreement. In June, 1999, the City executed a similar water purchase agreement with the Commission. These water purchase agreements, as supplemented and amended in September and November 2024 (collectively the "Water Purchase Agreements"), obligate the District and the City, respectively, to make monthly water purchase payments to the Commission sufficient in the aggregate to enable the

Commission to pay operating costs (including water purchases) of the System, maintain adequate reserves and pay debt service on revenue bonds and notes issued by the Commission to finance the costs of construction of the System and related costs. The Water Purchase Agreements are exclusive, extend from the date of initial water purchase from the Commission, March 4, 2003, until February 28, 2049. The current charge for water purchased from the Commission by the City and District is \$3.68 per 1,000 gallons that became effective on July 1, 2021 pursuant to a resolution adopted by the Commission, which rate is subject to adjustment by the Commission as may be required from time to time.

Investment Policies

KRS Section 66.480 sets forth the requirements and limitations for investments by any of the state's political subdivisions, including the Commission. Under that Section, the Commission must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (a) Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, any national or state banks chartered in Kentucky;
- (b) Obligations and contracts for the future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:
 - 1. United States Treasury obligations;
 - 2. United States Export-Import Bank notes or guaranteed participation certificates;
 - 3. Farmers Home Administration insured notes;
 - 4. Governmental National Mortgage Corporation obligations; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including but not limited to:
 - 1. the Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. the Bank for Cooperatives (CoBank);
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. the Federal National Mortgage Association; and
 - 8. the Tennessee Valley Authority;
- (d) Certificates of deposit issued by, or other interest-bearing accounts of, any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution that has a physical presence in Kentucky and is rated in one of the three highest categories by a competent rating agency;
- (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- (g) Commercial paper rated in the highest category by a competent rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;

- (j) Shares of mutual funds, each of which shall have the following characteristics:
 - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - 2. The management company of the investment company shall have been in operation for at least five years; and
 - 3. All securities in the mutual fund shall be eligible investments under this section.
- (k) Individual equity securities if the moneys being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent of the equity allocation; and
- (l) Individual high-quality corporate bonds that are managed by a professional investment manager that:
 - 1. Are issued, assumed, or guaranteed by any solvent institution created and existing under the laws of the United States;
 - 2. Have a standard maturity of no more than ten years; and
 - 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

The Commission's current investment policy is more restrictive than is permitted by State law.

The Commission values safety, liquidity, and return, in that order.

Additional Water Supply Customers

The Act authorizes the Commission to supply water to other cities, water districts and public bodies and also provides a procedure for participation by other cities or water districts in the Commission's operation. The Commission does not currently and does not presently plan or expect to supply water to or participate with any such entities, other than the District and the City. Provided, however, the Cincinnati Agreement was amended to permit the Boone County Water District to supply water, not to exceed 500,000 gallons per day, to the Bullock Pen Water District, a water utility serving parts of Boone, Gallatin, and Grant Counties in Kentucky.

THE SYSTEM

The Commission's transmission system currently consists of 28.9 miles of transmission mains ranging in size from 16" to 48", and six storage facilities, including two 2 million gallon elevated storage facilities, two 1 million gallon elevated storage facilities, one 2 million gallon ground storage facility and pump station, and one 1/2 million gallon elevated storage facility. The initial system consisted of 26.7 miles of transmission mains was constructed at a cost of \$34,494,651 and became operational on March 4, 2003. Since initial construction of the System, 2.2 miles of transmission mains, one 2 million gallon elevated storage facility, real estate for the location of additional water storage and various other capital improvements, have been added to the system at a cost of \$4,096,060.

The Commission receives a supply of potable water from Cincinnati at a point of delivery facility on the Kentucky side of the Ohio River near Anderson Ferry and Dry Creek in Boone County. The potable water is transmitted through the Commission's transmission mains to the Commission's two customers, the City and the District, for ultimate transmission to the City's and District's retail customers.

THE CITY

General

The City of Florence, Kentucky (the “City”), is a de jure municipal corporation and political subdivision of the Commonwealth of Kentucky situated in Boone County in the tri-county Northern Kentucky Area, which is a part of the Cincinnati Metropolitan Statistical Area. The City owns and operates a municipal water and sewer system which was established in 1960. The City has authority to plan, design, finance, construct, operate, replace, and maintain water distribution facilities within its service area. The water distribution system of the City serves approximately 9,201 residential, commercial and industrial customers. Beginning on March 4, 2003, the City began purchasing all of its water from the Commission. In this regard see “THE COMMISSION-Water Purchase Agreements” herein.

Rate-Setting Power

The Florence City Council has the power to establish water service rates and charges. The City is exempt from PSC jurisdiction and is in compliance with all regulatory laws governing its operations and has the legal authority to bill and collect a schedule of water and sewer rates, rentals and charges as established by the City Council. The City’s Table of Water Rates is currently as follows:

Table of Water Rates

Rate Description	Rate Type	Rate
Quarterly Admin Fee – Residential Water	Flat Rate	\$4
Consumption Charges per HCF [^] – Residential Water	Consumption Rate	\$5.26/hcf
Quarterly Admin Fee – Commercial Water	Flat Rate	\$4
Monthly Admin Fee – Commercial Water	Flat Rate	\$2
Consumption Charges per HCF [^] – Commercial Water	Consumption Rate	\$5.26/hcf

[^]1 HCF = 748 gallons

(Reference is made to Appendix B-2 for the description of the City’s approved water rates.)

Governance

The City is governed by a Mayor, who is elected for a four year term, and a City Council consisting of six members who are elected for two year terms. There is no limit for succession by the Mayor or any member of the City Council. The City’s executive and administrative offices are located at the Florence Government Center, 8100 Ewing Boulevard, Florence, Kentucky 41042. The present Mayor is Hon. Julie Metzger Aubuchon, who was elected on November 8, 2022 to a four-year term as Mayor expiring on December 31, 2026. The present members of the City Council and their terms of office are as follows:

Member	Term Began	Current Term Ends
Jenna Kemper, Vice Mayor	January 1, 2023	December 31, 2024
Mel Carroll	January 1, 2023	December 31, 2024
Lesley Chambers	January 1, 2023	December 31, 2024
David A. Osborne	January 1, 2023	December 31, 2024
Patricia Wingo	January 1, 2023	December 31, 2024
Gary Winn	January 1, 2023	December 31, 2024

The current appointed City officials who serve at the pleasure of the City Council are:

City Administrator	Joshua J. Hunt
Finance Director	Jason Lewis
City Attorney	Thomas Nienaber
City Clerk	Melissa Kramer

Management

Since 2003, the operation and management of the City's water system, which includes maintenance and financial matters, have been carried out by various departments within the City's organization. The City's finance department is responsible for all fiscal matters relating to the City's water system as well as its storm water and sanitary sewer systems. Personnel management functions are the responsibility of the city clerk, and the public services department is responsible for the management, operation, maintenance and control of those systems.

In 2024, the City's estimated population was 33,129 and its water system consisted of 9,201 connections for residential, commercial and industrial customers. The water system consists of 149 miles of water lines with 1,702 fire hydrants, valves, and other related equipment and appurtenances. Within the City's public services department, there are eleven employees serving on the City's water crew within that department. Additionally, there are two employees who perform administrative and inspection duties relating to the City's water distribution system. The administrative employees perform clerical work and are responsible for customer service and duties such as data entry, purchasing and payroll. The water crew employees conduct meter reading, routine maintenance and repair of the water system, water testing, inspection, and installation of water meters. In the fiscal year ending June 30, 2024, the City added 111 new connections to its water system.

The City, through its public services department, distributes and sells potable water to its customers and generally constructs transmission and distribution lines to provide sufficient water supply and hydraulic pressure by contract. Developers may extend transmission or distribution lines from their terminus to serve new development. Plans for developer-constructed transmission and distribution water lines are reviewed by the public services department and construction is inspected by employees of that department. Approved developer-constructed lines then become a part of the water system of the City.

For the fiscal year ended June 30, 2024, the City had actual water revenues of \$7,245,749. The City has projected water revenues for the current fiscal year to be \$7,500,000. The City's administrative offices as well as its public services department are located in the Florence Government Center at 8100 Ewing Boulevard, Florence, Kentucky, 41042. The City also owns an operations facility serving as maintenance headquarters and a warehouse located on Rosetta Drive within the boundaries of the City.

Investment Policy

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment thereunder. The City's current investment policy is more restrictive than is permitted by Kentucky law.

Existing System and Source of Water Supply

The City currently has 9,201 water service connections ranging from 3/4" to 12". Currently, the City owns, operates and maintains 149 miles of water lines and adds an average of 1.47 miles of additional lines each year.

The City purchased 1,121,963,348 gallons of water from the Commission during the City's fiscal year ended June 30, 2024, and expects to exceed that amount for its current fiscal year due to this summer's drought conditions. The current wholesale water rate under the City's Water Purchase Agreement with the Commission is \$3.68 per 1,000 gallons. See "THE COMMISSION - Water Purchase Agreements" herein for a description of the City's Water Purchase Agreement with the Commission. The City began receiving flow from the Commission on March 4, 2003.

Since receiving flow from the Commission in March, 2003, the City has added approximately 1,703 new customers. For fiscal year ended June 30, 2024, the City added 111 new water customers and while there can be no assurances in this regard, this trend is anticipated to continue. In this regard see “THE COMMISSION - Water Purchase Agreements” herein.

Capital Improvement Program

For the next five years, the City has proposed a number of capital improvements to its water delivery system at an aggregate approximate cost of \$3,987,000. These projects include water main replacement as well as water main relinings. Water main replacement projects would include replacing existing 6" lines with 8" lines.

Outstanding Bonds

There are no bonds payable and secured by the revenues of the City’s water and sewer system.

THE DISTRICT

General

Boone County Water District (the “District”) is a public water district that began operations in 1968 and is created, organized and operated pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes. The District has authority to plan, design, finance, construct, operate, replace and maintain water distribution facilities within its service area in Boone County and operates an extensive water distribution system (the “System”) serving approximately 29,303 residential, commercial and industrial customers in Boone County. The District’s service area does not include the Cities of Florence and Walton, the Cincinnati/Northern Kentucky International Airport, or areas in southern Boone County served by the Bullock Pen Water District. Beginning on March 4, 2003, the District began purchasing all of its water from the Commission. In this regard see “THE COMMISSION - Water Purchase Agreements” herein.

Rate-Setting Power

The District may establish reasonable water service rates and charges to its customers, subject to the regulatory jurisdiction of the Public Service Commission of Kentucky (the “PSC”). The District is in compliance with all regulatory laws governing its operations and has the legal authority to bill and collect a schedule of water service rates, rentals and charges, as approved by the PSC. (Reference is made to Appendix B-3 for the detailed description of the District’s approved water rates.)

Governance

The governing body of the District is its commission, consisting of five commissioners appointed by the County Judge/Executive of Boone County to four-year terms, with the approval of the Fiscal Court of Boone County. The present commission of the District is composed of the following:

Commissioner	Principal Occupation	Appointed By	Term Expires
Mike Giordano Chairman	Fire Chief, Point Pleasant Fire District	Boone County Judge/Executive	December 31, 2027
Charlie Cain Vice Chairman	President and CEO, Dominion Liquid Technologies	Boone County Judge/Executive	December 31, 2027
James M. Daugherty Treasurer	Retired Certified Public Accountant	Boone County Judge/Executive	December 31, 2024
Tim Alexander, Jr. Secretary	Agency Manager, Kentucky Farm Bureau	Boone County Judge/Executive	December 31, 2026
James E. Parsons	Partner, Keating Muething & Klekamp PLL	Boone County Judge/Executive	December 31, 2024

Management

Management of the District is headed by Harry Anness, General Manager, who has served in that capacity since November, 2012. Mr. Anness was first employed by the District in February, 2004, as a field employee. Mr. Anness was promoted to Project Manager in January, 2006, in which position he supervised all aspects of the District's construction projects not supervised by a licensed engineer, coordinated with the District's consulting engineer and with customers to resolve customer issues, and reviewed and approved all plans submitted by developers and other parties for installation of water lines. Mr. Anness has a degree in Business Administration from University of the Cumberlands. Mr. Anness is a member of the Kentucky Rural Water Association, National Rural Water Association, and Kentucky Rural Water Association. Mr. Anness holds a Class IV Distribution Water License.

The District currently has 26 employees, consisting of 4 administrative employees, 3 clerical employees and 19 field employees. Clerical employees are responsible for customer service and various administrative responsibilities such as data entry, purchasing and payroll. The District's field employees conduct meter reading, routine maintenance and repair of the System, water testing and inspection and installation of water meters.

The District distributes and sells potable water to its customers and generally constructs transmission lines to provide sufficient water supply and hydraulic pressure by contract. Developers may extend transmission lines from their terminus to serve new development. Plans for developer-constructed transmission and distribution water lines are reviewed by the District and their construction is inspected by the District. The lines then become a part of the System.

The administrative office of the District is located in its own building at 2475 Burlington Pike in Burlington, Boone County, Kentucky. An operations facility, serving as maintenance headquarters and a warehouse, is located behind the office building.

Investment Policy

The District's commission has adopted an investment policy in accordance with statutory requirements. This policy requires the investment of District funds in a manner that will provide an acceptable investment return with emphasis on security of principal while meeting the daily cash flow demands of the District and conforming to statutory authority for investments. Subject to the provisions of the District's General Bond Resolution, authorized investments include, among other things, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, obligations of any corporation of the United States government, certificates of deposit or other interest-bearing accounts of any bank or savings and loan institution which are insured by the FDIC or which are collateralized, to the extent uninsured, by obligations permitted under the Kentucky statutes, and certain mutual funds in which all of the securities are eligible investments under the policy. The District's investment policy is more restrictive than permitted by Kentucky law.

Service Area

The District's authorized service area includes all of unincorporated Boone County, excluding the Cities of Florence and Walton, Cincinnati/Northern Kentucky International Airport and areas specifically served by the Northern Kentucky Water District and the Bullock Pen Water District.

The actual area presently served by the District is the eastern half of Boone County bordered by the Ohio River to the north and the west, Kenton County to the east, and Chambers Road to the south, excluding the Cities of Florence and Walton and Cincinnati/Northern Kentucky International Airport. This area encompasses approximately 61 square miles.

Existing System and Source of Water Supply

The District currently has 29,303 service connections ranging from 3/4" to 12" and averages approximately 34 new connections (customers) each month. The District currently has 547 miles of water lines and adds an average of 10 miles of additional lines each year. The District's Schedule of Rates and Charges is currently as follows:

Rates and Charges

Applicable: Entire Service Area of Boone County

Availability of Service: All Customers

Rates: Schedule "A" is the usage charge that applies to all customers except multiple occupancy buildings and mobile home parks.

Schedule "B" is the usage charge that applies only to multiple occupancy buildings and mobile home parks

Schedule "A"

First 3,000 gallons each month	\$18.93 minimum charge
Next 2,000 gallons each month	\$5.81 per 1,000 gallons
Next 5,000 gallons each month	\$5.56 per 1,000 gallons
All gallons over 10,000	\$4.81 per 1,000 gallons

Schedule "B"

First 3,000 gallons each month	\$18.93 minimum charge
Next 2,000 gallons each month	\$6.31 per 1,000 gallons
Next 5,000 gallons each month	\$5.81 per 1,000 gallons
Next 140,000 gallons	\$5.56 per 1,000 gallons
All gallons over 150,000	\$4.81 per 1,000 gallons

The following are fixed monthly charges that also apply based on the type of meter utilized by a customer:

		Schedule "A"	Schedule "B"
		Customers	Customers
5/8 x 3/4 Inch Meter	3,000 gallons	\$18.93	\$18.93
1 Inch Meter	3,000 gallons	\$30.55	\$31.55
1-1/2 Inch Meter	9,000 gallons	\$52.79	\$53.79
2 Inch Meter	11,000 gallons	\$63.16	\$66.16
3 Inch Meter	21,000 gallons	\$111.26	\$121.76
4 Inch Meter	29,000 gallons	\$149.74	\$166.26
6 Inch and Larger Meter	100,000 gallons	\$491.25	\$561.00

Tank Wagon Sales:

All Usage: \$4.74 per 1,000 gallons

See Appendix B-3 for additional information and data concerning the System, including major customers and the current water rate schedule.

The Commission presently supplies water to the District pursuant to the Water Purchase Agreement between the Commission and the District, which became effective on June 14, 1999. The District purchased 3,241,973,372 gallons of water in 2023. The current wholesale water rate under the Water Purchase Agreement is \$3.68 per 1,000 gallons. The District is authorized to increase its rates to customers to compensate for any increases in its cost of purchasing water subject to certain PSC filing and approval requirements.

In recent years approximately 480 customers per year have been added along new and existing lines. While there can be no assurance, this trend is expected to continue.

Outstanding Bonds

The District previously assumed a loan in the current principal amount of \$1,248,858.19 made by the Kentucky Infrastructure Authority in connection with the District’s acquisition of the Boone County Rural Water System from the Boone County Fiscal Court.

DESCRIPTION OF THE BONDS

The Bonds are dated their date of initial issuance and delivery and bear interest from such date at the rates set forth on the inside cover of this Official Statement. The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2025, and shall be paid by check or draft mailed to the Holders thereof, as of the applicable record date set forth below, by U.S. Bank Trust Company, National Association, Louisville, Kentucky, the Paying Agent and Registrar. Principal is payable when due to the Holders of the Bonds upon the surrender thereof at the corporate trust office of the Paying Agent and Registrar in Louisville, Kentucky. Alternatively, the principal of and interest on the Bonds may also be paid by any other transfer of funds acceptable to the Paying Agent and Registrar and the Holders thereof. The record dates for each June 1 and December 1 interest payment date shall be the preceding May 15 and November 15, respectively.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after December 1, 2033 shall be subject to optional redemption before maturity on any date on and after December 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the Commission and by lot within a maturity, at the election of the Commission upon thirty-five days’ written notice to the Paying Agent and Registrar, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.

[Mandatory Sinking Fund Redemption]

The Bonds maturing on the dates set forth below shall be subject to mandatory sinking fund redemption before maturity at a redemption price of 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:

Maturing December 1, 20__	
<u>Date</u>	<u>Amount</u>
December 1, 20__	
December 1, 20__	
December 1, 20__ *	
<hr style="width: 50%; margin: 0 auto;"/>	
*Final Maturity	

Notice of Redemption

If less than all Bonds which, by their terms, are payable on the same date are to be called for redemption, then the particular Bonds or portions thereof payable on such date and to be redeemed shall be selected by lot, by the Paying Agent and Registrar, in such manner as the Paying Agent and Registrar, in its sole discretion, may determine; provided, however, that (i) the portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof, and (ii) in selecting Bonds for redemption, the Paying Agent and Registrar shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of redemption, signed by the Paying Agent and Registrar, to be mailed, postage prepaid, to all Holders of the Bonds to be redeemed in whole or in part, at their addresses as they appear on the registration books kept by the Paying Agent and Registrar; provided, however, that the failure to mail any such notice shall not affect the validity of the proceedings for such redemption. Each redemption notice shall set forth the date fixed for redemption, the redemption price to be paid, and, if less than all Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any,

of the Bonds to be redeemed. In addition, if any Bond is to be redeemed in part only, such redemption notice shall also set forth the portion of the principal amount of such Bond to be redeemed and shall include a statement that on or after the date fixed for redemption, upon the surrender of such Bond for redemption, a new Bond will be issued in a principal amount equal to the unredeemed portion of the Bond so redeemed.

On the date so fixed for redemption, notice having been sent in the manner and under the conditions set forth above, and moneys for the payment of the redemption price being held in a separate account by the Paying Agent and Registrar for the Holders of the Bonds or portions thereof to be redeemed, (i) the Bonds or portions thereof so called for redemption shall become and be due and payable, at the redemption price provided for the redemption of such Bonds or portions thereof on such date; (ii) interest on the Bonds or portions thereof so called for redemption shall cease to accrue; and (iii) the Holders of the Bonds or portions thereof to be redeemed shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof and to receive new Bonds for any unredeemed portions of such Bonds.

In case part, but not all, of an outstanding Bond shall be selected for redemption, the Holder thereof, or their attorney or legal representative, shall present and surrender such Bond to the Paying Agent and Registrar for payment of the principal amount thereof so called for redemption, and thereupon, the Commission shall execute and the Paying Agent and Registrar shall authenticate and deliver, to or upon the order of such Holder, or their attorney or legal representative, without charge therefor, a new Bond in a principal amount equal to the unredeemed portion of the Bond so surrendered for redemption, and of the same series and maturity and bearing interest at the same rate as the Bond so redeemed.

Book-Entry Only System

The Bonds will initially be issued solely in book-entry form, to be held in the book-entry system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of the Bonds, and the beneficial owners of the Bonds will not be or be considered to be, and will not have any rights as, the Holders of the Bonds, in accordance with the Resolution. For additional information about DTC and the book-entry only system see “APPENDIX F - Book-Entry Only System.”

THE INFORMATION IN THIS SECTION AND IN APPENDIX F ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THE COMMISSION BELIEVES TO BE RELIABLE, BUT THE COMMISSION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Security for the Bonds

The Bonds constitute Senior Obligations under the General Resolution and are thereby secured by the pledges and liens set forth therein on a parity with all other Senior Obligations to be issued or incurred thereunder and on a basis superior to all Senior Subordinate Obligations and all Subordinate Obligations to be issued or incurred thereunder. The Commission reserves the right to issue or incur additional Obligations on a parity with or subordinate to the Bonds, subject to the satisfaction of the conditions established in the Resolution.

For a more complete description of the terms and provisions of the General Resolution, including the payment of and security for the Obligations issued or incurred thereunder, the nature, extent, and enforcement of the pledges and liens thereunder, the Funds and Accounts to be maintained thereunder, the covenants with respect to the Obligations issued or incurred thereunder, the limitations on the issuance or incurrence of additional Obligations thereunder, the rights and remedies of the Holders of the Obligations thereunder, and the specific requirements relating to the rates, rentals, and charges with respect to the System, see “APPENDIX D - Summary of the General Revenue Bond Resolution” hereto. See “INTRODUCTION - Additional Information” herein as to the availability of copies of the Resolution.

Source of Payment for the Bonds

In accordance with the Resolution, the Bonds are payable solely and only from, and are secured by a pledge of, (i) the proceeds of the sale of the Bonds, (ii) any Investment Obligations acquired with the proceeds of any Obligation or by the application of moneys derived from the Revenues of the Commission’s water supply and distribution facilities (collectively, the “System”), (iii) the Net Revenues of the System, and (iv) the Sinking Fund and the Debt Service Reserve Fund established under the Resolution, including all Accounts within such Funds and all moneys and securities on deposit therein.

For purposes of the foregoing, the following definitions are provided for convenience of reference:

“Net Revenues” means, for any specific period, the Revenues of the System for such period less the Operation and Maintenance Costs of the System for such period.

“Operation and Maintenance Costs” means, for any period, the costs and expenses incurred by the Commission in operating and administering the System for such period and providing all services and products related thereto, and in operating and maintaining the System for such period, and shall include, without limitation, (a) the cost of salaries, supplies, materials, utilities, mailing, office rent, labor, maintenance, upkeep, furnishings, equipment, repairs to facilities, and insurance premiums, (b) the fees and expenses for any legal, accounting, management, consulting, and banking services, (c) the fees and expenses of any regulatory agency with jurisdiction over the Commission, and (d) all other items normally considered operation and maintenance costs under generally accepted accounting principles, but shall exclude (i) allowances for depreciation and amortization, including any deposits to the Depreciation Fund, (ii) any Principal Installments, Sinking Fund Installments, and interest paid with respect to any Obligations during such period, and (iv) unrealized investment losses.

“Revenues” means the totality of (a) all water purchase fees and charges and all other income of any and all types and varieties imposed, enforced, and collected by the Commission for any services, products, or items rendered or provided by the Commission in connection with the System, (b) any realized investment income, and (c) any other income received by the Commission from any federal or state governmental agency as representing income or operating subsidies of the Commission, as distinguished from any capital grants, to the extent such income is not otherwise required to be treated and applied and specifically excluding therefrom any funds received as result of any assessments or assessment charges.

Debt Service Reserve Fund

In accordance with the General Resolution, the Commission has established a Debt Service Reserve Fund for all Debt Service Reserve Obligations issued thereunder, including the Bonds. Under the Resolution, the Commission is required to maintain on deposit in the Debt Service Reserve Fund an amount, computed on an aggregate basis for all Debt Service Reserve Fund Obligations issued thereunder, equal to the least of (i) 10% of the face amount of all Debt Service Reserve Fund Obligations; (ii) 100% of the Maximum Debt Service Requirements (as of the date of calculation) of all Debt Service Reserve Fund Obligations in the current Fiscal Year or any future Fiscal Year; or (iii) 125% of the average Debt Service Requirements (as of the date of calculation) of all Debt Service Reserve Fund Obligations in the current Fiscal Year and all future Fiscal Years.

Rate Covenant

In the Resolution, the Commission covenanted that it will, at all times, establish, enforce, and collect rates, rentals, and charges for the services rendered and facilities afforded by the Commission in connection with the System (subject to any regulatory approvals as may be required by law), in an amount adequate (i) to provide, after the accumulation and maintenance of all reserves required under the Resolution and the payment of all Operation and Maintenance Costs provided in the Annual Budget for the System, (a) 1.0 times coverage of the Debt Service Requirements, any Sinking Fund Installments, and any other required payments with respect to all Outstanding Senior Obligations due in each Fiscal Year, (b) 1.05 times coverage of the Debt Service Requirements, any Sinking Fund Installments, and any other required payments with respect to all Outstanding Senior Obligations and all Outstanding Senior Subordinate Obligations due in each Fiscal Year, and (c) 1 times coverage of the Debt Service Requirements, any Sinking Fund Installments, and any other required payments with respect to all Outstanding Obligations due in each Fiscal Year, and (ii) to meet all other applicable requirements set forth in the Resolution.

PLAN OF FINANCE

The Bonds are being issued for the purposes of (i) financing a portion of the costs of the acquisition, construction, installation, and equipping of capital improvements to the System, including without limitation, (a) a new 15,904 linear foot north-west water main transmission line and related equipment and facilities and (b) a ground storage and re-pump facility and related equipment to be located on Global Way, all to be utilized by the Commission in connection with the System; (ii) refunding in advance of maturity the Commission’s Water Supply System Refunding Revenue Bonds, Series 2010 dated November 2, 2010 (the “Prior Bonds”); (iii) paying the costs of credit enhancement for the Bonds, if any; (iv) funding a debt service reserve; and (v) paying the costs of issuance of the Bonds. The Prior Bonds were issued to advance refund a portion of the Commission’s Water Supply System Revenue Bonds, Series 2001, dated December 1, 2001, the proceeds of which financed a portion of costs of the System.

SOURCES AND USES OF FUNDS

Sources:

Bond Proceeds	\$ _____
Existing Debt Service Reserve and Sinking Fund Moneys [Plus Original Issue Premium][Less Original Issue Discount]	_____
Total Sources	\$ _____

Uses:

Underwriter’s Discount	\$ _____
Deposit to Construction Fund	_____
Deposit to Debt Service Reserve Fund	_____
Deposit to Debt Service Fund for the Prior Bonds	_____
Cost of Issuance	_____
Total Uses	\$ _____

INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider of risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement, and should not be considered a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should carefully analyze the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

Limitation on Enforcement of Remedies

Enforcement of the remedies applicable to the Bonds under the Resolution may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under the application of general principles of equity, and may be substantially delayed in the event of any litigation or the required use of statutory remedy procedures. All legal opinions delivered in connection with the Bonds and relating to the enforceability of such remedies contain an exception regarding the limitations that may be imposed by bankruptcy and insolvency laws, and by the rights of creditors under general principals of equity.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds is intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

Additional Debt

As provided by the Resolution, the Commission reserves the right to issue or incur additional Obligations on a parity with or subordinate to the Bonds, subject to the satisfaction of the conditions established in the Resolution. The issuance or incurrence of additional Obligations would increase the Debt Service Requirements of the System and could adversely affect the debt service coverage for the Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein and “APPENDIX D - Summary of the General Revenue Bond Resolution” hereto for more information.

General Economic Conditions

Adverse general economic conditions may result in, among other adverse circumstances, a reduction in Revenues of the System or declines in investment portfolio values, resulting in increased funding requirements, all of which could negatively impact the results of operations and the overall financial condition of the System.

Market for the Bonds

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Bond Ratings

There can be no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. See the information under the heading "RATINGS" herein for more information.

Tax Implications

Prospective purchasers of the Bonds may need to consult their own tax advisors before any purchase of the Bonds regarding the impact of the Internal Revenue Code of 1986, as amended (the "Code"), upon their acquisition, holding, or disposition of the Bonds.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and with respect to the tax-exempt status thereof are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel. Upon the delivery of the Bonds to the successful bidder therefor, the Bonds will be accompanied by an approving legal opinion for the Bonds dated the date of delivery of the Bonds, rendered by Dinsmore & Shohl LLP. A draft of such legal opinion is attached hereto as "APPENDIX E - Form of Legal Approving Opinion of Bond Counsel."

The firm, as Bond Counsel, has performed certain functions to assist the Commission in the preparation by the Commission of this Official Statement. However, the firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the Commission or the Bonds that may be made available by the Commission or others to the bidders or Holders of the Bonds or others.

The engagement of the firm as Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings relating to the Bonds and an examination of such transcript incident to rendering its legal opinion. In its capacity as Bond Counsel, the firm has reviewed the information contained in this Official Statement under the Sections entitled "INTRODUCTION - Authority for Issuance," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," "LEGAL MATTERS - General Information," and "LEGAL MATTERS - Tax Treatment", and the information set forth in "APPENDIX D - Summary of General Revenue Bond Resolution," which review did not include any independent verification of any financial statements and statistical data included therein.

Transcript and Closing Certificates

A complete transcript of proceedings for the Bonds, including a no-litigation certificate and other appropriate closing documents, will be delivered by the Commission when the Bonds are delivered to the original purchaser. At the time of such delivery, the Commission will also provide to the original purchaser with a certificate from the Chair or Vice-Chair of the Commission addressed to such purchaser relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the Commission, no litigation or administrative action or proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being financed with the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

Tax Treatment

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax imposed on individuals. Further, Bond Counsel is of the opinion that interest on the Bonds will be exempt from income taxation and that the Bonds will be exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on obligations, such as the Bonds, from gross income for federal income tax purposes. The Commission has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and any other relevant documents may be changed and certain actions (including without limitation defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of or the accrual or receipt of interest on the Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding, or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code, and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The Commission has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the inside cover hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond, the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds"), must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the inside cover hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at maturity thereon (the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

In addition, OID that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such OID in such year.

The Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

RATING

Moody’s Investors Service, Inc. (“Moody’s”) has given the Bonds the municipal bond rating of “Aa3”. Such rating reflects only the view of Moody’s. An explanation of the significance of the rating given by Moody’s may be obtained from Moody’s Investors Service, Inc. at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300. There is no assurance that the rating on the Bonds will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of Moody’s, circumstances so warrant. Any such downward revision or withdrawal of the rating on the Bonds may have an adverse effect on the market price of the Bonds.

The Commission presently expects to furnish such rating agency with any information and material that it may request with respect to any future bond issues by the Commission. However, the Commission assumes no obligation to furnish such requested information and materials to the rating agency, and may issue debt for which a rating is not requested. Any failure to furnish such requested information and materials to the rating agency, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of the rating agency’s ratings on the Commission’s outstanding bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding, the Commission, the City, and the District (each, an “Obligated Person” and, collectively, the “Obligated Persons”), will agree, to execute a continuing disclosure undertaking to be dated as of the date of the issuance and delivery of the Bonds (each, a “Disclosure Undertaking” and, collectively, the “Disclosure Undertakings”), in substantially the respective forms set forth in “APPENDIX G-1 - Form of Continuing Disclosure Certificate of the Commission,” “APPENDIX G-2 - Form of Continuing Disclosure Certificate of the City,” and “APPENDIX G-3 - Form of Continuing Disclosure Certificate of the District” attached hereto.

Each Disclosure Undertaking provides Holders of the Bonds, including the beneficial owners of the Bonds, with certain enforcement rights in the event of any failure by the respective Obligated Person to comply with any of the terms thereof; provided, however, that a default under such Disclosure Undertaking does not constitute an Event of Default under the Resolution. Each Disclosure Undertaking may also be amended or terminated under certain circumstances, in accordance with the Rule, as more fully described therein.

The Obligated Persons have each previously entered into continuing disclosure undertakings under the Rule (collectively, the “Prior Disclosure Undertakings”). The following instances of late filings exist related to the filing history of each of the Obligated Persons for the preceding five year period:

- (i) The Commission filed its audited financial statements for its fiscal years ending June 30, 2021 and 2022 approximately 224 and 85 days after their respective due dates, but a timely failure to file notice was posted with respect to the fiscal year 2022 filing; and
- (ii) The District filed its audited financial statements for its fiscal year ending December 30, 2021, approximately 33 days after its due date, but a timely failure to file notice was posted with respect to such filing.

Each Obligated Person intends to file all future Annual Financial Information within the time requirements specified in the Prior Disclosure Undertakings and in the Disclosure Undertaking relating to the Bonds, and each Obligated Person has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

UNDERWRITING

The Bonds are being purchased for reoffering by [] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[] (reflecting the par amount of the Bonds, [plus/less] [net] original issue [premium/discount] of \$[], and less underwriter’s discount of \$[]). The initial public offering prices which produce the yields set forth on the inside cover of this Official Statement may be changed by the Underwriter, and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the inside cover hereof.

FINANCIAL ADVISOR

RSA Advisors, LLC, Lexington, Kentucky (the “Financial Advisor”), has been employed as Financial Advisor in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the Commission from official and other sources and is believed by the Commission to be reliable, but such information other than that obtained from official records of the Commission has not been independently confirmed or verified by the Commission and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered for and on behalf of the Boone-Florence Water Commission, by its Chair.

[Signature page to follow]

SIGNATURE PAGE TO OFFICIAL STATEMENT

BOONE-FLORENCE WATER COMMISSION

By: _____
Chair

Dated: December __, 2024

APPENDIX A

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

[this page intentionally left blank]

Boone-Florence Water Commission - Water Supply Revenue and Refunding Bonds, Series 2024A
Estimated Debt Service Requirements

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year Total</u>
6/1/2025		\$509,726	\$509,726	509,726.25
12/1/2025	\$710,000	\$566,363	\$1,276,363	
6/1/2026		\$552,163	\$552,163	1,828,525.00
12/1/2026	\$740,000	\$552,163	\$1,292,163	
6/1/2027		\$537,363	\$537,363	1,829,525.00
12/1/2027	\$765,000	\$537,363	\$1,302,363	
6/1/2028		\$522,063	\$522,063	1,824,425.00
12/1/2028	\$800,000	\$522,063	\$1,322,063	
6/1/2029		\$506,063	\$506,063	1,828,125.00
12/1/2029	\$830,000	\$506,063	\$1,336,063	
6/1/2030		\$489,463	\$489,463	1,825,525.00
12/1/2030	\$865,000	\$489,463	\$1,354,463	
6/1/2031		\$472,163	\$472,163	1,826,625.00
12/1/2031	\$900,000	\$472,163	\$1,372,163	
6/1/2032		\$454,163	\$454,163	1,826,325.00
12/1/2032	\$735,000	\$454,163	\$1,189,163	
6/1/2033		\$439,463	\$439,463	1,628,625.00
12/1/2033	\$760,000	\$439,463	\$1,199,463	
6/1/2034		\$424,263	\$424,263	1,623,725.00
12/1/2034	\$795,000	\$424,263	\$1,219,263	
6/1/2035		\$408,363	\$408,363	1,627,625.00
12/1/2035	\$650,000	\$408,363	\$1,058,363	
6/1/2036		\$395,363	\$395,363	1,453,725.00
12/1/2036	\$675,000	\$395,363	\$1,070,363	
6/1/2037		\$381,863	\$381,863	1,452,225.00
12/1/2037	\$705,000	\$381,863	\$1,086,863	
6/1/2038		\$367,763	\$367,763	1,454,625.00
12/1/2038	\$735,000	\$367,763	\$1,102,763	
6/1/2039		\$353,063	\$353,063	1,455,825.00
12/1/2039	\$765,000	\$353,063	\$1,118,063	
6/1/2040		\$337,763	\$337,763	1,455,825.00
12/1/2040	\$795,000	\$337,763	\$1,132,763	
6/1/2041		\$321,863	\$321,863	1,454,625.00
12/1/2041	\$825,000	\$321,863	\$1,146,863	
6/1/2042		\$305,363	\$305,363	1,452,225.00
12/1/2042	\$860,000	\$305,363	\$1,165,363	
6/1/2043		\$288,163	\$288,163	1,453,525.00
12/1/2043	\$895,000	\$288,163	\$1,183,163	
6/1/2044		\$270,263	\$270,263	1,453,425.00
12/1/2044	\$930,000	\$270,263	\$1,200,263	
6/1/2045		\$251,663	\$251,663	1,451,925.00
12/1/2045	\$970,000	\$251,663	\$1,221,663	
6/1/2046		\$232,263	\$232,263	1,453,925.00
12/1/2046	\$1,010,000	\$232,263	\$1,242,263	
6/1/2047		\$212,063	\$212,063	1,454,325.00
12/1/2047	\$1,050,000	\$212,063	\$1,262,063	
6/1/2048		\$191,063	\$191,063	1,453,125.00
12/1/2048	\$1,095,000	\$191,063	\$1,286,063	
6/1/2049		\$169,163	\$169,163	1,455,225.00
12/1/2049	\$1,140,000	\$169,163	\$1,309,163	
6/1/2050		\$146,363	\$146,363	1,455,525.00
12/1/2050	\$1,185,000	\$146,363	\$1,331,363	
6/1/2051		\$119,700	\$119,700	1,451,062.50
12/1/2051	\$1,240,000	\$119,700	\$1,359,700	
6/1/2052		\$91,800	\$91,800	1,451,500.00

Boone-Florence Water Commission - Water Supply Revenue and Refunding Bonds, Series 2024A
Estimated Debt Service Requirements

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year Total</u>
12/1/2052	\$1,300,000	\$91,800	\$1,391,800	
6/1/2053		\$62,550	\$62,550	1,454,350.00
12/1/2053	\$1,360,000	\$62,550	\$1,422,550	
6/1/2054		\$31,950	\$31,950	1,454,500.00
12/1/2054	\$1,420,000	\$31,950	\$1,451,950	\$1,451,950
Totals:	\$27,505,000	\$19,747,214	\$47,252,214	\$47,252,214

APPENDIX B-1

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

GENERAL OPERATING INFORMATION FOR THE COMMISSION

[this page intentionally left blank]

Water Customers and Sales

<u>Fiscal Year</u>	<u>Customers as of June 30</u>	<u>Water Sales Revenue</u>	<u>Water Sales Gallons</u>
2022	8,952	\$6,344,189	924,505,370
2021	8,918	\$5,962,771	885,008,192
2020	8,884	\$5,840,974	882,891,658
2019	8,828	\$5,991,480	877,359,884
2018	8,813	\$5,851,130	901,190,691

Source: City of Florence

Ten Largest Customers as of June 30, 2022

<u>Name</u>	<u>Annual Water Sales</u>	<u>Percent of Total Water Revenues</u>
TARA @ PLANTATION POINTE COUNCIL OF CO-	\$225,456.80	3.55%
ST ELIZABETH HEALTHCARE	138,443.50	2.18%
TRELISES APARTMENTS 2 LLC	85,014.78	1.34%
WALNUT CREEK APARTMENTS	82,741.29	1.30%
MIKES CAR WASH #42	69,430.08	1.09%
SOUTHFORK	64,352.28	1.01%
PADDOCK CLUB LLC	63,881.33	1.01%
TURFWAY PARK LLC	63,062.34	0.99%
NORMANDY GREEN APTS	62,684.12	0.99%
OAKWOOD INVESTMENT	61,291.66	0.97%

Source: City of Florence

(The Remainder of This Page Intentionally Left Blank)

Present Water System Rates

City of Florence water rates are as follows:

\$4.43	minimum
\$4.97	for each hundred cubic feet of water used, plus
\$1.33	billing charge each month

The System adopted this rate schedule on April 1, 2022.

(The Remainder of This Page Intentionally Left Blank)

APPENDIX B-2

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

GENERAL OPERATING INFORMATION FOR THE CITY

[this page intentionally left blank]

FINANCIAL DATA

Tax Base Information

The following is selected tax information regarding the City's tax base to include assessed valuation, tax rates, tax collection and levies and largest taxpayers:

Assessed Valuations:

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Tax-Exempt Property</u>	<u>Total Assessed Value</u>
2023	\$3,190,558,828	\$488,475,112	\$93,883,000	\$3,585,150,940
2022	2,998,503,568	543,167,681	91,570,500	3,450,100,749
2021	2,960,286,526	479,138,787	88,778,700	3,350,646,613
2020	2,848,503,939	375,622,801	88,542,900	3,135,583,840
2019	2,654,598,718	416,072,481	83,584,800	2,987,086,399

Source: City of Florence

Property Tax Rates (per \$100 assessed valuation)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Tangible Personal Property</u>	<u>Special Assessment-Hazardous-Employees' Retirement</u>
2023	\$1.81	\$3.13	\$0.65
2022	1.81	2.72	0.65
2021	1.82	2.98	0.64
2020	1.82	3.64	0.64
2019	1.82	3.11	0.64

Source: City of Florence

Real Property Tax Levies, Collections, Discounts and Delinquencies:

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Discounts</u>	<u>Delinquent</u>	<u>Collected Percent</u>
2023-24*	\$10,014,482	\$8,961,166	\$(179,906)	N/A	N/A
2022-23	9,508,511	9,193,062	(169,982)	\$105,118	98%
2021-22	9,252,179	9,148,309	(155,795)	4,659	88%
2020-21	8,798,392	8,789,937	(154,122)	8,455	99%
2019-20	8,397,141	8,313,644	(149,762)	14,966	99%

Source: City of Florence

* As of November 17, 2023

Ten Largest Corporate Taxpayer as of Fiscal Year 2022-23

Taxpayer	Tax Assessments	Taxes Paid
Amazon Data Services, Inc	\$64,526,645	\$158,735
Ingrasys Technology USA	50,927,610	125,282
Florence Mall, LLC	38,100,000	93,726
New Plan Property Holding	35,353,735	86,970
Robert Bosch Automotive Steering	30,674,600	75,460
Ted Bushelman Blvd, LLC	30,000,000	73,800
Paddock Club Apartments, LLC	28,150,000	69,249
Vinings Treace, LLC	27,385,630	67,368
Gregal-Gam Florence, LLC	24,825,000	61,070
Star Wetherington, LLC	23,894,000	58,779

Source: City of Florence

(The Remainder of This Page Intentionally Left Blank)

APPENDIX B-3

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

GENERAL OPERATING INFORMATION FOR THE DISTRICT

[this page intentionally left blank]

Water Customers and Usage

<u>Calendar Year</u>	<u>Customers as of December 31</u>	<u>Water Sales Revenue</u>	<u>Water Sales Gallons</u>
2023	29,221	18,093,683	2,881,544,654
2022	28,131	17,258,821	2,865,245,958
2021	27,573	17,192,402	2,821,523,075
2020	27,158	16,017,651	2,705,545,698
2019	26,665	16,032,370	2,687,572,889

Source: Boone County Water District

Pumping and Purchase Water Statistics for 2023

	<u>Water Purchased for Resale (OMIT 000'S)</u>	<u>Adjusted Purchased Water</u>	<u>Water Sold to Customers (OMIT 000'S)</u>
January	238424252	238242252	192977314
February	208024327	208024327	195160322
March	237501968	237501968	217756172
April	234592248	234592248	199910666
May	282527080	282527080	272162644
June	330562892	330562892	294461295
July	300218776	300218776	260210464
August	330561512	330561512	313917312
September	326084732	326084732	283133487
October	270640728	270640728	217994776
November	240028080	240028080	216062046
December	240189648	240189648	217798156
Total for year	3239356243	3239356243	2881544654

Ten Largest Customers as of December 31, 2023

<u>Name</u>	<u>Annual Water Sales</u>	<u>Percent of Total Revenues</u>
Messier-Bugatti USA	738,242.52	0.0408
Lyons-Magnus	728,180.75	0.0402
Tastemaker	394,296.11	0.0218
Bullock Pen Water	214,485.77	0.0119
Wood Spring Apartments	92,832.24	0.0051
Lassing Point Golf Course	65,977.53	0.0036
Wild Flavors	63,919.22	0.0035
Legends of Steeplechase	61,443.12	0.0034
Sherwood Lakes	58,109.97	0.0032
Van Melle Incorporated	55,562.10	0.0031

Source: Boone County Water District

Present Water System Rates [please update with current rates]

Schedule A: All customers except multiple occupancy buildings and mobile home parks.

First 3,000 gallons	\$18.93 minimum charge
Next 2,000 gallons	\$5.81 per 1,000 gallons
Next 5,000 gallons	\$5.56 per 1,000 gallons
All over 10,000 gallons	\$4.81 per 1,000 gallons

Schedule B: Multiple occupancy buildings and mobile home parks.

First 3,000 gallons	\$18.93 minimum charge
Next 2,000 gallons	\$6.31 per 1,000 gallons
Next 5,000 gallons	\$5.81 per 1,000 gallons
Next 140,000 gallons	\$5.56 per 1,000 gallons
Next 150,000 gallons	\$4.81 per 1,000 gallons

Monthly Minimum Charge By Meter Size:

5/8"-3/4" meter	3,000 gallons
1" meter	5,000 gallons
1 1/2" meter	9,000 gallons
2" meter	11,000 gallons
3" meter	21,000 gallons
4" meter	29,000 gallons
6" meter	100,000 gallons
Over 6" meter	100,000 gallons

<u>Meter Size</u>	<u>Schedule A</u>	<u>Schedule B</u>
5/8"-3/4"	\$18.93	\$18.93
1"	\$30.55	\$31.55
1 1/2"	\$52.79	\$54.79
2"	\$63.16	\$66.16
3"	\$111.26	\$121.76
4"	\$149.74	\$166.26
6"	\$491.25	\$561.00
Over 6"	\$491.25	\$561.00

Tap in Fees:

3/4" meter	\$820.00
1" meter	\$1,280.00
2" meter	Actual cost (\$1,500 deposit required)

Other Charges:

Wholesale/tank wagon sales	\$4.74 per 1,000 gallons
Reconnect Fees	normal business hours \$25.00 after business hours \$37.50

**BOONE COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The following is extracted from the financial statements of the district for the last five fiscal years:

	For the period ending December 31				
	2023	2022	2021	2020	2019
OPERATING REVENUES					
Water Revenue	\$17,759,330	\$17,015,145	\$16,959,686	\$15,853,283	\$15,622,495
Forfeited discounts	295,931	211,647	160,586	63,761	239,788
Other water revenues	40,522	73,683	73,679	102,505	170,087
Total Operating Revenues	18,095,783	17,300,475	17,193,951	16,019,549	16,032,370
OPERATING EXPENSES					
Water purchased	11,920,713	11,422,089	11,012,893	10,723,783	10,464,161
Operation and maintenance expense	4,617,305	4,273,510	3,842,986	3,767,114	3,638,068
Depreciation	3,250,069	3,096,260	2,989,428	2,868,264	2,765,506
Total Operating Expenses	19,788,087	18,791,859	17,845,307	17,359,161	16,867,735
OPERATING INCOME (LOSS)	(1,692,304)	(1,491,384)	(651,356)	(1,339,612)	(835,365)
NON-OPERATING INCOME (EXPENSE)					
Interest income	217,441	36,186	10,845	37,745	69,856
Investment income (loss)	390,157	(661,070)	(63,413)	306,688	433,166
Gain on disposal of assets	-	198,708	-	-	20,705
Net effect of change in pension and OPEB	362,553	10,267	(211,028)	(542,620)	(463,842)
Interest on long-term obligations	(41,560)	(48,293)	(113,746)	(120,617)	(128,848)
Amortization of bond discounts	-	-	-	(4,767)	(9,236)
Net Non-Operating Income (Expense)	928,591	(464,202)	(377,342)	(323,571)	(78,199)
NET INCOME (LOSS)	(763,713)	(1,955,586)	(1,028,698)	(1,663,183)	(913,564)
CAPITAL CONTRIBUTIONS	12,391,552	6,813,822	4,984,616	6,502,035	2,743,277
CHANGE IN NET POSITION	11,627,839	4,858,236	3,955,918	4,838,852	1,829,713
NET POSITION, JANUARY 1	117,343,708	112,485,472	108,529,554	103,690,702	101,860,989
NET POSITION, DECEMBER 31	\$128,971,547	\$117,343,708	\$112,485,472	\$108,529,554	\$103,690,702

**BOONE COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION**

The following is extracted from the financial statements of the district for the last five fiscal years:

	For the period ending December 31				
	2023	2022	2021	2020	2019
ASSETS					
Current Assets					
Cash and cash equivalents	\$2,279,252	\$3,688,281	\$2,186,420	\$695,055	\$564,048
Investments	8,127,775	8,776,430	7,773,740	4,432,130	7,903,410
Reserve for depreciation, investment cash and equivalents and CDs	8,652,347	6,461,055	8,101,808	11,544,669	7,801,126
Accounts receivable					
Customers, net of allowance	2,617,096	2,370,450	2,653,535	2,542,593	2,304,250
Others	37,739	69,389	12,304	335,456	185,956
Assessments receivable	217,677	204,525	192,430	198,863	195,561
Inventories	370,587	254,777	209,337	164,777	194,279
Prepays	49,707	41,187	40,972	31,403	31,268
Total Current Assets	22,352,180	21,866,094	21,170,546	19,944,946	19,179,898
Restricted Assets					
Debt service account	745	376	354	354	70,167
Debt service reserve account	-	-	-	-	33,200
Total Restricted Assets	745	376	354	354	103,367
Capital Assets					
Land, building, transmission system, equipment and vehicles	165,520,847	153,893,945	148,473,116	143,506,644	136,430,088
Construction in progress	3,596,412	1,151,141	1,051,119	318,699	280,989
Total utility plant in service	169,117,259	155,045,086	149,524,235	143,825,343	136,711,077
Less accumulated depreciation	(54,647,870)	(51,449,433)	(48,382,825)	(45,393,397)	(42,525,133)
Total Capital Assets, Net	114,469,389	103,595,653	101,141,410	98,431,946	94,185,944
TOTAL ASSETS	136,822,314	125,462,123	122,312,310	118,377,246	113,469,209
DEFERRED OUTFLOW OF RESOURCES					
Deferred outflows related to pensions and OPEB	717,571	694,896	1,095,868	1,299,290	1,091,682
Deferred refunding costs on defeased bond debt	-	-	-	-	4,765
TOTAL DEFERRED OUTFLOW OF RESOURCES	717,571	694,896	1,095,868	1,299,290	1,096,447
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$137,539,885	\$126,157,019	\$123,408,178	\$119,676,536	\$114,565,656

Source: Boone County Water District Audited Financial Statements

**BOONE COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION**

The following is extracted from the financial statements of the district for the last five fiscal years:

	For the period ending December 31				
	2023	2022	2021	2020	2019
LIABILITIES					
Current Liabilities					
Accounts payable	\$1,176,147	\$1,057,234	\$1,021,882	\$1,147,392	\$1,210,270
Accrued payroll and taxes	457,710	418,310	364,519	341,540	423,884
Deferred revenue on tap ins	123,680	93,600	128,000	96,680	96,805
Customer deposits	305,354	315,101	321,551	333,966	321,275
Total Current Liabilities	2,062,891	1,884,245	1,835,952	1,919,578	2,052,234
Current Liabilities Payable From Restricted Assets					
Bonds payable	-	-	-	-	200,000
KIA note payable	85,810	83,539	81,328	79,176	77,081
Capital lease payable	-	-	71,627	68,846	66,173
Accrued interest payable	3,328	3,530	32,105	32,341	34,630
Total Current Liabilities Payable From Restricted Assets	89,138	87,069	185,060	180,363	377,884
Long-Term Obligations					
Bonds	-	-	-	-	-
KIA loan payable - KRW	1,291,475	1,377,285	1,460,825	1,542,152	1,621,329
Capital lease - KRW	-	-	1,564,918	1,636,545	1,705,391
Net unfunded pension and OPEB liability	3,419,054	4,803,082	4,675,194	5,539,898	4,650,001
Total Long-Term Obligations	4,710,529	6,180,367	7,700,937	8,718,595	7,976,721
TOTAL LIABILITIES	6,862,558	8,151,681	9,721,949	10,818,536	10,406,839
DEFERRED INFLOW OF RESOURCES					
Deferred inflow related to pensions and OPEB	1,705,780	661,630	1,200,757	328,446	468,115
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	8,568,338	8,813,311	10,922,706	11,146,982	10,874,954
NET POSITION					
Net Investment in capital assets	113,092,104	102,134,829	97,962,712	95,105,227	90,515,970
Restricted	(2,583)	(3,154)	(31,751)	(31,987)	73,502
Unrestricted	15,882,026	15,212,033	14,554,511	13,456,314	13,101,230
TOTAL NET POSITION	\$128,971,547	\$117,343,708	\$112,485,472	\$108,529,554	\$103,690,702

**BOONE COUNTY WATER DISTRICT
INTERIM FINANCIAL INFORMATION**

The following represents selected financial information of the Boone County Water District for the period ending June 30, 2024 and 2023, respectively.

Statements of Income

	For the period ending June 30	
	2024	2023
Operating Revenues:		
Interest	\$121,507	\$71,374
Bad check charges	1,460	920
Interest-assessments	6,888	6,486
Administration & eng fees	30,942	26,105
Metered water sales	8,367,489	8,179,654
Penalties and Sales tax discounts	129,787	150,356
Total Operating Revenues	8,658,073	8,434,895
Operating Expenses:		
Return Check	(1,324)	271
Depreciation	1,572,885	1,528,504
Taxes other than income	66,668	62,500
Interest on long-term debt	19,441	19,441
Interest paid on customer deposits	6,038	6,496
Water purchased	5,803,093	5,636,196
Operating supplies	1,159,213	465,381
Repairs to lines	218,627	162,342
Utilities	15,107	14,797
Operation Labor	558,152	505,421
Operations supplies & expenses	144,512	82,420
Meter readers	81,754	99,833
Office salaries	77,128	79,843
Bad Debt	0	56,026
Administrative & general salaries	140,716	131,369
Office supplies & other	152,713	137,726
Outside services	84,720	75,003
Insurance	65,700	56,400
Building & grounds maintenance	12,335	19,039
Employee benefits	505,558	487,894
PSC assessments	28,118	0
Miscellaneous	5,465	2,151
Total Operating Expenses	10,716,619	9,629,053
Net Ordinary Income	(2,058,546)	(1,194,158)
Other Income:		
Investment income	103,911	154,303
Proceeds from capital contributions	324,801	267,648
Total Other Income	428,712	421,951
NET INCOME	(1,629,834)	(772,207)

**BOONE COUNTY WATER DISTRICT
INTERIM FINANCIAL INFORMATION**

The following represents selected financial information of the Boone County Water District for the period ending June 30, 2024 and 2023, respectively.

Balance Sheets	For the period ending June 30	
	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$3,237,534	\$2,522,649
Accounts receivable - assessments	1,286,079	263,409
Investments	9,128,151	8,702,620
Depreciation	3,395,818	7,178,489
Other current assets:		
Restricted assets	0	735
Accounts receivable - customers	1,646,609	1,483,794
Allowance for bad debt	(30,500)	(30,500)
Notes receivable	1,000	3,150
Inventory	370,587	254,777
Prepaid insurance	11,380	2,334
Unbilled water	1,264,899	1,225,898
Accrued interest income	49,746	19,085
Total Current Assets	\$20,361,303	\$21,626,440
Fixed Assets:		
Transmission Lines	160,033,399	148,357,719
Land	256,633	256,633
Furniture & Fixtures	213,756	230,798
Machinery & Equipment	1,674,355	1,507,383
Automated Meter System	1,672,954	1,668,038
Buildings	1,985,350	1,985,350
Allowance for Depreciation	(56,220,755)	(52,977,937)
Construction in Progress	5,589,600	2,092,666
Water Rate Study	220,578	220,578
Total Restricted Assets	\$115,425,870	\$103,341,228
Other Assets:		
Deferred Outflow of Resources	\$694,896	\$694,896
TOTAL ASSETS	\$136,482,069	\$125,662,564
LIABILITIES & EQUITY		
Current Liabilities:		
Accounts payable	\$1,702,393	\$1,327,628
Other current liabilities:		
Customer deposits	278,136	283,239
Accrued interest	14,554	10,218
Deposit on fire hydrants	37,575	35,900
Deferred revenue on tap ins	123,680	93,600
Sales tax	35,411	(15,117)
School tax	47,186	50,538
Payroll withholding	4,973	2,667
Liabilities payable from restricted assets	88,609	85,328
Accrued vacation and wages	456,824	416,557
Total Current Liabilities	\$2,789,341	\$2,290,558
Long Term Liabilities		
KIA Loan	1,248,858	1,335,796
Net unfunded pension and OPEB liability	5,464,712	5,464,712
Total Long-Term Obligations	\$6,713,570	\$6,800,508
TOTAL LIABILITIES	\$9,502,911	\$9,091,066
Equity:		
Invested in capital assets - net	113,092,104	102,134,829
Unrestricted net assets	15,519,471	15,212,031
Restricted net assets	(2,583)	(3,155)
Net income	(1,629,834)	(772,207)
Total Equity	\$126,979,158	\$116,571,498
TOTAL LIABILITIES & EQUITY	\$136,482,069	\$125,662,564

APPENDIX C-1

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

AUDITED FINANCIAL STATEMENTS OF THE COMMISSION
FOR THE FISCAL YEAR ENDING JUNE 30, 2024

[this page intentionally left blank]

**BOONE-FLORENCE
WATER COMMISSION
FINANCIAL STATEMENTS**

For the Years Ended June 30, 2024 and 2023

**BOONE-FLORENCE
WATER COMMISSION**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2024 and 2023

Table of Contents

	<u>Pages</u>
Board of Commissioners	1
Financial Section	
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-8
Basic Financial Statements:	
Statements of Net Position	9-10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to the Financial Statements	13-19
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 <i>Government Auditing Standards</i>	20-21

**BOONE-FLORENCE
WATER COMMISSION
FINANCIAL STATEMENTS
For the Years Ended June 30, 2024 and 2023**

Board of Commissioners

		<u>Appointed By:</u>	<u>Term Expires:</u>
Chair	James Parsons	Boone County	Oct. 31, 2026
Treasurer	Jeffrey P. Koenig	City of Florence	Oct. 31, 2025
Secretary	Jim Daugherty	Boone Co. Water	Oct. 31, 2024
Member	Chuck Session	Boone County	Oct. 31, 2025
Member	Bill Viox	Boone County	Oct. 31, 2024

General Manager

Jeff Eger

Legal Counsel

Skees, Wilson & Nienaber

David A. Koenig

INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners
Boone-Florence Water Commission
Burlington, Kentucky**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Boone-Florence Water Commission (Commission), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Boone-Florence Water Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Boone-Florence Water Commission as of June 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with accounting standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Boone-Florence Water Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Boone-Florence Water Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Boone-Florence Water Commission'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 Boone-Florence Water Commission'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 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 the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2024, on our consideration of the Boone-Florence Water Commission'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 Boone-Florence Water Commission'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 Boone-Florence Water Commission's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky
September 25, 2024

BOONE-FLORENCE WATER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

(UNAUDITED)

As management of the Boone-Florence Water Commission, we offer readers of the Boone-Florence Water Commission's financial statements this narrative overview and analysis of the financial activities of the Boone-Florence Water Commission for the fiscal year ended June 30, 2024.

Financial Highlights

- The assets of the Boone-Florence Water Commission exceeded its liabilities at the close of the most recent fiscal year by \$28,677,796 (net position). Of this amount, \$15,434,025 (unrestricted net position) may be used to meet the Commission's ongoing obligations.
- The commission's total net position increased by \$3,411,655.
- The Boone-Florence Water Commission's total debt decreased by \$2,400,000 (18.6 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Boone-Florence Water Commission's basic financial statements. The Boone-Florence Water Commission's basic financial statements comprise of three components: 1) Commission-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements.

Commission-wide Financial Statements

The Commission-wide financial statements are designed to provide readers with a broad overview of the Boone-Florence Water Commission finances, in a manner similar to a private-sector business.

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Boone-Florence Water Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission consists of one proprietary fund.

Proprietary Funds

The Boone-Florence Water Commission maintains one proprietary fund: Enterprise funds are used to report the same functions presented as business-type activities in the commission-wide financial statements. The Boone-Florence Water Commission uses an enterprise fund to account for all activities.

Proprietary funds provide the same type of information as commission-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the commission-wide and fund financial statements.

Commission-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Boone-Florence Water Commission, assets exceeded liabilities by \$28,677,796 at the close of the most recent fiscal year.

Net Position

	Business-type Activities		
	2024	2023	2022
Current & other assets	\$ 21,064,994	\$ 18,949,572	\$ 18,115,614
Capital assets	19,301,011	20,228,619	21,114,826
Total assets	<u>40,366,005</u>	<u>39,178,191</u>	<u>39,230,440</u>
Long-term liabilities	7,926,787	10,388,896	12,766,004
Other liabilities	3,761,422	3,523,154	3,544,851
Total liabilities	<u>11,688,209</u>	<u>13,912,050</u>	<u>16,310,855</u>
Net position:			
Net investment in capital assets	8,904,638	7,398,551	5,926,064
Restricted	4,339,133	4,290,161	4,264,168
Unrestricted	15,434,025	13,577,429	12,729,353
Total net position	<u>\$ 28,677,796</u>	<u>\$ 25,266,141</u>	<u>\$ 22,919,585</u>

At the end of the current fiscal year, the Boone-Florence Water Commission can report positive balances in all three categories of net position.

There was an increase of \$48,972 in restricted net position reported in connection with the Boone-Florence Water Commission's business-type activities. These amounts represent the various funds restricted for the repayment of debt and ongoing construction needs.

During the year ended June 30, 2024, the Commission transferred \$231,188 to the Additions & Extension account (Construction Reserve) in anticipation of future planned construction.

The Commission's total net position increased by \$3,411,655 during the current fiscal year. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

Changes in Net Position

	Business-type Activities		
	2024	2023	2022
Revenues:			
Program revenues:			
Water revenue	\$ 16,216,252	\$ 15,809,810	\$ 15,332,379
General revenues:			
Interest income	712,846	470,283	160,538
Earned revenues on yield spread	56,586	56,586	56,586
Investment income	60,805	-	-
Total revenues	<u>17,046,489</u>	<u>16,336,679</u>	<u>15,549,503</u>
Expenses:			
Operating expenses	13,040,361	13,252,931	12,926,807
Interest expense	425,069	505,526	580,073
Investment loss	-	62,262	264,050
Contract termination fees	169,404	169,404	169,404
Total expenses	<u>13,634,834</u>	<u>13,990,123</u>	<u>13,940,334</u>
Change in net position	3,411,655	2,346,556	1,609,169
Net position - beginning of year	25,266,141	22,919,585	21,310,416
Net position - end of year	<u>\$ 28,677,796</u>	<u>\$ 25,266,141</u>	<u>\$ 22,919,585</u>

Business-type Activities

Business-type activities increased the Boone-Florence Water Commission's net position by \$3,411,655, accounting for 45.5 percent of the total growth in the commission's net position. Key elements of this increase are as follows.

- Water Revenue increased by 2.6 percent, which is a consistent figure since there was no rate increase in the current fiscal year.
- Operating Expenses also decreased by 1.6 percent in the current fiscal year due to very consistent spending.
- Interest Expense decreased by 15.9 percent in the current fiscal year and Interest Income increased by 51.6 percent in the current fiscal year.
- There was investment income in the current fiscal year of \$60,805.

Capital Asset and Debt Administration

Capital Assets

The Boone-Florence Water Commission's investment in capital assets for its business type activities as of June 30, 2024, amounts to \$38,898,238. This investment in capital assets includes land, water system, improvements, and equipment. There was an increase of \$14,113 in construction in progress in the Boone-Florence Water Commission's investment in capital assets for the current fiscal year.

	Business-type Activities		
	2024	2023	2022
Land	\$ 1,203,323	\$ 1,203,323	\$ 1,203,323
Water system & improvements	37,616,480	37,616,480	37,616,480
Equipment	7,117	7,117	7,117
Construction in progress	71,318	57,205	-
Totals	<u>\$ 38,898,238</u>	<u>\$ 38,884,125</u>	<u>\$ 38,826,920</u>

Additional information on the capital assets can be found in note G.

Long-term Debt

At the end of the current fiscal year, the Boone-Florence Water Commission had total debt outstanding \$10,490,000. The Commission's debt represents bonds secured solely by the water sales of the Commission.

	Business-type Activities		
	2024	2023	2022
2010 Revenue bond payable	<u>\$ 10,490,000</u>	<u>\$ 12,890,000</u>	<u>\$ 15,215,000</u>
Totals	<u>\$ 10,490,000</u>	<u>\$ 12,890,000</u>	<u>\$ 15,215,000</u>

Additional information on the long-term debt can be found in notes I and J.

Subsequent Year's Budget

The budget for the fiscal year ending June 30, 2025, includes the following major capital projects:

- Double Eagle Pump Station – expected to begin in January 2025 and spend an estimated \$529,584.
- Global Way Tank & Pump Station – expected to begin in January 2025 and spend an estimated \$1,000,000.
- NW Transmission Main – expected to begin in December 2024 and will spend an estimated \$14,100,000.

With these large expenditures on capital projects coming up over the next few fiscal years, the Commission is planning on restructuring the current bond to pay it off as well as adding additional funds to the new bond so that it can pay for these estimated costs over the next few fiscal years. The Commission currently has all three projects out for bid and will update the budgeted amounts once the bids are received and the board approves final contract amounts.

Requests for Information

This financial report is designed to provide a general overview of the Boone-Florence Water Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Commission office at 2475 Burlington Pike, Burlington, KY 41005.

Jeff Eger

Jeff Eger
General Manager

BOONE-FLORENCE WATER COMMISSION STATEMENTS OF NET POSITION June 30, 2024 and 2023
--

Assets	2024	2023
Current assets		
Cash and cash equivalents	\$ 6,525,996	\$ 4,665,744
Investments	2,423,880	2,808,301
Reserve for depreciation, investment cash and equivalents	540,443	37,359
Construction fund	4,949,648	4,718,460
Accounts receivable - customers	1,613,742	1,575,336
Interest receivable	6,850	6,850
Prepaid insurance	13,557	19,211
Total current assets	<u>16,074,116</u>	<u>13,831,261</u>
Restricted assets		
Sinking fund	1,509,554	1,467,582
Bond reserve fund	2,860,175	2,860,175
Total restricted assets	<u>4,369,729</u>	<u>4,327,757</u>
Capital assets		
Land	1,203,323	1,203,323
Water system	37,562,051	37,562,051
Improvements	54,429	54,429
Equipment	7,117	7,117
Construction in progress	71,318	57,205
Less: accumulated depreciation	<u>(19,597,227)</u>	<u>(18,655,506)</u>
Total capital assets, net of depreciation	<u>19,301,011</u>	<u>20,228,619</u>
Total assets	39,744,856	38,387,637
Deferred outflows of resources		
Unamortized termination agreement costs, net of amortization	<u>621,149</u>	<u>790,554</u>
Total assets and deferred outflows of resources	<u>40,366,005</u>	<u>39,178,191</u>

Continued on page 10

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

BOONE-FLORENCE WATER COMMISSION STATEMENTS OF NET POSITION - Continued June 30, 2024 and 2023
--

Liabilities	2024	2023
Current liabilities payable from current assets		
Accounts payable - general	1,259,027	1,035,863
Current portion of bond payable	2,485,000	2,400,000
Withheld and accrued liabilities	2,213	8,523
Total current liabilities payable from current assets	<u>3,746,240</u>	<u>3,444,386</u>
Current liabilities payable from restricted assets		
Accrued interest payable	30,596	37,596
Total current liabilities payable from restricted assets	<u>30,596</u>	<u>37,596</u>
Long-term liabilities payable from restricted assets		
Bonds payable	8,005,000	10,490,000
Less: unamortized bond discount	(78,213)	(101,104)
Total long-term liabilities payable from restricted assets	<u>7,926,787</u>	<u>10,388,896</u>
Total liabilities	11,703,623	13,870,878
Deferred inflows of resources		
Deferred revenue on yield spread	(15,414)	41,172
Total liabilities and deferred inflows of resources	<u>11,688,209</u>	<u>13,912,050</u>
Net position		
Net investment in capital assets	8,904,638	7,398,551
Restricted	4,339,133	4,290,161
Unrestricted	15,434,025	13,577,429
Total net position	<u>\$ 28,677,796</u>	<u>\$ 25,266,141</u>

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

BOONE-FLORENCE WATER COMMISSION**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues		
Water sales	\$ 16,216,252	\$ 15,809,810
Total operating revenues	<u>16,216,252</u>	<u>15,809,810</u>
Operating expenses		
Accounting	15,770	9,865
Bank service charges	654	345
Contractual services	157,862	80,571
Depreciation expense	941,721	943,412
Employee benefits - general manager	7,289	12,364
Insurance expense	33,022	25,895
Lawn care	10,045	6,790
Legal fees	40,110	29,445
Materials and supplies	3,263	4,410
Organizations and seminars	1,379	1,148
Postage and delivery	-	48
Purchased power	161,661	171,247
Purchased water	10,948,391	11,530,284
Salaries and wages - commission	2,500	14,500
Salaries and wages - general manager	118,965	90,966
Storage facility maintenance	579,848	313,050
Storm water runoff	304	318
Taxes other than income taxes	9,932	9,592
Telephone	7,645	8,681
Total operating expenses	<u>13,040,361</u>	<u>13,252,931</u>
Operating income	3,175,891	2,556,879
Non-operating income (expense)		
Earned revenue on yield spread	56,586	56,586
Interest income	712,846	470,283
Investment gain (loss)	60,805	(62,262)
Interest expense	(425,069)	(505,526)
Amortization of contract termination costs	(169,404)	(169,404)
Net income	3,411,655	2,346,556
Net position, beginning of year	<u>25,266,141</u>	<u>22,919,585</u>
Net position, end of year	<u>\$ 28,677,796</u>	<u>\$ 25,266,141</u>

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

BOONE-FLORENCE WATER COMMISSION STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2024 and 2023
--

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash received from customers	\$ 16,177,846	\$ 15,656,672
Cash paid to suppliers for services and water	(11,729,757)	(12,228,890)
Cash paid to or on behalf of employees for services	(146,375)	(123,580)
Change in cash from operating activities	<u>4,301,714</u>	<u>3,304,202</u>
Cash flows from investing activities		
Purchases and sales of investments	440,005	650,786
Interest on investments	712,846	470,283
Change in cash from investing activities	<u>1,152,851</u>	<u>1,121,069</u>
Cash flows from capital and related financing activities		
Increase in restricted funds	(41,972)	(19,696)
Transfers of reserve for depreciation, cash equivalents	(734,272)	(3,334,931)
Principal payments on long-term debt	(2,400,000)	(2,325,000)
Interest on long-term debt	(418,069)	(499,229)
Change in cash from capital and related financing activities	<u>(3,594,313)</u>	<u>(6,178,856)</u>
Total change in cash and cash equivalents	1,860,252	(1,753,585)
Cash and cash equivalents-beginning of year	<u>4,665,744</u>	<u>6,419,329</u>
Cash and cash equivalents-end of year	<u>\$ 6,525,996</u>	<u>\$ 4,665,744</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,175,891	\$ 2,556,879
Depreciation	941,721	943,412
Changes in operating assets and liabilities		
Increase in accounts receivable	(38,406)	(153,138)
Decrease (increase) in prepaid insurance	5,654	(9,137)
Increase (decrease) in accounts payable	223,164	(38,804)
(Decrease) increase in withheld and accrued liabilities	(6,310)	4,990
Net cash provided by operating activities	<u>\$ 4,301,714</u>	<u>\$ 3,304,202</u>
Supplemental information		
Interest paid	<u>\$ (418,069)</u>	<u>\$ (499,229)</u>

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

BOONE-FLORENCE WATER COMMISSION NOTES TO THE FINANCIAL STATEMENTS June 30, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Boone-Florence Water Commission (Commission) was formed on November 24, 1998 by an executive order of the Judge Executive of Boone County, Kentucky in accordance with K.R.S. 74.420. The Commission was formed to provide an integrated water delivery system to Boone County’s two water service providers, the Boone County Water District and the City of Florence Water Department. The Commission is governed by a Board of Commissioners and is an independent reporting entity.

Basis of Accounting

The Commission’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Commission applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Commission has adopted GASB Statements 34 through 68, and related interpretations issued through June 30, 2023. Statement 34 and subsequent statements and interpretations required changes in terminology, format and content, as well as inclusion of the management’s discussion and analysis as required supplementary information. The Commission does not pay into a retirement system for its one employee, therefore no GASB 68 disclosures are required.

All activities of the Commission are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Commission is determined by its measurement focus. The transactions of the Commission are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations are included on the statements of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into “net investment in capital assets”; “restricted”; and “unrestricted” components.

Prepays

Prepays record payments to vendors that benefit future reporting periods, such as insurance.

Allowance for Bad Debts

The Commission uses the direct write-off method to account for bad debts. If they used the allowance method, there would be no significant variation in recognizing bad debt expense.

BOONE-FLORENCE WATER COMMISSION NOTES TO THE FINANCIAL STATEMENTS June 30, 2024 and 2023

Cash Equivalents

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

Income Tax Status

The Commission is exempt from federal and state income taxes since it is a political subdivision of the Boone County Fiscal Court. Accordingly, the financial statements include no provision for income taxes.

Purchased Water Costs

The Commission is dependent on the Greater Cincinnati Water Works as its sole supplier of water. The Commission signed agreements with the City of Cincinnati to provide this water service through March 1, 2033.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sale of fixed assets and interest income.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission currently only has one item that qualifies for reporting in this category. A previous water supplier imposed a severance penalty on the Commission for early termination of the contract. This penalty is set up as deferred termination costs and is being amortized over 30 years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has only one item that qualifies for reporting in this category and it is deferred revenue created from a yield spread from the reacquisition of indebtedness. Accordingly, the item unavailable revenues, is reported only in the balance sheet. The Commission reports unavailable revenues from various sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts have become available.

BOONE-FLORENCE WATER COMMISSION NOTES TO THE FINANCIAL STATEMENTS June 30, 2024 and 2023

NOTE B – DEPOSITS/UNRESTRICTED ASSETS

Deposits consist of an operation and maintenance (O&M) checking account, a construction fund account, and two bond reserve management accounts. The cash accounts are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the statements of net position as “Cash and Cash Equivalents” and “Restricted Assets”. The bank balances were \$6,525,996 and \$4,665,744 in the O&M account at June 30, 2024 and 2023, respectively. The Commission has historically maintained updated collateral agreements with the bank; the depository amounts at June 30, 2024 and 2023 were fully collateralized.

NOTE C – INVESTMENTS

In 2016, the Commission redeemed certificates of deposit and reclassified and invested those funds into an investment portfolio in which \$2 million dollars is restricted and which has a higher rate of return. This portfolio consists of U.S. Treasuries, U.S. Agency Debt, Mutual Funds and Money Market Funds authorized by state law.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments’ fair value measurements and associated levels are as follows at June 30, 2024:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 2,426,993	\$ 2,426,993	\$ -	\$ -
Total debt securities	<u>2,426,993</u>	<u>2,426,993</u>	<u>-</u>	<u>-</u>
Equity securities:				
Mutual funds	422,597	422,597	-	-
Total equity securities	<u>422,597</u>	<u>422,597</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents				
Money market funds	105,093	105,093	-	-
Total investments	<u>\$ 2,954,683</u>	<u>\$ 2,954,683</u>	<u>\$ -</u>	<u>\$ -</u>

BOONE-FLORENCE WATER COMMISSION NOTES TO THE FINANCIAL STATEMENTS June 30, 2024 and 2023

Investments' fair value measurements and associated levels are as follows at June 30, 2023:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 1,521,869	\$ 1,521,869	\$ -	\$ -
U.S. agencies (FNMA, etc.)	868,304	868,304	-	-
Total debt securities	<u>2,390,173</u>	<u>2,390,173</u>	<u>-</u>	<u>-</u>
Equity securities:				
Mutual funds	418,128	418,128	-	-
Total equity securities	<u>418,128</u>	<u>418,128</u>	<u>-</u>	<u>-</u>
Subtotal investments	<u>2,808,301</u>	<u>2,808,301</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents				
Money market funds	29,182	29,182	-	-
Total investments	<u>\$ 2,837,483</u>	<u>\$ 2,837,483</u>	<u>\$ -</u>	<u>\$ -</u>

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities.

NOTE D – CONSTRUCTION FUNDS

The Commission maintains a separate checking account for construction funds. These funds are designated for construction purposes. The account balance of this fund at June 30, 2024 and 2023 were as follows:

Account	2024	2023
Additions and extensions account	<u>\$ 4,949,648</u>	<u>\$ 4,718,460</u>
Total construction funds	<u>\$ 4,949,648</u>	<u>\$ 4,718,460</u>

NOTE E – RESTRICTED FUNDS – BOONE-FLORENCE WATER COMMISSION WATER REVENUE BOND AND INTEREST RESERVE

For the years ended June 30, 2024 and 2023, the Commission was required to maintain a sufficient portion of revenues to allow for principal and interest on its Series 2010 bond. In order to comply with the requirement of this bond, the Commission maintained funds in two separate accounts consisting of one reserve fund and one payment (sinking) fund as of June 30, 2024. Monthly, funds are deposited into the main operating account. At time of interest and principal payment, money is transferred from the main operating account into the sinking fund and from that account the payments of principal and interest are made. Interest is earned on each of these accounts.

BOONE-FLORENCE WATER COMMISSION NOTES TO THE FINANCIAL STATEMENTS June 30, 2024 and 2023

The account balances of these restricted funds at June 30, 2024 and 2023 were as follows:

Fund	Balance at June 30,	
	2024	2023
2010 Bond reserve fund	\$ 2,860,175	\$ 2,860,175
2010 Sinking fund	1,509,554	1,467,582
Total restricted funds	<u>\$ 4,369,729</u>	<u>\$ 4,327,757</u>

There was no activity, other than the interest deposits into the reserve fund during the year ended June 30, 2024. Interest earned on the 2010 reserve fund is periodically swept from the reserve fund into the 2010 sinking fund. Total deposits to the main operating account and subsequently into the sinking fund were \$2,860,946 and \$2,842,857 respectively, in 2024 and 2023. Total withdrawals for payments from the sinking fund were \$2,818,974 and \$2,823,161 respectively, in 2024 and 2023.

NOTE F – TERMINATION AGREEMENTS

When the Commission was formed in 1998, the City of Florence Water Department and the Boone County Water District incurred a severance penalty from their previous supplier, the Northern Kentucky Water District. The original amount of these termination costs was \$5,082,120, which is to be amortized over a period of 30 years. The balance of deferred termination costs was \$621,149 and \$790,554 at June 30, 2024 and 2023, respectively. The Commission’s future amortization expense for termination agreements is detailed in the following schedule:

Year Ended June 30,	Termination Agreement Costs
2025	\$ 169,404
2026	169,404
2027	169,404
2028	112,937
Total	<u>\$ 621,149</u>

NOTE G – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. Useful lives of capitalized improvements and the water system maintained by the Commission are 15 and 40 years, respectively.

Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

BOONE-FLORENCE WATER COMMISSION NOTES TO THE FINANCIAL STATEMENTS June 30, 2024 and 2023

The fixed asset balances at June 30, 2024 and 2023 are as follows:

Type of Asset	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024
Land	\$ 1,203,323	\$ -	\$ -	\$ 1,203,323
Construction in progress	57,205	14,113	-	71,318
Equipment	7,117	-	-	7,117
Improvements	54,429	-	-	54,429
Water system	37,562,051	-	-	37,562,051
Subtotal	38,884,125	14,113	-	38,898,238
Less: accum. depreciation	(18,655,506)	(941,721)	-	(19,597,227)
Total assets	<u>\$ 20,228,619</u>	<u>\$ (927,608)</u>	<u>\$ -</u>	<u>\$ 19,301,011</u>

Depreciation expenses were \$941,721 and \$943,412 for 2024 and 2023, respectively.

NOTE H – CONSTRUCTION WORK IN PROGRESS

The Commission had construction work in progress of \$14,113 and \$57,205 at June 30, 2024 and 2023, respectively.

NOTE I – WATER REVENUE BONDS SERIES 2010

On December 1, 2010, the Commission issued a water system refunding revenue bond in the amount of \$29,990,000 in order to refund a portion of its Series 2001 revenue bonds. The interest rate on this debt varies between 3.25% and 3.50%. Interest is payable semi-annually on the first day of June and December of each year. The first payment of principal was due on December 1, 2011, and maturity occurs on December 1, 2027.

The future minimum cash requirements are as follows:

Year Ending June 30,	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2025	3.50%	\$ 2,485,000	\$ 316,415	\$ 2,801,415
2026	3.50%	2,580,000	227,500	2,807,500
2027	3.50%	2,665,000	134,465	2,799,465
2028	3.50%	2,760,000	40,250	2,800,250
Totals		<u>\$ 10,490,000</u>	<u>\$ 718,630</u>	<u>\$ 11,208,630</u>

NOTE J – DEFERRED REVENUE ON YIELD SPREAD

When the 2010 Series bond was issued, the new issuance was at a much lower yield than the original 2001 Series bond held by the Commission. Additional cash was received as bond source funds from Bank of America to compensate for the difference in the bond spread. The amount received for the 2010 bond series was \$665,000. This revenue will be recognized as earned over the lifetime of the

BOONE-FLORENCE WATER COMMISSION NOTES TO THE FINANCIAL STATEMENTS June 30, 2024 and 2023

bond, instead of being recognized as one lump-sum amount in the year received. As of June 30, 2024, the balance remaining as deferred revenue on the 2010 bond issuance was (\$15,414), with total annual reductions of the deferral of \$56,586.

NOTE K – CONCENTRATION OF RISK

The Boone-Florence Water Commission has two customers, the City of Florence Water Department and the Boone County Water District, and one vendor, the Greater Cincinnati Water Works. Both customers have signed agreements to purchase water from the Commission through March 1, 2033. A failure of any of the aforementioned entities would have severe effects on the Commission's ability to meet its obligations.

NOTE L – REPORTING FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board's Statement No. 68 (GASB 68) *Accounting and Financial Reporting for Pensions* provides accounting and financial reporting guidance for state and local government employee pension systems. The Government Accounting Standards Board's Statement No. 75 (GASB 75) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* provides accounting and financial reporting guidance for state and local government employee OPEB systems. GASB 68 and 75 required governmental entities to disclose their proportionate share of the net pension liability and net OPEB liability of any pension and OPEB system in which they participate. The Commission is not a member of any pension or OPEB system, does not contribute to any pension or OPEB system on behalf of its one employee, and has no proportionate share of the net pension liability or net OPEB liability; therefore, these standards have no effect on Commission financial statements.

NOTE M – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 99 – *Omnibus 2020*, Para. 4-10 – This standard has no significant impact on the Commission.

Statement No. 100 – *Accounting Changes and Error Corrections* – This standard has no significant impact on the Commission.

Statement No. 101 – *Compensated Absences* – This standard has no significant impact on the Commission.

NOTE N – FUTURE ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Implementation in FY 2025

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in FY 2026

NOTE O – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2024, which represents the date the financial statements were available to be issued. The Commission did not have any events subsequent to June 30, 2024 through September 25, 2024 to disclose.

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

**To the Board of Commissioners
Boone-Florence Water Commission
Burlington, 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 Boone-Florence Water Commission, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Boone-Florence Water Commission's basic financial statements, and have issued our report thereon dated September 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Boone-Florence Water Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boone-Florence Water Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Boone-Florence Water Commission'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boone-Florence Water Commission'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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Certified Public Accountants

Erlanger, Kentucky

September 25, 2024

APPENDIX C-2

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY
FOR THE FISCAL YEAR ENDING JUNE 30, 2023

[this page intentionally left blank]

Annual Comprehensive Financial Report



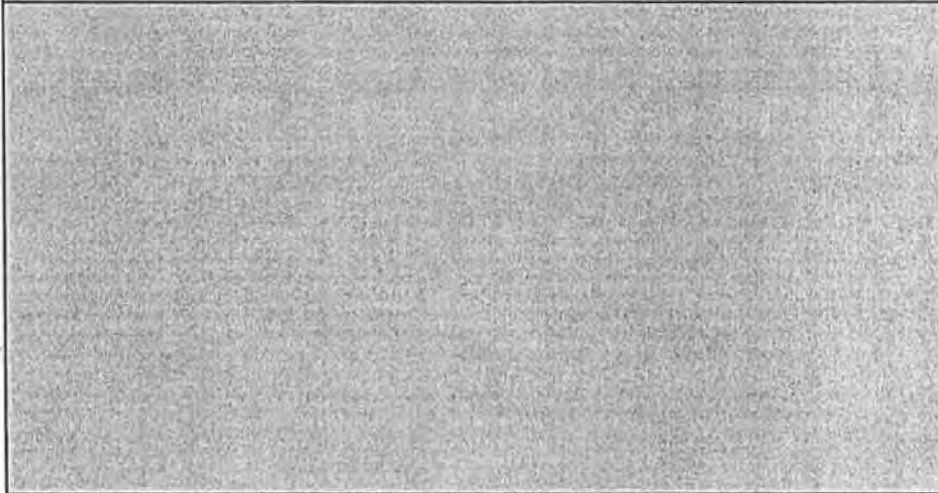
YEAR ENDED:
June 30, 2023



CITY OF FLORENCE, KENTUCKY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2023



Prepared by:
Linda J. Chapman
CFO/HR

CITY OF FLORENCE, KENTUCKY
ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2023

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal.....	1
List of Principal Officials	5
GFOA Certificate of Achievement.....	6
Organizational Chart.....	7

FINANCIAL SECTION

Independent Auditor's Report.....	9
Management's Discussion and Analysis.....	13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	25
Statement of Activities.....	26
Fund Financial Statements	
Balance Sheet-Governmental Funds.....	27
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities.....	29
Statement of Net Position - Proprietary Funds.....	30
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	31
Statement of Cash Flows - Proprietary Funds.....	32
Notes to the Financial Statements.....	33
Required Supplementary Information:	
Budgetary Comparison Schedule - Budget and Actual - General Fund.....	61
Budgetary Comparison Schedule - Budget and Actual - Infrastructure Fund.....	63
Schedule of City Contributions - Pension.....	64
Schedule of Proportionate Share of Net Pension Liability - Non-hazardous and Hazardous.....	65
Schedule of City Contributions - OPEB.....	66
Schedule of Proportionate Share of Net OPEB Liability - Non-hazardous and Hazardous.....	67
Notes to Required Supplementary Information.....	68

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet	
Non-Major Governmental Funds.....	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Non-Major Governmental Funds.....	70
Schedule of Revenues, Expenditures and Changes in	
Fund Balances-Budget and Actual - Municipal Aid Fund.....	71
Schedule of Revenues, Expenditures and Changes in	
Fund Balances-Budget and Actual - Asset Forfeiture Fund.....	72
Schedule of Revenues, Expenditures and Changes in	
Fund Balances-Budget and Actual - Aquatic Center Fund.....	73

STATISTICAL SECTION

Financial Trends:

Net Position by Component.....	75
Changes in Net Position.....	76
Governmental Activities Tax Revenues by Source.....	78
Fund Balances of Governmental Funds.....	79
Changes in Fund Balances of Governmental Funds.....	80

Revenue capacity:

Governmental Activities Tax Revenues by Source.....	82
Assessed Value of Taxable Property.....	83
Property Tax Rates - Direct and Overlapping Governments.....	84
Principal Property Taxpayers.....	85
Property Tax Levies and Collections.....	86

Debt capacity:

Ratios of Outstanding Debt by Type.....	87
Ratios of General Bonded Debt Outstanding.....	88
Direct and Overlapping Governmental Activities Debt.....	89
Legal Debt Margin Information.....	90
Pledged - Revenue Coverage.....	91

Demographic and Economic Information:

Demographic and Economic Statistics.....	92
Principal Employers.....	93

Operating Information:

Full-time equivalent City Government Employees by Function.....	94
Operating Indicators by Function.....	95
Capital Assets Statistics by Function.....	96

**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.....**

INTRODUCTORY SECTION

OFFICE OF THE FINANCE DIRECTOR

October 31, 2023

To the Mayor, City Council and Citizens of the City of Florence, Kentucky:

State law requires that all general-purpose local governments publish within seven months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence for the fiscal year ended June 30, 2023.

This report consists of management's representations concerning the finances of the City of Florence. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Florence has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Florence's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Florence's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Florence's financial statements have been audited by Chamberlin Owen and Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Florence for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Florence's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and

Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Florence's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Florence, founded in 1830, is located in the northern most part of the state, situated in Boone County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City of Florence currently occupies a land area of 10.73 square miles and serves an estimated population of 32,618. The City of Florence is empowered to levy numerous sources of revenue including its major sources payroll tax, business license tax, insurance premiums tax and a property tax on both real and personal properties. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Florence operates under the Mayor/Council form of government. Legislative authority is vested in the City Council, consisting of six City Council members. The Mayor is the executive authority. The City Council is responsible, among other things for passing ordinances, adopting the budget and appointing members to various boards. The Mayor approves the hiring of all full time employees. The City Coordinator reports directly to the Mayor and is responsible for carrying out policies and ordinances of the City Council and is responsible for the development of short and long range planning, capital improvement programs and running the day-to-day operations of the city. The City Council is elected on a non-partisan basis. The Mayor serves based upon a 4-year term and the City Council serve based upon a 2-year term. The next election for the Office of Mayor will be held in 2026 with the Mayor to take office January 1, 2027. The next election for City Council will be held in 2024 with the Council to take office on January 1, 2025.

The City of Florence provides a full range of services, full time professional police force and full time professional fire protection; advanced life support medic services; street maintenance and improvement; water and sewer services; storm water collection; a full range of recreational facilities and activities; cultural events; planning and zoning and code enforcement.

The annual budget serves as the foundation for the City of Florence's financial planning and control. All departments of the City of Florence are required to submit requests for appropriation to the City Coordinator. The City Coordinator uses these requests as the starting point for developing a proposed budget. The City Coordinator then presents this proposed budget to the Mayor for review. The Mayor and City Coordinator then present the budget to the City Council for review. Then, City Council budget work sessions are held on the proposed budget. The final budget is adopted by July 1. The appropriated budget is prepared by fund and department (e.g., police). Expenditures may not legally exceed budgeted appropriations at the departmental level. Any revisions to the budget that would alter total revenues and department expenditures of any fund must be approved by the City Council.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Florence operates.

Local economy. Florence's location is a major factor in allowing it to become an economic force in the Greater Cincinnati/Northern Kentucky region. Also, the consistent and persistent effort put forth by Florence's elected and appointed officials and other community leaders over the past twenty years has positioned the City very well.

The focus on financial management and economic development has established the City as a center of commerce in the Greater Cincinnati and northern Kentucky region. Private investment and job growth continue in the city. Continuing efforts are paying dividends, and the City is experiencing successes from large to small, all of which are very important to our community.

The City continues to implement its annual plan to upgrade the City's infrastructure. Contractors were hired and are replacing certain sidewalks and curbs and are repaving City streets. The City has continuing plans to upgrade the water and sewer system as well as the storm water infrastructure during the upcoming year. In addition to the annual plan, the City maintains a rolling five-year capital plan for infrastructure, equipment and vehicles. The plan is in place to address departmental needs and determine capital funding needs for the future. Major infrastructure improvements such as streets, water and sewer have \$50,000 annual increases. All other amounts are at estimated actual costs.

The City does have two major projects planned for fiscal year 2023 that will carry over into fiscal year 2024 for the stadium clubhouse and the new fire station. For fiscal year 2024 there are a few planned projects such as Phase II of the Main Street revitalization project, the Mall Road connector and sidewalks for New Buffington Road. However, this is always subject to change. All projects and operations in the rolling five-year plan have been provided for with the City's current reserves. The recent addition of additional personnel and wage increases as part of operations will have a slight impact on reserves moving forward but are inclusive in the plan. There are not any major future capital projects or operational plans that will have a significant impact on the budget past the five-year plan. The final debt service amounts will be retired in September of 2027. As stated above, the City is focused on being in "maintain" mode to be able to attract the business and resident mix necessary to preserve this viable community. Without the continuous upkeep of the many features, infrastructure and amenities, this community will suffer and that could potentially have a measurable impact on the long-range plans of the City. The City has always looked past the five-year plan to assess what future maintenance needs will transpire for the City as whole and how will we be able to fund those needs. That is one of the reasons that the City has accumulated \$82.9 million in reserves knowing the importance of having a future funding mechanism for financial stability.

There were several state transportation projects that were started during the year that are all of great benefit to the residents, visitors and businesses of the City. In addition, the City is moving forward with additional enhancements to Mall Road by widening turn lanes. The City has also completed numerous sidewalk, street improvements, storm water, sanitary sewer and water improvements throughout areas of the City. In addition, the City has continued the Main Street streetscape project to revitalize the area and spur redevelopment and has plans to add sidewalks to New Buffington Road for connectivity.

Long-term financial planning. The five-year capital and operating budget plan referenced above serves as a basis for the City's strategic plan. This plan carries out the City's vision as adopted by the City Council. Long-term future sustainability is the primary focus of the budget plans.

The City is continuing to explore the possibility of adding amenities to existing parks. In addition, there is ongoing exploration on how to improve the traffic flow through the retail districts. After the completion of the projects mentioned in the paragraphs above, there are no large construction projects planned.

Relevant Financial Policies

The City of Florence has adopted a comprehensive set of financial policies addressing various areas of operations such as revenue collection, banking services, investment policies, debt management, budget management and fund balance reserves.

The unassigned fund balance in the general fund is 135.02% of total general fund revenues and falls within policy guidelines. The City strives to maintain at least 25 percent of total general fund revenues so as to reduce amounts that may need to be borrowed in the future.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Florence for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This was the twentieth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. However, we believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the departments of Finance and Administration. Each member of both departments has my sincere appreciation for the contribution made in the preparation of this report. Credit must also be given to the Mayor and Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Florence's finances.

Respectfully submitted,



Linda J. Chapman
CFO/HR

CITY OF FLORENCE, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

June 30, 2023

Mayor

Dr. Julie Metzger Aubuchon

Council Members

Mel D. Carroll
Lesley Chambers
Jenna Kemper
David A. Osborne
Patricia J. Wingo
Gary Winn

Staff

City Clerk - Melissa A. Kramer
CFO/HR - Linda J. Chapman
City Attorney - Thomas R. Nienaber
City Engineer - William R. Viox
Director of Public Services - Robert E. Hall
Chief of Police - Tom A. Grau
Fire/E.M.S. Chief - Rodney E. Wren



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

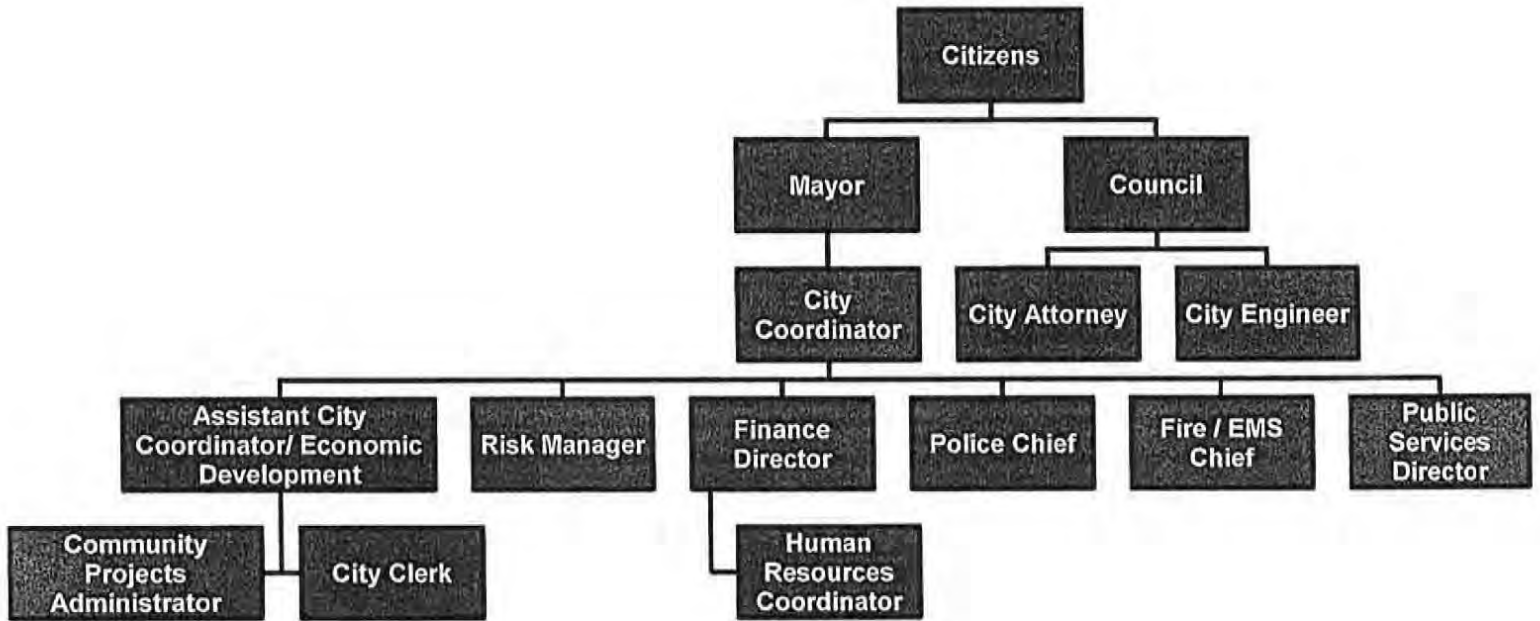
**City of Florence
Kentucky**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



Organizational Chart 2024

Total Employees: 244 Full Time
 2 Part Time

This page left blank intentionally.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the Council of the
City of Florence, Kentucky**

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Florence, Kentucky'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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, Kentucky as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. 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 City of Florence, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 City of Florence, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Kentucky'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 City of Florence, Kentucky'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, major fund budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Kentucky's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, on our consideration of the City of Florence, 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 City of Florence, Kentucky'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 City of Florence, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
October 27, 2023

This page has been intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Florence, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the City of Florence, Kentucky for the year ended June 30, 2023. We encourage readers to consider the information in conjunction with the letter of transmittal, which can be found on pages 1-4 in this report.

Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent year by \$203,132,545 (net position). Of this amount \$68,858,462 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$112,966,349. This was a decrease of \$3,314,285 in comparison to the prior year. The decrease was a combination of the City's General fund, Municipal Aid fund, Asset Forfeiture fund and Aquatic Center fund. .

At the end of the current fiscal year, unassigned fund balance for the general fund was \$71,271,828, or 128.99% of total general fund expenditures and transfers.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements encompass three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. These two statements report the City's net assets and changes in them.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference being reported as net position. Over time, the increases and decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base and the condition of the City's infrastructure will also assist in assessing the overall financial health of the City.

The statement of activities presents how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of cash flows. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, license fees and intergovernmental activities which are considered governmental activities, from those functions that are intended to cover all or a significant portion of their costs through user fees and charges which are considered business-type activities. The governmental activities include most of the City's basic services. These include but are not limited to police, fire, street maintenance, parks and recreation, and general administration. The business-type activities include the City's water and sewer service operations and the golf course operations.

The government-wide financial statements include not only the City of Florence itself (known as the primary government), but also the City of Florence Municipal Properties Corporation for which the City is financially accountable.

The government-wide financial statements can be found on pages 25 and 26 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. Some funds are required to be established by State law. However, the City Council establishes many other funds with specific sources of revenue to help it control and manage money for particular purposes (i.e., Infrastructure fund and Aquatic Center fund) or to show that it is meeting legal responsibilities for grant and restricted funds (i.e., Municipal Aid fund and Asset Forfeiture fund). All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Florence maintains four individual governmental funds. Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental financial statements can be found on pages 27-29 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer service operations and the golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its health and dental costs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the water and sewer service and the golf course operations, both of which are considered major funds of the City of Florence. Since there is only one internal service fund, separate information is provided.

The basic proprietary fund financial statements can be found on pages 30-32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 33-60 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary comparison schedules and combining statements and schedules can be found on pages 61-63 and 69-73 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$203,132,545 at the close of the most recent year.

The largest portion of the City's net position (67.29 percent) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt to finance those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the years ended June 30, 2023 and 2022 net position changed as follows amounts in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 132,454	\$ 138,178	\$ 10,450	\$ 9,408	\$ 142,904	\$ 147,586
Capital assets, net	101,929	95,464	34,769	29,107	136,698	124,571
Total assets	<u>234,383</u>	<u>233,642</u>	<u>45,219</u>	<u>38,515</u>	<u>279,602</u>	<u>272,157</u>
Total deferred outflows of resources	13,984	12,759	894	1,034	14,878	13,793
Other liabilities	5,790	8,013	1,150	1,226	6,940	9,239
Long-term liabilities	74,656	67,009	4,675	4,511	79,331	71,520
Total liabilities	<u>80,446</u>	<u>75,022</u>	<u>5,825</u>	<u>5,737</u>	<u>86,271</u>	<u>80,759</u>
Total deferred inflows of resources	4,657	11,486	419	968	5,076	12,454
Net position:						
Net Investment in capital assets	99,745	92,767	34,528	28,632	134,273	121,399
Unrestricted	63,518	67,126	5,341	4,212	68,859	71,338
Total net position	<u>\$ 163,263</u>	<u>\$ 159,893</u>	<u>\$ 39,869</u>	<u>\$ 32,844</u>	<u>\$ 203,132</u>	<u>\$ 192,737</u>

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net position of the City increased 5.39% or \$10,394,965 during the current fiscal year. The increase was mainly attributed to a \$4.4 million ARPA grant and growth in the revenue line items of the governmental activities outpacing the growth in operating and contractual expenses. The water and sewer fund was affected somewhat by the year-end adjustments for GASB 68 and 75. The golf course was undergoing the first phase of a renovation project and was shut down for a period of time. In addition, additional expenses were incurred on the operating side for the renovation project.

The City was required to adopt GASB Statement 68, "Accounting and Financial reporting for Pensions, an amendment of GASB Statement No. 27" during fiscal year 2015 and GASB Statement 75, "Accounting and Financial reporting for Postemployment Benefits Other Than Pensions" in fiscal year 2018. As a result of those adoptions, the City has experienced a slight increase in deferred outflows and decreases in deferred inflows for the current year. However, there was an overall decrease in the pension liability and OPEB liability for both funds in the current year.

Changes in Net Position

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Revenues:				
Program revenues:				
Charges for services	\$ 7,935,672	\$ 7,482,931	\$ 12,193,374	\$ 10,684,704
Operating grants and contributions	898,933	1,139,216	22,660	-
Capital grants	5,093,046	4,983,079	4,349,909	-
General revenues:				
Taxes	42,475,666	38,554,092	-	-
Other	2,382,138	586,287	99,615	10,475
Total revenues	58,785,455	52,745,605	16,665,558	10,695,179
Expenses:				
Administration	6,985,121	6,556,004	-	-
Police	12,060,015	11,303,114	-	-
Fire	12,673,960	10,426,782	-	-
Public services	21,035,228	13,107,216	-	-
Interest on long-term debt	60,422	257,956	-	-
Water and sewer services	-	-	10,385,162	9,080,984
Golf Course	-	-	1,856,140	1,703,584
Total expenses	52,814,746	41,651,072	12,241,302	10,784,568
Increase in net position before transfers and other expenses				
	5,970,709	11,094,533	4,424,256	(89,389)
Transfers	(2,600,000)	(100,000)	2,600,000	100,000
Increase in net position	3,370,709	10,994,533	7,024,256	10,611
Net position - July 1	159,892,943	148,898,410	32,844,637	32,834,026
Net position - June 30	\$ 163,263,652	\$ 159,892,943	\$ 39,868,893	\$ 32,844,637

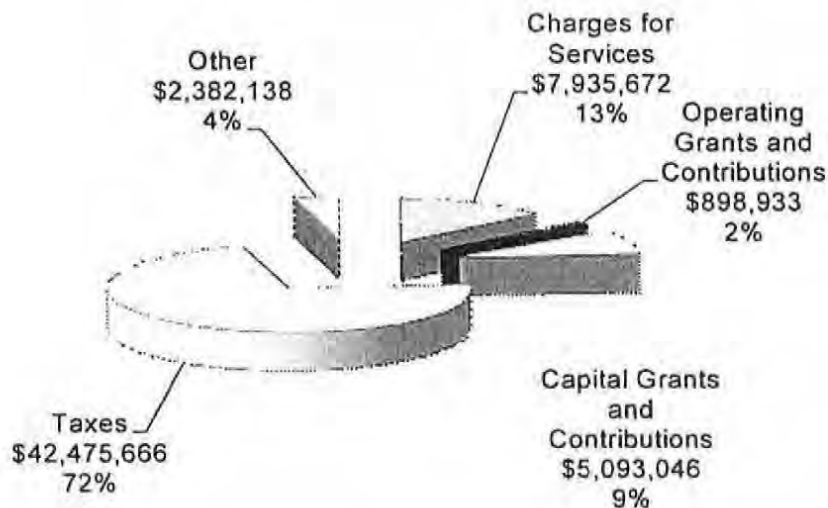
Governmental activities. Governmental activities increased the City's net position by \$3.37 million, thereby accounting for basically 32.43% of the total increase in net position for the year of \$10.39 million. Key elements of this increase are as follows:

- Taxes actually increased \$3.5 million from fiscal year 2022 due to increases in property taxes, payroll taxes and occupational license fees. The payroll tax position increased by \$2.9 million during 2023 despite more employees working from home. This preserved the previous increases from improved economic conditions and increased economic development. The City experienced an increase of \$823,000 in 2023 with occupational license fees due to recovery from COVID 19, no changes in the filing deadline due date and increased enforcement. The insurance premium tax experienced a slight decrease in 2023 of \$139,000 as a result of changes in premiums and the number of policies in the City. The City's property tax revenues did increase as a result of an improvement in assessed values, an increased amount of tangible property

and new developments added to the tax roll. The property tax revenue increased by \$136,000 due to the timing of collections. Economic development in fiscal year 2023 is ongoing with several projects in various stages. Some of those projects will be finished and should be on the tax rolls for the 2023 taxes. The City has not raised the real property tax rate since 2008.

- Grant revenue decreased overall by \$130,000. The capital grants decreased \$110,000 under fiscal year 2022. The America Rescue Plan Act funds were received in both fiscal years 2022 and 2023. These funds will provide for increased infrastructure projects occurring in the next three years including various road, water and sewer and sidewalk projects. Operating grants decreased \$240,000 due to the end of Federal funding received from the CARES Act for COVID 19 relief. These funds received in fiscal year 2022 were in the amount of \$241,000 million and assisted in paying for first responders wages and pension costs.
- There was an increase of \$11.2 million in governmental expenses mainly due to the timing of capital infrastructure long-term projects and capital projects such as Main Street, US 42 widening, KY 18 bridge, World of Golf renovations and the baseball clubhouse. These projects have ended or will be ending during the 2024 fiscal year. There were overall increases to personnel costs and benefit costs in both types of activities. Some of the increase was also the result of entries to record the GASB 68 and GASB 75 liability changes that had an impact due to the increase in the liability this year over the preceding year.

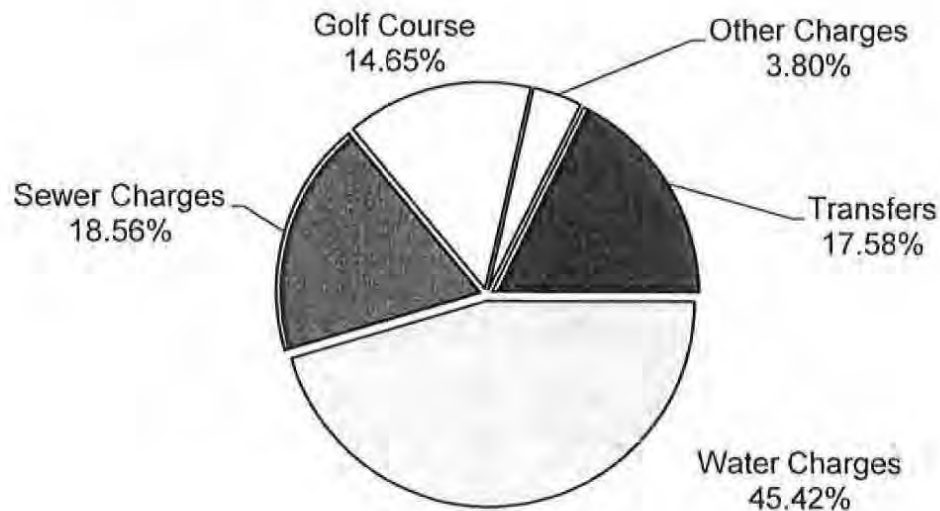
Revenues by Source - Governmental Type Activities



Business-type activities. Business-type activities increased the City's net position by \$7,024,256, accounting for 21.4 percent of the total government's net position. Key elements of this increase are as follows:

- In reviewing the net (expense)/revenue, the water and sewer sales and service function showed net income for the year of \$3,086,596. The net income was primarily the result of a transfer of \$2.5 from the General fund to reimburse for water and sewer projects being covered under the American Rescue Plan Act. Those expense were capitalized as fixed assets in the water and sewer fund. Additional net income amounts were derived from the GASB 68 and 75 entries adjusting deferred outflows, inflows and liabilities. Total operating revenues outpaced expenses in the current year. The revenues increased by \$808,000 due to rate increases for both water and sewer usage and increases in tap fees due to recent developments. The expenses increased by \$477,000. Operating expenses increased by \$429 while depreciation expense increased by \$48,000 due to new projects coming online and being capitalized.
- The Golf Course fund showed net income for the year of \$3,938,000 as a result of a capital contributions for assets. The fund had a net loss from operations of \$512,249 which was the mainly the result of renovations and having the indoor simulator area shut down from November of 2022 thru March of 2023 which also affected the restaurant operations. Revenues increased by \$808,000 and operating expenses did increase by \$858,000 due to higher wages, increase in the number of personnel and renovation type costs. Depreciation expense did increase \$121,000 due to the capital additions. In addition, an operating transfer was made during the year because of the ongoing operating commitments.

Revenues by Source - Business Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the City's government funds reported combined ending fund balances of \$112,966,349, a decrease of \$3,314,285 in comparison with the prior year. Approximately 63.09 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified as nonspendable, committed to or assigned to indicate that it is not available for new spending because of constraints that have been placed on the use of these resources for specific purposes either internally or externally.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$71,271,828 while total fund balance was \$82,945,473. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 128.99 percent of total general fund expenditures and transfers, while total fund balance represents 150.12 percent of that same amount.

The fund balance of the City's general fund decreased by \$2,466,633 during the current fiscal year. Key factors in this growth are as follows:

- Property taxes, payroll taxes and occupational license fees increased and produced results stronger than originally anticipated
- Insurance premium tax experienced a slight decrease due to decreases in premiums and policies within the City boundaries
- The City enacted payroll and insurance premium tax increases on July 1, 2007 that were part of a long-range plan. This enactment has continued to enable the City to build reserves.
- Due to COVID 19 the ARPA program provided \$4.4 million to cover infrastructure projects.
- Several major construction projects were started at the end of fiscal year 2023 and will continued into the current fiscal year that increased the amount of the excess at year-end.
- Operating expenditures are continuing to increase as a result of higher wages, benefit costs and additional personnel in the fire and police departments.

The Municipal Aid Road/LGEA fund has a total fund balance of \$1,293,601, all of which is restricted for street improvements and snow removal expenditures. The net decrease in fund balance during the year was the result of expenditures incurred outpacing the actual revenues incurred during the fiscal year. The Infrastructure fund had a total fund balance of \$25,780,207. The fund balance increased during fiscal year 2023 by \$510,728. In addition, the apportionment of 15% of payroll increased over the

prior year but there were multiple projects planned for fiscal year 2023 that were not able to be started for several reasons. These projects that will be carried over will deplete a portion of the fund balance in the next fiscal year. The Asset Forfeiture fund had an decrease in fund balance of \$83,175 as a result of increased expenditures for the purchase of items to make the police department more efficient. Due to COVID 19 there was also a decrease in revenues received from the Federal government for asset seizures. This started with COVID and has not returned to normal status. The Aquatic Center fund had a fund balance decrease of \$273,408. Management contracted fees along with repairs and maintenance and equipment needs all contributed to this loss. Since the aquatic center is not a money maker, an annual deficit is expected to occur each fiscal year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer service fund at the end of the year amounted to \$4,582,251 and those for the golf course operations amounted to \$757,868. The increase in net position for the Water and Sewer fund was \$3,086,596 due to transfers in, adjustments for GASB 68 and GASB 75 and rate increases. The net income in the golf course fund was \$3,937,660 as a result of capital contributions. Other factors concerning these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General fund budget two times. The budget amendments were to adjust the beginning fund balance to actual and to increase/decrease revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year based on prior year results and current year developments.

In particular, during the first amendment adjustments were made to include additional carryover amounts from the 2022 budget for projects that were started but not completed by June 30, 2022. This was done for expenditures in the General, Infrastructure and Municipal Aid funds. The aquatic center revenues and expenditures were adjust to reflect the pool season numbers. The Water and Sewer fund revenues and expenses were adjusted for the CDBG grant carryover funds. All beginning fund balance amounts were adjusted to reflect the ending balances from the June 30, 2022 audit report.

The second amendment adjusted the departmental expenditures for motor fuel, utilities, supplies, vehicle maintenance and workers compensation. A transfer from the General Fund to the Water and Sewer fund was added for ARPA funds that need to be moved. The Aquatic Center fund revenues and expenditures were adjusted to reflect anticipated amounts for the pool season beginning Memorial Day 2023. The Golf Course fund revenues and expenses had several adjustments. Several revenue line items were increased. Expenses for wages, contractual services, various supplies, utilities and building maintenance were adjusted. The water purchases cost was increased by \$50,000 due to increases in water costs passed on by the City of Cincinnati.

All of the General fund department's actual results came in under the final budgeted amounts. All departments were under budget in the salaries, pension costs and health insurance line items. Travel and training, community relations and supplies exceeded budgeted amounts. Contracted services, special studies and community events had reductions that also contributed to lower than budgeted amounts. Motor fuel costs also came in over budget in all of the departments due to the decrease in the cost of a barrel of oil. In addition, utility costs came in over budget due to rate increases sustained during the year. The overall philosophy implemented in previous years to only make necessary purchases continues to contribute to lower expenditures throughout the City departments.

The current year budget relied on the expectation of relatively flat property tax revenue and slight increases for payroll tax, occupational license fees and increases in insurance premium tax revenues. The property tax, payroll tax, occupation license fees and insurance premium fees resulted in higher than anticipated amounts. Final actual revenue categories exceeded final budgeted revenue amounts by \$3,948,513. This was due to the growth in the revenue for the above mentioned categories as well as charges for services. Another part of this excess can be attributable to the ARPA program funding received in the amount of \$4.2 million. Actual expenditures and transfers came in \$26,732,626 under the budget amounts. The departments continued to monitor expenditures during the year and some major capital projects were not being completed by June 30. As a result of the City's excess revenues, operational expenditure controls coupled with capital improvements not being completed, the City ended the year with a fund balance that was \$30,681,139 greater than what was budgeted.

DEBT AND CAPITAL ASSET ADMINISTRATION

Long-term Debt

At year-end, the City had \$2,430,000 in outstanding bonds compared to \$3,180,000 last year. That is a decrease of \$750,000 or 23.8 percent as shown in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Bonds payable Obligations (backed by fee revenues) \$	-	\$ -	\$ 240,000	\$ 475,000	\$ 240,000	\$ 475,000
Bonds payable (backed by city)	2,190,000	2,705,000	-	-	2,190,000	2,705,000
Totals	\$ 2,190,000	\$ 2,705,000	\$ 240,000	\$ 475,000	\$ 2,430,000	\$ 3,180,000

Additional detailed information on the City's long-term debt can be found in Note E on pages 44-46 of this report.

Capital Assets

At June 30, 2023, the overall capital assets amounted to \$310 million. This amount represents capital assets that include land, water and sewer systems, equipment, vehicles, buildings, park facilities, roads and sidewalks. This represents a net increase of \$20.0 million, or 6.89 percent, over last year due to the investment in street projects, storm water projects, and water and sewer infrastructure improvements. The increase can also be attributed to the replacement of vehicles and equipment during the fiscal year.

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Not being depreciated:				
Land	\$ 12,974,151	\$ 11,380,931	\$ 4,785,542	\$ 4,785,542
Construction in progress	5,128,042	5,500,727	3,877,764	3,440,095
Other capital assets being depreciated:				
Improvements	35,418,272	31,703,421	5,001,567	631,658
Water and sewer system Infrastructure	-	-	53,775,652	51,387,926
Buildings	132,543,498	126,925,395	-	-
Water meters	26,492,598	26,492,598	4,121,449	4,121,449
Machinery and equipment	-	-	1,649,264	1,649,264
Vehicles	7,486,760	7,222,013	1,950,542	2,104,813
	12,609,001	10,783,377	2,044,029	1,844,785
Subtotal	<u>232,652,322</u>	<u>220,008,462</u>	<u>77,205,809</u>	<u>69,965,532</u>
Accumulated depreciation	<u>(130,723,081)</u>	<u>(124,544,485)</u>	<u>(42,417,037)</u>	<u>(40,858,255)</u>
TOTALS	<u>\$ 101,929,241</u>	<u>\$ 95,463,977</u>	<u>\$ 34,788,772</u>	<u>\$ 29,107,277</u>

This year's major additions included:

Business-type activities:

Water and sewer system improvements paid for with system revenues \$ 7,517,000

Governmental-type activities:

The purchase of equipment and vehicles with general fund revenues. 3,344,000

Improvements and street projects paid for with state grant funds
and general fund revenues. 8,462,000

\$ 19,323,000

Additional information on the City's capital assets can be found in Note D on pages 42-43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The upcoming budget brings with it a continuing conservative approach for the revenue amounts. The City of Florence has experienced economic growth during the last three years in the areas of property tax, payroll tax, occupational license fees and insurance premium taxes. Payroll tax revenue was especially strong for the City in the current fiscal year. The City has been successful in dealing with budget realities in a positive manner to remain financially sound. The City has always taken a conservative approach to the forecasting of revenues and using those revenue expectations to benchmark the amount of expenditures and usage of reserves. Even though revenues beat expectations in the prior and current year, this method will suit the City well approaching the next fiscal year. The City has taken an extremely conservative approach to our expenditures to be able to continually provide the highest level of service for the residents. The City will once again reinforce the philosophy about only purchasing that which is deemed to be a necessity. The City will experience some growth due to a few development projects in the beginning stages. The rising cost of wages, supplies, capital projects and all types of insurance, including liability, workers compensation, and health and dental continues to be an annual struggle. In addition, health care reform costs, state mandated retirement contributions and rising utility costs are continuing to increase the annual growth of the City's expenditures. The City is constantly looking for ways to operate the departments more efficiently and effectively. In addition, some changes have been made to the employee benefits to assist in curtailing personnel cost increases in the future.

The City continues to implement its annual plan to upgrade the City's infrastructure. Contractors were hired and are replacing certain sidewalks and curbs and are repaving City streets. The City has continuing plans to upgrade the water and sewer system as well as the storm water infrastructure during the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Office or the Department of Finance at 8100 Ewing Boulevard, Florence, Kentucky.



Linda J. Chapman CPA
CFO/HR

CITY OF FLORENCE, KENTUCKY

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 110,741,123	\$ 7,608,727	\$ 118,349,850
Investments	12,165,650	-	12,165,650
Receivables:			
Property taxes	142,937	-	142,937
Intergovernmental	101,182	-	101,182
Accrued interest	96,582	-	96,582
Accounts	7,644,130	1,699,987	9,344,117
Internal balances	22,396	(22,396)	-
Inventories	278,824	288,678	567,502
Prepays	1,251,271	231,438	1,482,709
Restricted cash and cash equivalents	9,618	643,153	652,771
Capital assets(net of accumulated depreciation)			
Land	12,974,151	4,785,542	17,759,693
Construction in progress	5,128,042	3,877,764	9,005,806
Systems	-	18,877,371	18,877,371
Improvements	16,274,695	4,249,970	20,524,665
Infrastructure	50,279,673	-	50,279,673
Buildings	10,425,621	2,243,364	12,668,985
Machinery and equipment	1,670,434	-	1,670,434
Water meters	-	187,436	187,436
Vehicles	5,176,625	547,327	5,723,952
Total assets	<u>234,382,954</u>	<u>45,218,361</u>	<u>279,601,315</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	6,069	-	6,069
Deferred outflows from net pension liability	9,195,091	510,490	9,705,581
Deferred outflows from net OPEB liability	4,782,481	383,912	5,166,393
Total deferred outflows of resources	<u>13,983,641</u>	<u>894,402</u>	<u>14,878,043</u>
LIABILITIES			
Accounts payable	3,494,028	525,956	4,019,984
Accrued liabilities	414,924	282,469	697,393
Accrued interest payable	4,113	3,000	7,113
Unearned revenue	447,200	-	447,200
Customer deposits	-	98,394	98,394
Non-current liabilities:			
Due in one year	1,430,000	240,000	1,670,000
Due in more than one year	1,833,195	-	1,833,195
Net pension liability	56,981,614	3,672,273	60,653,887
Net OPEB liability	15,840,913	1,002,406	16,843,319
Total liabilities	<u>80,445,987</u>	<u>5,824,498</u>	<u>86,270,485</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from net pension liability	405,355	40,114	445,469
Deferred inflows from net OPEB liability	4,251,601	379,258	4,630,859
Total deferred inflows	<u>4,656,956</u>	<u>419,372</u>	<u>5,076,328</u>
NET POSITION			
Net investment in capital assets	99,745,310	34,528,774	134,274,084
Unrestricted	63,518,342	5,340,119	68,858,461
Total net position	<u>\$ 163,263,652</u>	<u>\$ 39,868,893</u>	<u>\$ 203,132,545</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Administration	\$ 6,985,121	\$ 992,174	\$ 33,644	\$ -	\$ (5,959,303)	\$ -	\$ (5,959,303)
Police	12,060,015	6,400	432,205	-	(11,621,410)	-	(11,621,410)
Fire	12,673,960	5,023,598	416,812	-	(7,233,550)	-	(7,233,550)
Public services	21,035,228	1,913,500	16,272	5,093,046	(14,012,410)	-	(14,012,410)
Interest on long-term debt	60,422	-	-	-	(60,422)	-	(60,422)
Total governmental activities	<u>52,814,746</u>	<u>7,935,672</u>	<u>898,933</u>	<u>5,093,046</u>	<u>(38,887,095)</u>	<u>-</u>	<u>(38,887,095)</u>
Business-type activities:							
Water and sewer service	9,557,332	9,994,488	22,660	-	-	459,816	459,816
Golf course	2,683,970	2,166,953	-	4,349,909	-	3,832,892	3,832,892
Total business-type activities	<u>12,241,302</u>	<u>12,161,441</u>	<u>22,660</u>	<u>4,349,909</u>	<u>-</u>	<u>4,292,708</u>	<u>4,292,708</u>
Total primary government	<u>\$ 65,056,048</u>	<u>\$ 20,097,113</u>	<u>\$ 921,593</u>	<u>\$ 9,442,955</u>	<u>(38,887,095)</u>	<u>4,292,708</u>	<u>(34,594,387)</u>
General revenues:							
Property taxes, levied for general purposes					9,470,920	-	9,470,920
Public service taxes					444,002	-	444,002
Taxes, levied for bank deposits					478,553	-	478,553
Payroll license tax					24,863,770	-	24,863,770
Gross receipts license					3,719,796	-	3,719,796
Insurance premium tax					3,498,625	-	3,498,625
Other					180,279	-	180,279
Uses of property					111,353	-	111,353
Investment income(loss)					1,667,924	99,615	1,767,539
Miscellaneous					422,582	31,933	454,515
Transfers					(2,600,000)	2,600,000	-
Total general revenues and special items					<u>42,257,804</u>	<u>2,731,548</u>	<u>44,989,352</u>
Change in net position					<u>3,370,709</u>	<u>7,024,256</u>	<u>10,394,965</u>
Net position-beginning					<u>159,892,943</u>	<u>32,844,637</u>	<u>192,737,580</u>
Net position-ending					<u>\$ 163,263,652</u>	<u>\$ 39,868,893</u>	<u>\$ 203,132,545</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Infrastructure	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 64,546,351	\$ 26,283,131	\$ 4,639,436	\$ 95,468,918
Investments	12,165,650	-	-	12,165,650
Inventories	122,374	-	156,450	278,824
Receivables:				
Property taxes	142,937	-	-	142,937
Intergovernmental	35,988	-	65,194	101,182
Accrued interest	96,582	-	-	96,582
Accounts	7,644,130	-	-	7,644,130
Prepays	1,251,271	-	-	1,251,271
Due from other funds	172,859	-	1,021	173,880
Restricted assets:				
Cash	9,618	-	-	9,618
Total assets	\$ 86,187,760	\$ 26,283,131	\$ 4,862,101	\$ 117,332,992
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,246,903	\$ 351,439	\$ 603,716	\$ 3,202,058
Accrued liabilities	397,208	-	17,716	414,924
Due to other funds	-	151,485	-	151,485
Unearned revenue	447,200	-	-	447,200
Total liabilities	3,091,311	502,924	621,432	4,215,667
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	142,937	-	-	142,937
Unavailable revenue-employee receivable	8,039	-	-	8,039
Total deferred inflows of resources	150,976	-	-	150,976
Fund balances:				
Nonspendable:				
Inventories	122,374	-	156,450	278,824
Prepays	1,251,271	-	-	1,251,271
Restricted:				
Street resurfacing	-	-	1,137,151	1,137,151
Committed to:				
Economic stabilization	8,300,000	-	-	8,300,000
Equipment replacement	2,000,000	-	-	2,000,000
Assigned to:				
Infrastructure	-	25,780,207	-	25,780,207
Law enforcement	-	-	339,636	339,636
Aquatic center	-	-	2,607,432	2,607,432
Unassigned:	71,271,828	-	-	71,271,828
Total fund balances	82,945,473	25,780,207	4,240,669	112,966,349
Total liabilities and fund balances	\$ 86,187,760	\$ 26,283,131	\$ 4,862,101	\$ 117,332,992
Total governmental fund balances				\$ 112,966,349
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation \$130,723,081				101,928,241
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				150,977
An internal service fund is used by management to charge certain costs such as health and dental insurance to certain funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.				14,980,235
Net pension liability outflows carried as deferred charges				9,195,091
Net pension liability inflows carried as deferred charges				(405,355)
Net OPEB liability outflows carried as deferred charges				4,782,481
Net OPEB liability inflows carried as deferred charges				(4,251,601)
Accrued interest payable on long-term debt				(4,113)
Costs of issuance of debt, premiums and discounts are currently expensed for governmental funds and are carried as deferred charges in the statement of net assets.				6,069
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds:				
Accrued absences payable				(1,073,195)
Net pension liability				(56,981,614)
Net OPEB liability				(15,840,913)
Bonds and leases payable				(2,190,000)
Net position of governmental activities				\$ 163,263,652

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General	Infrastructure	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 10,291,095	\$ -	\$ -	\$ 10,291,095
Licenses and permits	28,513,955	3,748,515	-	32,262,470
Intergovernmental	5,342,829	-	649,150	5,991,979
Fines and forfeitures	737,463	-	-	737,463
Charges for services	6,246,303	485,000	466,906	7,198,209
Uses of property	-	-	111,353	111,353
Investment income(loss)	1,233,786	249,638	55,593	1,539,017
Miscellaneous	422,082	-	500	422,582
Total revenues	52,787,513	4,483,153	1,283,502	58,554,168
EXPENDITURES				
Current:				
Administration	3,675,649	-	-	3,675,649
Police	11,700,590	-	199,968	11,900,558
Fire	14,137,480	-	-	14,137,480
Public services	22,440,777	3,972,425	2,566,914	28,980,116
Debt service:				
Principal	515,000	-	-	515,000
Interest	59,650	-	-	59,650
Total expenditures	52,529,146	3,972,425	2,766,882	59,268,453
Excess(deficiency) of revenues over(under) expenditures	258,367	510,728	(1,483,380)	(714,285)
OTHER FINANCING SOURCES(USES)				
Transfers in	-	-	125,000	125,000
Transfers out	(2,725,000)	-	-	(2,725,000)
Total other financing sources and uses	(2,725,000)	-	125,000	(2,600,000)
Net change in fund balances	(2,466,633)	510,728	(1,358,380)	(3,314,285)
Fund balances - beginning	85,412,106	25,269,479	5,599,049	116,280,634
Fund balances - ending	<u>\$ 82,945,473</u>	<u>\$ 25,780,207</u>	<u>\$ 4,240,669</u>	<u>\$ 112,966,349</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

Net change in fund balances-total governmental funds	\$ (3,314,285)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	15,159,534
Depreciation expense	(8,143,339)
Change due to fixed asset retirements	(550,928)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in the amount through the year.	102,380
Government funds report the effect of issuance cost, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(1,630)
Government-wide financials report the effect of net pension and OPEB liability change based on proportionate share of service cost and calculated pension costs from measurement date to measurement date. Those costs do not require the use of current financial resources.	(21,563)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	515,000
Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in the amount of interest accrued through the year.	858
An internal service fund is used by management to charge the costs of certain activities, such as health and dental insurance to individual funds. The net revenues(expenses) of the internal service fund is reported with governmental activities.	128,907 (404,569)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds such as compensated absences.	(99,656)
Change in net position of governmental activities	<u>\$ 3,370,709</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2023

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Total Current Year	Health and Dental
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,843,084	\$ 765,643	\$ 7,608,727	\$ 15,272,205
Accounts receivable	1,699,063	924	1,699,987	-
Inventories	125,125	163,553	288,678	-
Prepays	226,651	4,787	231,438	-
Total current assets	<u>8,893,923</u>	<u>934,907</u>	<u>9,828,830</u>	<u>15,272,205</u>
Noncurrent assets:				
Restricted cash and cash equivalents	643,153	-	643,153	-
Capital assets (net of accumulated depreciation)				
Construction in progress	3,877,764	-	3,877,764	-
Land	-	4,785,542	4,785,542	-
Improvements	-	4,249,970	4,249,970	-
Systems and equipment	18,757,749	119,622	18,877,371	-
Water meters	187,436	-	187,436	-
Building	-	2,243,364	2,243,364	-
Vehicles	547,327	-	547,327	-
Total noncurrent assets	<u>24,013,429</u>	<u>11,398,498</u>	<u>35,411,927</u>	<u>-</u>
Total assets	<u>32,907,352</u>	<u>12,333,405</u>	<u>45,240,757</u>	<u>15,272,205</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding debt	-	-	-	-
Deferred outflows related to pension liability	510,490	-	510,490	-
Deferred outflows related to OPEB liability	383,912	-	383,912	-
Total deferred outflows of resources	<u>894,402</u>	<u>-</u>	<u>894,402</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	481,646	44,310	525,956	291,970
Accrued liabilities	85,188	132,728	217,916	-
Compensated absences	64,553	-	64,553	-
Accrued interest payable	3,000	-	3,000	-
Due to other funds	22,396	-	22,396	-
Customer deposits	98,394	-	98,394	-
Bonds payable-current	240,000	-	240,000	-
Total current liabilities	<u>995,177</u>	<u>177,038</u>	<u>1,172,215</u>	<u>291,970</u>
Noncurrent liabilities:				
Net pension liability	3,672,273	-	3,672,273	-
Net OPEB liability	1,002,406	-	1,002,406	-
Revenue bonds payable	-	-	-	-
Total noncurrent liabilities	<u>4,674,679</u>	<u>-</u>	<u>4,674,679</u>	<u>-</u>
Total liabilities	<u>5,669,856</u>	<u>177,038</u>	<u>5,846,894</u>	<u>291,970</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	40,114	-	40,114	-
Deferred inflows related to OPEB liability	379,258	-	379,258	-
Total deferred inflows	<u>419,372</u>	<u>-</u>	<u>419,372</u>	<u>-</u>
NET POSITION				
Net investments in capital assets	23,130,276	11,398,498	34,528,774	-
Unrestricted	4,582,250	757,869	5,340,119	14,980,235
Total net position	<u>\$ 27,712,526</u>	<u>\$ 12,156,367</u>	<u>\$ 39,868,893</u>	<u>\$ 14,980,235</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-type Activities-Enterprise Funds			Governmental
	Water and Sewer Service	Golf Course	Totals Current Year	Activities Health and Dental
OPERATING REVENUES				
Charges for sales and services:				
Water fees	\$ 6,718,443	\$ -	\$ 6,718,443	\$ -
Sewer charges	2,746,225	-	2,746,225	-
Penalties	135,045	-	135,045	-
Tap in fees	200,300	-	200,300	-
Meter installations	75,819	-	75,819	-
Other service charges	118,656	-	118,656	-
Golf course revenues	-	2,166,953	2,166,953	-
Other services	-	-	-	3,077,677
Miscellaneous	31,932	-	31,932	-
Total operating revenues	<u>10,026,420</u>	<u>2,166,953</u>	<u>12,193,373</u>	<u>3,077,677</u>
OPERATING EXPENSES				
Cost of sales and services	7,963,641	2,393,537	10,357,178	3,482,246
Loss on disposal of property	-	-	-	-
Depreciation	1,565,708	290,432	1,856,140	-
Total operating expenses	<u>9,529,349</u>	<u>2,683,969</u>	<u>12,213,318</u>	<u>3,482,246</u>
NET OPERATING INCOME(LOSS)	<u>497,071</u>	<u>(517,016)</u>	<u>(19,945)</u>	<u>(404,569)</u>
NON-OPERATING REVENUES				
Interest income	94,847	4,768	99,615	128,907
Interest expense	(27,983)	-	(27,983)	-
Total non-operating income	<u>66,864</u>	<u>4,768</u>	<u>71,632</u>	<u>128,907</u>
Income before contributions and transfers	563,935	(512,248)	51,687	(275,662)
Capital contributions	22,660	4,349,909	4,372,569	-
Transfers	2,500,000	100,000	2,600,000	-
NET INCOME(LOSS)	<u>3,086,595</u>	<u>3,937,661</u>	<u>7,024,256</u>	<u>(275,662)</u>
NET POSITION-BEGINNING OF YEAR	<u>24,625,931</u>	<u>8,218,706</u>	<u>32,844,637</u>	<u>15,255,897</u>
NET POSITION-END OF YEAR	<u>\$ 27,712,526</u>	<u>\$ 12,156,367</u>	<u>\$ 39,868,893</u>	<u>\$ 14,980,235</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-type Activities-Enterprise Funds			Governmental
	Water and	Golf	Totals	Activities
	Sewer Service	Course	Current Year	Health and Dental
Cash flows from operating activities:				
Cash received from customers	\$ 9,914,340	\$ 2,166,029	\$ 12,080,369	\$ 3,077,778
Collections from other funds	-	-	-	-
Cash paid to suppliers	(6,485,089)	(1,554,338)	(8,039,427)	(3,309,005)
Cash paid to employees	(1,651,146)	(892,748)	(2,543,894)	-
Net cash from(used by) operating activities	<u>1,778,105</u>	<u>(281,057)</u>	<u>1,497,048</u>	<u>(231,227)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	<u>2,500,000</u>	<u>100,000</u>	<u>2,600,000</u>	-
Net cash from(used by) noncapital financing activities	<u>2,500,000</u>	<u>100,000</u>	<u>2,600,000</u>	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(3,104,741)	(62,986)	(3,167,727)	-
Interest paid on capital debt	(7,968)	-	(7,968)	-
Principal paid on debt	(235,000)	-	(235,000)	-
Net cash from(used by) financing activities	<u>(3,347,709)</u>	<u>(62,986)</u>	<u>(3,410,695)</u>	-
Cash flows from investing activities:				
Interest income	<u>94,847</u>	<u>4,768</u>	<u>99,615</u>	<u>128,907</u>
Net cash provided by investing activities	<u>94,847</u>	<u>4,768</u>	<u>99,615</u>	<u>128,907</u>
Net increase(decrease) in cash	1,025,243	(239,275)	785,968	(102,320)
Cash at beginning of year	6,460,994	1,004,918	7,465,912	15,374,525
Cash at end of year	<u>\$ 7,486,237</u>	<u>\$ 765,643</u>	<u>\$ 8,251,880</u>	<u>\$ 15,272,205</u>
Reconciliation of operating income to net cash used by operating activities:				
Operating income(loss)	\$ 497,071	\$ (517,016)	\$ (19,945)	\$ (404,569)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:				
Depreciation expense				
Depreciation expense	1,565,708	290,432	1,856,140	-
Loss on disposal of assets				
Loss on disposal of assets	-	-	-	-
Changes in assets and liabilities:				
Decrease(increase) in accounts receivable	(112,081)	(924)	(113,005)	101
Decrease(increase) in prepaid expenses	(153,998)	500	(153,498)	-
Decrease(increase) in inventory	(1,260)	9,914	8,654	-
Decrease(increase) in deferred outflows	140,326	-	140,326	-
Increase(decrease) in accounts payable	36,248	(57,508)	(21,260)	173,241
Increase(decrease) in accrued liabilities	(44,325)	(6,454)	(50,779)	-
Increase(decrease) in pension liability	387,490	-	387,490	-
Increase(decrease) in OPEB liability	16,416	-	16,416	-
Increase(decrease) in deferred inflows	(548,866)	-	(548,866)	-
Increase(decrease) in due to other funds	1,756	-	1,756	-
Increase(decrease) in customer deposits	(6,381)	-	(6,381)	-
Net cash used by operating activities	<u>\$ 1,778,104</u>	<u>\$ (281,056)</u>	<u>\$ 1,497,048</u>	<u>\$ (231,227)</u>
Noncash investing, capital and financing activities:				
Increase in fair value of investments	-	-	-	-
Borrowing under capital lease	-	-	-	-
Contributions of capital assets from government	-	\$ 4,349,909	-	-

The notes to the financial statements are an integral part of this statement.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Florence, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Florence is a municipality operating under a Mayor/Council form of government. Legislative authority is vested in the six City Council members. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year end. The component units discussed below are included in the City's reporting entity because of the significance of its operational and/or financial relationship with the City.

Included within the Reporting Entity:

City of Florence Municipal Properties Corporation

The City of Florence Municipal Properties Corporation was formed to act as an agent and to be instrumental in the financing of public improvements and projects of a capital nature for the City and for the particular purpose of acquiring real estate located within the City and constructing, acquiring and equipping thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt. These debt issues are secured by (1) first mortgage liens on the projects, and (2) lease and option agreements between the Corporation and the City, the construction agreements and pledged receipts. The lease and option agreements require the City to pay rental from specified revenues, on a yearly basis with the option to renew each year. If the City renews the lease from year-to-year, and pays the rentals for each year as stipulated, and when the Corporation has fully paid and retired all the bonds, the Corporation agrees it will convey the properties to the City free and clear.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational

or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, payroll fees, insurance license fees, occupational license fees and interest are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue items are considered recorded as revenue when the funds have been received.

The government reports the following funds of the financial reporting entity:
The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The municipal aid road/LGEA fund is used to account for funds received from the state for road improvements and snow removal.

The infrastructure fund is used to account for a designated portion of payroll taxes, storm water fees and grants to be used for the annual repairs to the City road infrastructure and storm water lines.

The asset forfeiture fund accounts for all funds received from seized assets and purchases made with those funds.

The aquatic center fund is used to account for the operations of the City's pool facility.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following proprietary funds:

The water and sewer fund accounts for the activities of the government's water and sewer sales and services to residential and commercial users.

The World of Golf fund is responsible for the operations of the golf course facility.

The City's only internal service fund is the self-insurance fund for the City's health and dental costs.

Assets, deferred outflows, liabilities, deferred inflows and net position or equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposits.
3. Banker's acceptance.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

Investments

In accordance with Government Accounting Standards Board Statement No. 72, investments held at June 30, 2023 are measured using quoted market prices in an active market for identical investments and/or using significant other observable inputs.

Property Tax Receivable

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. Total real property tax assessments were \$3,096,675,828 and tangible tax assessments were \$488,475,112.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023 are recorded as prepaid items. These prepaids are amortized over the contract period.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net assets. Capital assets used by the proprietary fund are reported in the business type activities column of the government-wide statement of net assets. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for). Capital assets are defined by the City as assets with an initial, individual minimum cost of \$5,000 with a useful life in excess of two years. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Buildings	30 years
Building Improvements	10-20 years
Public Domain Infrastructure	25-40 years
Vehicles	5-10 years
Office Equipment	3-10 years

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits based upon a retirement basis. There is a liability for unpaid accumulated sick leave since the government does have a policy to pay specified amounts when employees retire from service with the government. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principle and interest reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the period incurred. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report as a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has several items that qualify for reporting in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value if refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has deferred outflows related to the pension and OPEB liability in accordance with GASB 68 and GASB 75, respectively.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source-property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows related to the pension and OPEB liability in accordance with GASB 68 and GASB 75, respectively.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Fund Balance Policies

Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, committed, assigned or unassigned:

Nonspendable fund balances arise when resources cannot be spent because of their form and because resources must be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the Council. The Council can by adoption of an ordinance prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned fund balances are those that are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. Council has authorized the finance director to assign fund balance through the financial policies and procedures established. Unlike commitments, assignments generally only exist temporarily. In other words an additional action does not normally have to be taken for the removal of an assignment. Conversely, additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the government fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

<p>CITY OF FLORENCE, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2023</p>

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental funds are classified as follows:

Governmental funds – by character

- Current—further classified by function
 - Debt service
 - Capital outlay

Proprietary fund – by operating and non-operating

In the fund financial statements governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments 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. The General Fund and Water and Sewer Fund resources are used to liquidate these liabilities.

Interfund Transactions

Interfund services provided/used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with City ordinance, prior to June 30, the Mayor submits to the Council, a proposed operating budget on a basis consistent with generally accepted accounting principles for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. By July 1, the budget is legally enacted through passage of an ordinance.
- C. The City Coordinator is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- D. Appropriations continue in effect until a new budget is adopted.
- E. The Council may authorize supplemental appropriations during the year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the capital projects fund, which is not budgeted. Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues of any fund and expenditures of any department must be approved by the Council; however, with proper approval by the City Coordinator, budgetary transfers within departments can be made. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year-end.

The City Council has adopted guidelines for maintaining a minimum general fund balance in the amount of 17% of budgeted operating expenditures and recurring transfers. In either case, unusual items such as one-time expenditures shall be excluded from the calculation. In addition, Council has adopted a resolution and established a stabilization fund balance. This fund balance may only be used for operations to pay for expenditures when the unreserved fund balance falls below the minimum fund balance of 17% of expenditures and recurring transfers. Each December 31st, Mayor and Council shall determine if any funds are to be transferred to increase the stabilization fund balance.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE C-DEPOSITS AND INVESTMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are fair market value at the end of the year for similar assets; Level 3 inputs are significant unobservable inputs.

As of June 30, 2023, the City had the following recurring fair value measurements:

	June 30, 2023	Quoted Prices in Active Markets for Identical assets Level 1	Quoted Prices Similar Assets Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3
Cash	\$ 118,349,850	\$ 118,349,850	\$ -	\$ -
Mutual Funds	652,771	652,771	-	-
Government obligations	795	-	795	-
Municipal bonds	12,164,855	-	12,164,855	-
Total fair value	\$ <u>131,168,271</u>	\$ <u>119,002,621</u>	\$ <u>12,165,650</u>	\$ <u>-</u>

Interest rate risk. In accordance with the City's investment policy, interest rate risk is controlled thru maturity diversification by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. State law limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments. The City's investment policy limits its authorized investment instruments in these investments to one of the top three highest rated categories by a nationally rated agency. As of June 30, 2023, the City's investment in mutual funds, government obligations and municipal bonds were rated Aaa by Moody's and AAAM by Standard & Poor's.

Concentration of credit risk. The City may not invest, at any one time, funds in any one of the above listed categories exceeding twenty percent of the total amount of funds invested on behalf of the City.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2023, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The policy permits investment in U.S. Treasury obligations and obligations backed by the full faith and credit of the United States and in the securities issued

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

by certain associations and corporations established by the government of the United States. The City had custodial credit risk at June 30, 2023 in the amount of \$12,165,650 for its government obligations. The related securities totaling this amount are uninsured, unregistered and held by various Trust departments.

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Adjustments/ Transfers	Retirements/ Deletions	Balance June 30, 2023
Governmental activities:					
Not being depreciated:					
Land	\$ 11,380,931	\$ 1,593,220	\$ -	\$ -	\$ 12,974,151
Construction in progress	5,500,727	7,438,431	(7,264,347)	(546,769)	5,128,042
Subtotal	<u>16,881,658</u>	<u>9,031,651</u>	<u>(7,264,347)</u>	<u>(546,769)</u>	<u>18,102,193</u>
Other capital assets:					
Improvements	31,703,421	460,675	3,261,414	(7,238)	35,418,272
Infrastructure	126,925,395	4,658,279	1,667,621	(707,797)	132,543,498
Buildings	26,492,598	-	-	-	26,492,598
Machinery and equipment	7,222,013	331,090	-	(66,343)	7,486,760
Vehicles	10,783,377	3,013,149	-	(1,187,525)	12,609,001
Subtotal	<u>203,126,804</u>	<u>8,463,193</u>	<u>4,929,035</u>	<u>(1,968,903)</u>	<u>214,550,129</u>
Accumulated depreciation:					
Improvements	17,107,916	2,042,899	-	(7,238)	19,143,577
Infrastructure	79,720,235	3,251,337	-	(707,747)	82,263,825
Buildings	15,138,269	928,708	-	-	16,066,977
Machinery and equipment	5,260,841	617,720	-	(62,235)	5,816,326
Vehicles	7,317,224	1,302,677	-	(1,187,525)	7,432,376
Subtotal	<u>124,544,485</u>	<u>8,143,341</u>	<u>-</u>	<u>(1,964,745)</u>	<u>130,723,081</u>
Net other assets	<u>78,582,319</u>	<u>319,852</u>	<u>4,929,035</u>	<u>(4,158)</u>	<u>83,827,048</u>
Net capital assets	<u>\$ 95,463,977</u>	<u>\$ 9,351,503</u>	<u>\$ (2,335,312)</u>	<u>\$ (550,927)</u>	<u>\$ 101,929,241</u>

*Depreciation was charged to functions as follows:

Governmental activities:	
Administration	\$ 3,236,675
Police	3,703,922
Fire	385,215
Public services	817,529
Total governmental activities depreciation expense	<u>\$ 8,143,341</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

The following is a summary of changes in the capital assets in the proprietary funds:

	Balance June 30, 2022	Additions	Adjustment/ Transfers	Deletions	Balance June 30, 2023
Proprietary activities:					
Not being depreciated:					
Land	\$ 4,785,542	\$ -	\$ -	\$ -	\$ 4,785,542
Construction in progress	3,440,095	437,669	-	-	3,877,764
Subtotal	<u>8,225,637</u>	<u>437,669</u>	<u>-</u>	<u>-</u>	<u>8,663,306</u>
Other capital assets:					
Water and sewer system	51,387,926	2,387,726	-	-	53,775,652
Improvements	631,658	2,014,597	2,355,312	-	5,001,567
Buildings	4,121,449	-	-	-	4,121,449
Vehicles	1,844,785	214,791	-	(15,547)	2,044,029
Water meters	1,649,264	-	-	-	1,649,264
Machinery and equipment	2,104,813	127,540	-	(281,811)	1,950,542
Subtotal	<u>61,739,895</u>	<u>4,744,654</u>	<u>2,355,312</u>	<u>(297,358)</u>	<u>68,542,503</u>
Accumulated depreciation:					
Water and sewer system	33,985,444	1,282,010	-	-	35,267,454
Improvements	609,442	122,154	-	-	731,596
Buildings	1,744,626	133,461	-	-	1,878,087
Vehicles	1,347,320	164,928	-	(15,547)	1,496,701
Water meters	1,406,203	55,623	-	-	1,461,826
Machinery and equipment	1,765,220	97,964	-	(281,811)	1,581,373
Subtotal	<u>40,858,255</u>	<u>1,856,140</u>	<u>-</u>	<u>(297,358)</u>	<u>42,417,037</u>
Net other assets	<u>20,881,640</u>	<u>2,888,514</u>	<u>2,355,312</u>	<u>-</u>	<u>26,125,466</u>
Net assets	<u>\$ 29,107,277</u>	<u>\$ 3,326,183</u>	<u>\$ 2,355,312</u>	<u>\$ -</u>	<u>\$ 34,788,772</u>

*Depreciation was charged to functions as follows:

Proprietary activities:	
Water and sewer	\$ 1,565,708
Golf Course	290,432
Total proprietary activities depreciation expense	<u>\$ 1,856,140</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE E-LONG-TERM DEBT

Bonds Payable

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Bonds outstanding at June 30, 2023, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental Fund Debt		
General obligation refunding bonds(Series 2015)	1.00-2.50%	\$ <u>2,190,000</u>
Proprietary Fund Debt		
Water and Sewer System	1.45-2.50%	\$ <u>240,000</u>

The following is a schedule of future debt service requirements to maturity at June 30, 2023 for bonds general activities and for business activities.

The City's general long-term debt service requirements to maturity at June 30, 2023, are as follows:

<u>Fiscal Year June 30,</u>	2015 GO Bonds	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 530,000	\$ 49,350
2025	540,000	38,088
2026	555,000	26,613
2027	565,000	14,125
2028	-	-
Total Debt Service	\$ <u>2,190,000</u>	\$ <u>128,176</u>

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

The City's proprietary fund debt service requirements to maturity at June 30, 2023 are as follows:

Fiscal Year June 30,	2012 Water and Sewer System	
	Principal	Interest
2024	\$ 240,000	\$ 3,000
2025	-	-
2026	-	-
2027	-	-
2028	-	-
Total Debt Service	\$ 240,000	\$ 3,000

Conduit Debt

The City has issued General Obligation Bonds to provide assistance to the Northern Kentucky Area Development District for the construction of a facility deemed to be in the public interest. The bonds are secured by the property financed. Upon repayment of the bonds ownership transfers to the entity served by the bond issuance. Neither the City, State, nor any political subdivision thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2023 the bonds outstanding were \$1,345,000.

As of July 1, 2020, the City issued Maximum Aggregate Principal Amount Taxable Industrial Building Revenue Bonds, Series 2020, with a maximum indebtedness of , exclusive of interest, of \$250,000,000 and with a final maturity of July 1, 2050 for Turfway Park, LLC.

Changes in Governmental-Type Long-Term Liabilities

During the year ended June 30, 2023, the following changes occurred in liabilities reported in the general long-term debt:

	June 30, 2022	Additions	Retirements	June 30, 2023	Amounts Due Within One Year
Compensated absences	\$ 973,540	\$ 1,607,952	\$ (1,508,297)	\$ 1,073,195	\$ 900,000
Bonds payable: Series 2015	2,705,000	-	(515,000)	2,190,000	530,000
Totals	\$ 14,300,337	\$ 1,607,952	\$ (2,023,297)	\$ 3,263,195	\$ 1,430,000

Compensated absences are liquidated by the general fund.

The government-wide statement of net position includes \$1,430,000 of long-term liabilities due within one year for governmental activities and \$320,000 for business-type activities.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Changes in Business-Type Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Retired	Balance June 30, 2023	Amounts Due Within One Year
Bonds payable-water/sewer	\$ 475,000	\$ -	\$ (235,000)	\$ 240,000	\$ 240,000
Compensated absences	46,163	139,309	(120,920)	64,552	80,000
	<u>\$ 982,476</u>	<u>\$ 139,309</u>	<u>\$ (355,920)</u>	<u>\$ 304,552</u>	<u>\$ 320,000</u>

NOTE F-CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE G-EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, Kentucky 40601.

General Information about the Pension Plan

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous positions of each county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, cost-of-living (COLA) adjustments were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5%.

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

adjustments if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Non-hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 5-high creditable compensation years with a minimum of 48 months and a minimum of five fiscal years. Final compensation is determined by dividing the total salary earned during the 5-high years by the number of months worked, then multiplying by twelve. Non-hazardous members, age 65 or older, or with 27 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For non-hazardous members who began contributing to CERS on or after September 1, 2008, any member age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87. In addition, a member, age 65, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

Hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 3-high creditable compensation years with a minimum of 24 months and a minimum of three fiscal years. Final compensation is determined by dividing the total salary earned during the 3-high years by the number of months worked, then multiplying by twelve. Hazardous members, age 55 or older, or with 20 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For hazardous members who began contributing to CERS on or after September 1, 2008, any member age 60 or older with 60 months or service or a member with 25 years of service, may retire with no reduction in benefits. In addition, a member, age 60, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

Non-hazardous Contributions - For the year ended June 30, 2023, all plan members who began participating before September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2023, participating employers contributed 26.79% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2023 was 26.79% of creditable compensation. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the non-hazardous pension plan from the City were \$1,533,787 for the year ended June 30, 2023.

Hazardous Contributions - For the year ended June 30, 2023, all plan members who began participating before September 1, 2008, were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2023, participating employers contributed 49.59% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2023 was 49.59% of creditable compensation. Administrative costs of KPPA are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 9% of their annual creditable compensation. Eight percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 8% of their annual creditable compensation.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute 8% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the hazardous pension plan from the City were \$5,857,519 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$13,190,636 for its proportionate share of the net pension liability for non-hazardous and \$47,463,251 for hazardous. The City's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportion was 0.1825 percent for non-hazardous and 1.555 percent for hazardous.

For the year ended June 30, 2023, the City recognized pension benefit of \$299,905 for non-hazardous and \$960,592 for hazardous. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

	GENERAL		WATER AND SEWER	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,371,031	\$ 84,765	\$ 3,926	\$ 32,703
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,340,287	-	94,144	-
Changes in proportion and difference between City contributions and proportionate share of contributions	460,372	320,590	39,447	7,411
City contributions subsequent to the measurement date	6,023,401	-	372,973	-
Total	\$ 9,195,091	\$ 405,355	\$ 510,490	\$ 40,114

The \$6,023,401 and \$372,973 are reported as deferred outflows of resources relating to pensions resulting from the City's contributions made after the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30	Net Deferral
2023	\$ 758,034
2024	608,227
2025	(54,707)
2026	1,552,182
2027	-
Totals	\$ 2,863,736

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

Inflation	2.30 percent
Payroll growth rate	2.0 percent
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

The Mortality Table for active members is PUB-2010 General Mortality Table for the nonhazardous system and the PUB-2010 Public Safety Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For the rates of mortality healthy retired members and their beneficiaries, the mortality table used is the System-specific Mortality Table based on the mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, 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 actuarial assumptions used in the June 30, 2022 valuation were based on results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

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

Asset Class	CERS Non-Hazardous		CERS Hazardous	
	Target Allocation	Long-Term Expected Nominal Return	Target Allocation	Long-Term Expected Nominal Return
Equity				
Public Equity	50.00%	4.45%	50.00%	4.45%
Private Equity	10.00%	10.15%	10.00%	10.15%
Fixed Income				
Core Fixed Income	10.00%	0.28%	10.00%	0.28%
Specialty Credit	10.00%	2.28%	10.00%	2.28%
Cash	0.00%	-0.91%	0.00%	-0.91%
Inflation Protected				
Real Estate	7.00%	3.67%	7.00%	3.67%
Real Return	13.00%	4.07%	13.00%	4.07%
Total	100.00%		100.00%	

Discount Rate – The single discount rates were based on the expected rate of return on pension investments of 6.25% for each plan. Based on the stated assumptions and the projection of cash flows for each fiscal year ending, the Pension Plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of the projected benefit payments to determine the Total Pension Liability for each plan. The projection of cash flows used to determine the single discount rate assumes that each fund receives the employer required contributions each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 Legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed 2018) which limit the increases to the employer contribution rates to 12% over the fiscal year through June 30, 2028.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

401 (h) Subaccount – Based on guidance issued by GASB in connection with GASB Statement No. 74, the 1% member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount is considered as an Other Post Employment Benefit (OPEB) asset. As a result, the reported pension fiduciary net positions as of June 30, 2017 and later are net of the 401(h) asset balance.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The discount rate used to measure the total pension liability for the system was 6.25% for both, nonhazardous and hazardous. The following presents the net pension liability calculated using the discount rate of percent, as well as what the systems' net position liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate for non-hazardous and (5.25%) or one percentage point higher (7.25%) than the current rate for hazardous (\$ thousands):

CERS	Current		
	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
Non-hazardous-Per 2022 ACFR	\$ 9,035,369	\$ 7,229,013	\$ 5,735,006
Florence Proportionate Share	\$ 16,486	\$ 13,190	\$ 10,464
		0.18%	
Hazardous-Per 2022 ACFR	\$ 3,801,089	\$ 3,051,457	\$ 2,440,928
Florence Proportionate Share	\$ 59,123	\$ 47,462	\$ 37,966
		1.55%	

Pension Plan Fiduciary Net Position – Detailed information about the plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE H-POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Insurance Benefits County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.701, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the insurance fund for members participating in CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, Kentucky 40601.

General Information about the Insurance Fund

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

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

Insurance Benefits – For members participating prior to July 1, 2003, the amount of contribution paid for hospital and medical insurance is based on the years of service and respective percentages of the maximum contribution as follows:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or More	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. Dollar contributions for fiscal year 2020 was \$13.99 for non-hazardous and \$20.99 for hazardous. This benefit is not protected under the inviolable contract provisions of the Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Insurance Contributions – Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the system contribute the actuarially determined contribution rate, which is determined using a closed funding period (30 years as of June 30, 2019) and the actuarial assumptions and methods adopted by the Board. Current assets, future contributions and investment earnings are projected to be sufficient to pay the projected benefit payment from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions. It is the understanding that cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

At June 30, 2023, the City reported a liability of \$3,600,597 for its proportionate share of the net OPEB liability for non-hazardous and \$13,242,722 for hazardous. The City's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportion was 0.18 percent for non-hazardous and 1.55 percent for hazardous.

For the year ended June 30, 2023, the City recognized OPEB expense of \$346,203 for non-hazardous and \$909,643 for hazardous. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	GENERAL		WATER AND SEWER	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 554,135	\$ 1,380,133	\$ 100,901	\$ 229,875
Change in assumptions	2,621,518	2,617,194	158,538	130,634
Net difference between projected and actual earnings on OPEB plan investments	588,804	-	40,685	-
Changes in proportion and difference between City contributions and proportionate share of contributions	77,126	254,274	29,755	18,749
City contributions subsequent to the measurement date	940,898	-	54,033	-
Total	\$ 4,782,481	\$ 4,251,601	\$ 383,912	\$ 379,258

The \$940,898 and \$54,033 are reported as deferred outflows of resources relating to OPEB resulting from the City's contributions made after the measurement date of the net OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Years Ended June 30	Net Deferral
2023	\$ 54,645
2024	6,105
2025	(454,047)
2026	340,571
2027	(406,672)
Totals	\$ (459,398)

Actuarial 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:

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Inflation	2.30 percent
Payroll growth	2.0 percent, average
Investment rate of return	6.25 percent
Health cost trend rates Pre-65	6.2% at January 1, 2024, decreasing to an ultimate rate of 4.05% over a period of thirteen years
Health cost trend rates Post-65	9.0% in 2024, decreasing to an ultimate rate of 4.05% over a period of thirteen years

The Mortality Table for active members is PUB-2010 General Mortality Table for the nonhazardous system and the PUB-2010 Public Safety Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For the rates of mortality healthy retired members and their beneficiaries, the mortality table used is the System-specific Mortality Table based on the mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, 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 actuarial assumptions used in the June 30, 2022 valuation were based on results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

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

Asset Class	CERS Insurance Plans	
	Target Allocation	Long-Term Expected Nominal Return
Equity		
Non-US Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income		
Specialty Credit/High Yield	10.00%	0.28%
Core Bonds	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected		
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Discount Rate – The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows for each fiscal year ended, the plan’s insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the Plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that funds receive the required employer contributions each future year, as determined by the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of house Bill 362(passed during the 2018 legislative session) which limit the increase to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for CERS plans.

401 (h) Subaccount – Based on guidance issued by GASB in connection with GASB Statement No. 74, the 1% member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount is considered as an OPEB asset. As a result, these member contributions and associated investment income are included in the reconciliation of the fiduciary net position.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The discount rates of 5.70% for non-hazardous and 5.61% for hazardous were used to measure the total OPEB liability for the system as of June 30, 2022. The following presents the net OPEB liability calculated using the discount rate of percent, as well as what the systems’ net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.70%) or one percentage point higher (6.70%) than the current rate for non-hazardous and one percentage point lower (4.61%) or one percentage point higher (6.61%) than the current rate for hazardous:

	1% Decrease 4.70% Non-hazardous 4.61% hazardous	Current 5.70% Non-hazardous 5.61% Hazardous	1% Increase 6.70% Non-hazardous 6.61% Hazardous
CERS			
Florence Proportionate Share	\$ 4,813,423	\$ 3,600,597	\$ 2,597,993
		0.18%	
Florence Proportionate Share	\$ 18,400,367	\$ 13,242,722	\$ 9,053,751
		1.55%	

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates – For both the non-hazardous and hazardous plans the initial trend rate for Pre-65 starts at 6.25% and is expected to gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. For both the non-hazardous and hazardous plans the initial trend rate for Post-65 starts at 5.50% and is expected to gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

<u>CERS</u>	<u>1% Decrease</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase</u>
Florence Proportionate Share	\$ 2,676,964	\$ 3,600,597 0.18%	\$ 4,709,706
Florence Proportionate Share	\$ 9,247,226	\$ 13,242,722 1.55%	\$ 18,113,016

OPEB Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued KPPA financial report.

NOTE I-DEFERRED COMPENSATION PLAN

Employees of the City of Florence may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code.

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency.

The deferred compensation plans are administered by Mission Square Retirement and Kentucky Public Employees’ Deferred Compensation Plan.

NOTE J-CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s Attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the government.

NOTE K-INTERFUND TRANSACTIONS

A summary of the interfund account balances is as follows:

<u>Due from/to other Funds Receivable Funds(s)</u>	<u>Payable Fund(s)</u>	<u>Amount</u>
General	Water and sewer	\$ 22,396
Asset Forfeiture	General	1,021
Infrastructure	General	151,485
	Total \$	174,902

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

Due from and due to other funds represent short-term accounts receivable and payable. The balances in these accounts are typically the result of time differences between the date that goods and services were provided and when payment occurred.

<u>Transfers in/out</u>		<u>Amount</u>
General	Municipal aid/LGEA	\$ 125,000
General	Water and Sewer	2,500,000
General	Golf Course	100,000
	Total \$	<u>2,725,000</u>

During the year, transfers are used to move general fund resources to provide annual subsidy to the transit fund. For the year ended June 30, 2023, the City made the following annual transfers:

- 1) A transfer of \$125,000 was made from the general fund to the special revenue fund for annual funding amounts for snow removal.
- 2) A transfer of \$2,500,000 was made from the general fund to the water and sewer fund for annual funding amounts for ARPA projects.
- 3) A transfer of \$100,000 was made from the general fund to the golf course fund for the annual subsidy to support the recreation operations.

NOTE L-RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its department heads. All risk for general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City has established a Health and Dental Self-Insurance Fund. Employees participate in this program and certain other medical insurance programs offered by the City. Under this program, the first \$75,000 of a participant's medical claim are payable by the health and dental self-insurance fund. The City purchases insurance for claims in excess of coverage provided by the fund. The general fund participates in the program and makes payments to the health and dental fund based on estimates of the amount needed to pay current year claims. The claims liability of \$291,970 reported in the fund at June 30, 2023, is based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the claims liability amount were:

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	June 30,
2020-2021	\$ 162,428	\$ 3,208,659	\$ 3,230,355	\$ 140,732
2021-2022	\$ 140,732	\$ 3,310,732	\$ 3,332,735	\$ 118,729
2022-2023	\$ 118,729	\$ 2,584,290	\$ 2,411,049	\$ 291,970

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2023, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE M – TAX ABATEMENTS

The City provides tax abatements under three programs: the Florence Business Growth and Development Program, the Kentucky Business Investment Program and the Kentucky Jobs Development Act and Payments-in-Lieu-of-taxes (PILOT) Program.

The Florence Business Growth and Development Program is a city initiative focused on offering payroll tax reductions for those businesses that are willing to locate in specific outlined areas in the City limits. The City partners with the Kentucky Business Investment Program (KBI) and Kentucky Jobs Development Act (KJDA) state initiatives that incentivize companies to locate and create jobs and investments in the State of Kentucky. Each agreement has specific quantitative targets that must be achieved in the form of new jobs created or payroll wages created. The Applicant for each incentive program must generate a new minimum payroll and achieve that payroll to receive the 50% rebate of payroll tax. The City had no agreements in effect during fiscal year 2023. The City had none of these programs in effect at June 30, 2023.

Payments-in-Lieu-of-Taxes (PILOT) Program abates City property taxes for an agreed upon period of time. Eligible participants must be located within the geographic boundaries of the City. The abatement is in the form of a suspension of payment for a specified period of time, which is tied to Industrial Revenue Bond (IRB) issuance not to exceed the IRB payment period. The abated amount is equal to the annually assessed fair cash value of the project as determined by the Boone County Property Valuation Administrator (PVA). The land is held by the City of Florence as part of the IRB issuance and is thereby removed for the City tax roll, but still assessed for partial payments.

A five year summary of tax abatements is presented below:

Fiscal Year	Florence	KBI	KJDA	PILOT	Total
2019	\$ 49,337	\$ 36,766	\$ -	\$ -	\$ 86,103
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	-	-	-	70,171	70,171
2023	-	-	-	70,361	70,361
Totals	\$ 49,337	\$ 36,766	\$ -	\$ 140,532	\$ 226,635

CITY OF FLORENCE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE N – COMMITMENTS

At June 30, 2023, the City had the following commitments with respect to the following projects:

<u>Projects</u>	<u>Commitments</u>
Firehouse	\$ 10,435,000
Stadium Clubhouse	5,665,000
Main Street	500,000
Total	<u>\$ 16,600,000</u>

NOTE O – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

None.

NOTE P – FUTURE ACCOUNTING STANDARDS

Statement No.99 – *Omnibus 2022* – Implementation in FY 2024.

Statement No.100 – *Accounting Changes and Error Corrections* – Implementation in FY 2024.

Statement No. 101 – *Compensated Absences* - Implementation in FY 2024.

NOTE Q - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$4,409,943 in Federal funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding were designated to reimburse the City for infrastructure projects. The City has recognized these funds as other financial resources at June 30, 2023.

NOTE R – DATE OF MANAGEMENT'S REVIEW

Management has evaluated events through October 13, 2023, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2023 through October 28, 2023 disclose.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the capital projects fund, which is not budgeted. Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues of any fund and expenditures of any department must be approved by the Council; however, with proper approval by the City Coordinator, budgetary transfers within departments can be made.

CITY OF FLORENCE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL-GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 56,383,886	\$ 85,412,106	\$ 85,412,106	\$ -
Resources (inflows):				
Taxes:				
Property	8,700,000	8,700,000	9,368,540	668,540
Franchise	520,000	520,000	444,002	(75,998)
Bank deposit	425,000	425,000	478,553	53,553
Licenses and permits:				
Payroll license fees	18,000,000	18,000,000	21,115,255	3,115,255
Gross receipts license fees	2,600,000	2,600,000	3,719,796	1,119,796
Insurance	3,600,000	3,600,000	3,498,625	(101,375)
Other	135,000	135,000	180,279	45,279
Intergovernmental	8,300,000	8,300,000	5,342,829	(2,957,171)
Fines and forfeitures	225,000	225,000	737,463	512,463
Charges for services	6,084,000	6,084,000	6,246,303	162,303
Investment income(loss)	150,000	150,000	1,233,786	1,083,786
Miscellaneous	100,000	100,000	422,082	322,082
Amounts available for appropriation	<u>105,222,886</u>	<u>134,251,106</u>	<u>138,199,619</u>	<u>3,948,513</u>
Charges to appropriations (outflows):				
Administration:				
Personnel	2,070,850	2,070,850	1,584,890	485,960
Contractual	1,185,500	1,225,500	1,151,765	73,735
Operating/Maintenance	639,100	639,100	642,375	(3,275)
Capital outlay	537,480	752,480	296,619	455,861
Total administration	<u>4,432,930</u>	<u>4,687,930</u>	<u>3,675,649</u>	<u>1,012,281</u>
Police:				
Personnel	11,161,356	11,176,356	10,557,076	619,280
Contractual	50,000	60,000	64,607	(4,607)
Operating/Maintenance	477,100	477,100	462,616	14,484
Capital outlay	654,957	654,957	616,291	38,666
Total police	<u>12,343,413</u>	<u>12,368,413</u>	<u>11,700,590</u>	<u>667,823</u>
Fire:				
Personnel	11,202,500	11,202,500	10,756,476	446,024
Contractual	172,209	172,209	128,473	43,736
Operating/Maintenance	554,500	649,500	611,461	38,039
Capital outlay	2,590,500	2,667,070	2,641,070	26,000
Total fire	<u>14,519,709</u>	<u>14,691,279</u>	<u>14,137,480</u>	<u>553,799</u>

(Continued)

CITY OF FLORENCE, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL-GENERAL FUND
For the Year Ended June 30, 2023

(Continued)

Public services:				
Personnel	\$ 4,998,500	\$ 4,998,500	\$ 4,684,212	\$ 314,288
Contractual	426,000	441,000	436,193	4,807
Operating/Maintenance	1,295,500	1,320,500	1,418,019	(97,519)
Capital outlay	20,925,500	38,179,500	15,902,353	22,277,147
Total public services	<u>27,645,500</u>	<u>44,939,500</u>	<u>22,440,777</u>	<u>22,498,723</u>
Debt service:				
Principal	515,000	515,000	515,000	-
Interest	59,650	59,650	59,650	-
Total debt service	<u>574,650</u>	<u>574,650</u>	<u>574,650</u>	<u>-</u>
Other financing uses:				
Special revenue	1,625,000	1,625,000	125,000	1,500,000
Enterprise fund	100,000	3,100,000	2,600,000	500,000
Total other financing uses	<u>1,725,000</u>	<u>4,725,000</u>	<u>2,725,000</u>	<u>2,000,000</u>
Total charges to appropriations	61,241,202	81,986,772	55,254,146	26,732,626
Budgetary fund balance, June 30	\$ <u>43,981,684</u>	\$ <u>52,264,334</u>	\$ <u>82,945,473</u>	\$ <u>30,681,139</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-INFRASTRUCTURE FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 21,850,730	\$ 25,269,479	\$ 25,269,479	\$ -
Resources (inflows):				
Licenses and permits	2,500,000	2,500,000	3,748,515	1,248,515
Intergovernmental	-	1,799,000	-	(1,799,000)
Charges for services	485,000	485,000	485,000	-
Interest	100	100	249,638	249,538
Transfer In	1,500,000	1,500,000	-	(1,500,000)
Amounts available for appropriation	<u>26,335,830</u>	<u>31,553,579</u>	<u>29,752,632</u>	<u>(1,800,947)</u>
Charges to appropriations (outflows):				
Current:				
Public services	<u>2,260,000</u>	<u>6,441,000</u>	<u>3,972,425</u>	<u>2,468,575</u>
Total	<u>2,260,000</u>	<u>6,441,000</u>	<u>3,972,425</u>	<u>2,468,575</u>
Budgetary fund balances, June 30	\$ <u>24,075,830</u>	\$ <u>25,112,579</u>	\$ <u>25,780,207</u>	\$ <u>667,628</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - PENSION
For the Year Ended June 30, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Non-hazardous:										
Contractually required contribution	\$ 542,560	\$ 512,059	\$ 500,021	\$ 570,792	\$ 650,762	\$ 739,941	\$ 888,203	\$ 914,187	\$ 1,075,822	\$ 1,339,702
Contributions in relation to the contractually required contribution	542,560	512,059	500,021	570,792	650,762	739,941	888,203	914,187	1,075,822	1,339,702
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 3,948,767	\$ 4,016,146	\$ 4,025,938	\$ 4,091,702	\$ 4,494,213	\$ 4,561,907	\$ 4,602,091	\$ 4,736,720	\$ 5,081,825	\$ 5,725,223
Contributions as a percentage of covered payroll	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%
Hazardous:										
Contractually required contribution	\$ 1,517,590	\$ 1,538,155	\$ 1,573,840	\$ 1,776,181	\$ 1,994,132	\$ 2,255,582	\$ 2,739,881	\$ 2,867,332	\$ 3,578,359	\$ 5,056,672
Contributions in relation to the contractually required contribution	1,517,590	1,538,155	1,573,840	1,776,181	1,994,132	2,255,582	2,739,881	2,867,332	3,578,359	5,056,672
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 6,971,014	\$ 7,419,947	\$ 7,768,212	\$ 8,181,397	\$ 8,982,577	\$ 9,073,138	\$ 9,114,707	\$ 9,538,696	\$ 10,568,101	\$ 11,811,895
Contributions as a percentage of covered payroll	21.77%	20.73%	20.26%	21.71%	22.20%	24.86%	30.06%	30.06%	33.86%	42.81%

Required supplementary information is intended to show ten years of data. Additional years information will be shown once it becomes available.

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY-
NON-HAZARDOUS AND HAZARDOUS
For the Year Ended June 30, 2023

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Non-hazardous:									
City's proportion of the net pension liability	0.17%	0.17%	0.17%	0.17%	0.18%	0.18%	0.18%	0.18%	0.18%
City's proportionate share of the net pension liability	\$ 5,584,305	\$ 7,395,498	\$ 8,311,160	\$ 9,838,181	\$ 10,937,457	\$ 12,896,142	\$ 13,657,822	\$ 11,689,618	\$ 13,190,636
City's covered payroll	\$ 3,948,767	\$ 4,016,146	\$ 4,025,938	\$ 4,091,702	\$ 4,494,213	\$ 4,561,907	\$ 4,602,091	\$ 4,736,720	\$ 5,081,825
City's proportionate share of the net pension liability as a percentage of its covered payroll	141.42%	184.14%	206.44%	240.44%	243.37%	282.69%	296.77%	246.79%	259.56%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	57.5%	55.5%	53.3%	53.3%	50.5%	47.8%	57.3%	52.4%
Hazardous:									
City's proportion of the net pension liability	1.38%	1.45%	1.45%	1.47%	1.61%	1.59%	1.55%	1.55%	1.55%
City's proportionate share of the net pension liability	\$ 16,541,007	\$ 22,231,240	\$ 25,127,410	\$ 32,940,862	\$ 39,018,175	\$ 43,912,486	\$ 46,603,807	\$ 41,280,187	\$ 47,463,251
City's covered payroll	\$ 6,971,014	\$ 7,419,947	\$ 7,768,212	\$ 8,181,397	\$ 8,982,577	\$ 9,073,138	\$ 9,114,707	\$ 9,538,696	\$ 10,568,101
City's proportionate share of the net pension liability as a percentage of its covered payroll	237.28%	299.61%	323.46%	402.63%	434.38%	483.98%	511.30%	432.77%	449.12%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	60.0%	54.0%	49.8%	49.3%	46.6%	44.1%	52.3%	47.1%

Required supplementary information is intended to show ten years of data. Additional years information will be shown once it becomes available.

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - OPEB
For the Year Ended June 30, 2023

	2017	2018	2019	2020	2021	2022	2023
Non-hazardous:							
Contractually required contribution	\$ 193,537	\$ 211,228	\$ 239,956	\$ 219,060	\$ 225,468	\$ 293,729	\$ 194,085
Contributions in relation to the contractually required contribution	193,537	211,228	239,956	219,060	225,468	293,729	194,085
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 4,091,702	\$ 4,494,213	\$ 4,561,907	\$ 4,602,091	\$ 4,736,720	\$ 5,081,825	\$ 5,725,223
Contributions as a percentage of covered payroll	4.73%	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%
Hazardous:							
Contractually required contribution	\$ 764,960	\$ 839,871	\$ 949,958	\$ 867,720	\$ 908,084	\$ 1,106,480	\$ 800,846
Contributions in relation to the contractually required contribution	764,960	839,871	949,958	867,720	908,084	1,106,480	800,846
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Portion of compensation paid for active employees on which contributions to the plan are based	\$ 8,181,397	\$ 8,982,577	\$ 9,073,138	\$ 9,114,707	\$ 9,538,696	\$ 10,568,101	\$ 11,811,895
Contributions as a percentage of covered payroll	9.35%	9.35%	10.47%	9.52%	9.52%	10.47%	6.78%

Required supplementary information is intended to show ten years of data. Additional years information will be shown once it becomes available.

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY-
NON-HAZARDOUS AND HAZARDOUS
For the Year Ended June 30, 2023

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Non-hazardous:						
City's proportion of the net OPEB liability	0.17%	0.18%	0.18%	0.18%	0.18%	0.18%
City's proportionate share of the net OPEB liability	\$ 3,378,963	\$ 3,188,425	\$ 3,084,134	\$ 4,298,907	\$ 3,508,861	\$ 3,600,597
City's covered payroll	\$ 4,091,702	\$ 4,491,213	\$ 4,561,907	\$ 4,602,091	\$ 4,736,720	\$ 5,081,825
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.58%	70.99%	67.61%	93.41%	74.08%	70.85%
Plan fiduciary net position as a percentage of the total OPEB liability	52.4%	57.6%	60.4%	51.7%	62.9%	60.9%
Hazardous:						
City's proportion of the net OPEB liability	1.47%	1.61%	1.59%	1.55%	1.55%	1.55%
City's proportionate share of the net OPEB liability	\$ 12,171,573	\$ 11,503,308	\$ 11,759,524	\$ 14,282,495	\$ 12,537,715	\$ 13,242,722
City's covered payroll	\$ 8,181,397	\$ 8,982,577	\$ 9,073,138	\$ 9,114,707	\$ 9,538,696	\$ 10,568,101
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	148.77%	128.06%	129.61%	156.70%	131.44%	125.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.0%	64.2%	64.4%	58.8%	66.8%	64.1%

Required supplementary information is intended to show ten years of data. Additional years information will be shown once it becomes available.

CITY OF FLORENCE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

Pension

Valuation dates. Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

Changes in benefit terms. There were no benefit changes reported in the June 30, 2022 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which was used in the performance of the actuarial valuations as of June 30, 2022. Specifically, the total Pension liability as of June 30, 2022 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note G starting on page 46.

OPEB

Valuation dates. Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

Changes in benefit terms. There were no benefit changes reported in the June 30, 2022 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which was used in the performance of the actuarial valuations as of June 30, 2022. Specifically, the total OPEB liability as of June 30, 2022 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note H starting on page 52.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

CITY OF FLORENCE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
ASSETS				
Cash and cash equivalents	\$ 1,640,037	\$ 338,615	\$ 2,660,784	\$ 4,639,436
Intergovernmental receivable	65,194	-	-	65,194
Due from other funds		1,021		1,021
Inventory	156,450	-	-	156,450
Total assets	\$ 1,861,681	\$ 339,636	\$ 2,660,784	\$ 4,862,101
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 568,080	\$ -	\$ 35,636	\$ 603,716
Accrued Liabilities	-	-	17,716	17,716
Due to other funds	-	-	-	-
Total liabilities	568,080	-	53,352	621,432
Fund balances:				
Nonspendable:				
Inventories	156,450	-	-	156,450
Assigned to:				
Special revenue fund	1,137,151	339,636	2,607,432	4,084,219
Total fund balances	1,293,601	339,636	2,607,432	4,240,669
Total liabilities and fund balances	\$ 1,861,681	\$ 339,636	\$ 2,660,784	\$ 4,862,101

CITY OF FLORENCE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2023

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Aid	Asset Forfeiture	Aquatic Center	
REVENUES				
Intergovernmental	\$ 649,150	\$ -	\$ -	\$ 649,150
Charges for services	-	-	466,906	466,906
Uses of property	-	111,353	-	111,353
Interest	21,698	5,440	28,455	55,593
Miscellaneous	-	-	500	500
Total revenues	<u>670,848</u>	<u>116,793</u>	<u>495,861</u>	<u>1,283,502</u>
EXPENDITURES				
Current:				
Police	-	199,968	-	199,968
Public Services	<u>1,797,645</u>	<u>-</u>	<u>769,269</u>	<u>2,566,914</u>
Total expenditures	<u>1,797,645</u>	<u>199,968</u>	<u>769,269</u>	<u>2,766,882</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(1,126,797)</u>	<u>(83,175)</u>	<u>(273,408)</u>	<u>(1,483,380)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
Total other financing sources	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
Net change in fund balances	(1,001,797)	(83,175)	(273,408)	(1,358,380)
Fund balances - beginning	<u>2,295,398</u>	<u>422,811</u>	<u>2,880,840</u>	<u>5,599,049</u>
Fund balances - ending	<u>\$ 1,293,601</u>	<u>\$ 339,636</u>	<u>\$ 2,607,432</u>	<u>\$ 4,240,669</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-MUNICIPAL AID FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,744,274	\$ 2,295,398	\$ 2,295,398	\$ -
Resources (inflows):				
Intergovernmental	625,000	625,000	649,150	24,150
Interest	15,000	15,000	21,698	6,698
Other financing sources:				
Transfer in	125,000	125,000	125,000	-
Amounts available for appropriation	<u>2,509,274</u>	<u>3,060,398</u>	<u>3,091,246</u>	<u>30,848</u>
Charges to appropriations (outflows):				
Current:				
Public services	1,200,000	1,627,000	1,797,645	(170,645)
Total	<u>1,200,000</u>	<u>1,627,000</u>	<u>1,797,645</u>	<u>(170,645)</u>
Budgetary fund balances, June 30	\$ <u>1,309,274</u>	\$ <u>1,433,398</u>	\$ <u>1,293,601</u>	\$ <u>(139,797)</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-ASSET FORFEITURE FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 168,214	\$ 422,811	\$ 422,811	\$ -
Resources (inflows):				
Uses of property	100,000	100,000	111,353	11,353
Interest	150	150	5,440	5,290
Amounts available for appropriation	<u>268,364</u>	<u>522,961</u>	<u>539,604</u>	<u>16,643</u>
Charges to appropriations (outflows):				
Current:				
Police	<u>200,000</u>	<u>200,000</u>	<u>199,968</u>	<u>32</u>
Total	<u>200,000</u>	<u>200,000</u>	<u>199,968</u>	<u>32</u>
Budgetary fund balances, June 30	\$ <u>68,364</u>	\$ <u>322,961</u>	\$ <u>339,636</u>	\$ <u>16,675</u>

CITY OF FLORENCE, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL-AQUATIC CENTER FUND
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 2,686,441	\$ 2,880,840	\$ 2,880,840	\$ -
Resources (inflows):				
Memberships	-	140,000	128,896	(11,104)
Daily Admissions	150,000	298,000	299,066	1,066
Concessions	2,000	26,500	26,239	(261)
Programs	9,000	11,000	10,667	(333)
Locker Rental	750	1,500	2,038	538
Interest	-	-	28,455	28,455
Miscellaneous	500	150	500	350
Amounts available for appropriation	<u>2,848,691</u>	<u>3,357,990</u>	<u>3,376,701</u>	<u>18,711</u>
Charges to appropriations (outflows):				
Public services				
Management contract	200,000	475,000	440,237	34,763
Utilities	83,700	112,700	134,084	(21,384)
Repairs and maintenance	10,000	60,000	52,344	7,656
Supplies	2,000	4,000	4,126	(126)
Bank service charges	1,600	12,000	11,981	19
Miscellaneous	750	10,000	11,753	(1,753)
Capital	-	200,000	114,744	85,256
Total	<u>298,050</u>	<u>873,700</u>	<u>769,269</u>	<u>104,431</u>
Budgetary fund balances, June 30	\$ <u>2,550,641</u>	\$ <u>2,484,290</u>	\$ <u>2,607,432</u>	\$ <u>123,142</u>

This page left blank intentionally.

STATISTICAL SECTION

This part of the City of Florence's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	75
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	82
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	87
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	92
Operating Information These schedules contain certain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	94

CITY OF FLORENCE, KENTUCKY

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GOVERNMENTAL ACTIVITIES										
Invested in capital assets	\$ 61,572	\$ 63,468	\$ 66,566	\$ 67,635	\$ 71,532	\$ 75,075	\$ 77,627	\$ 85,722	\$ 92,767	\$ 99,745
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	70,967	62,295	66,999	80,834	73,850	71,319	70,038	63,176	67,126	63,518
Total governmental activities net assets	\$ 132,539	\$ 125,763	\$ 133,565	\$ 148,469	\$ 145,382	\$ 146,394	\$ 147,665	\$ 148,898	\$ 159,893	\$ 163,263
BUSINESS-TYPE ACTIVITIES										
Invested in capital assets	26,833	27,496	27,328	27,522	28,798	28,036	27,419	27,109	28,632	34,529
Restricted	248	-	-	-	-	-	-	-	-	-
Unrestricted	8,678	6,949	7,210	7,535	5,377	5,728	5,731	5,725	4,212	5,340
Total business-type activities net assets	\$ 35,759	\$ 34,445	\$ 34,538	\$ 35,057	\$ 34,175	\$ 33,764	\$ 33,150	\$ 32,834	\$ 32,844	\$ 39,869
PRIMARY GOVERNMENT										
Invested in capital assets	88,405	90,964	93,894	95,157	100,330	103,111	105,046	112,831	121,399	134,274
Restricted	248	-	-	-	-	-	-	-	-	-
Unrestricted	79,645	69,244	74,209	88,369	79,227	77,047	75,769	68,901	71,338	68,858
Total primary government net assets	\$ 168,298	\$ 160,208	\$ 168,103	\$ 183,526	\$ 179,557	\$ 180,158	\$ 180,815	\$ 181,732	\$ 192,737	\$ 203,132

CITY OF FLORENCE, KENTUCKY

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Expenses	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Administration	\$ 3,417	\$ 3,698	\$ 3,346	\$ 4,042	\$ 4,520	\$ 5,119	\$ 5,872	\$ 5,178	\$ 6,556	\$ 6,985
Police	7,147	8,462	11,431	8,582	10,708	12,517	13,167	13,140	11,303	12,060
Fire	6,042	5,940	8,728	8,736	9,738	12,145	13,080	13,357	10,427	12,674
Public services	9,387	6,657	8,158	6,503	11,828	12,703	12,610	12,709	13,107	21,035
Interest on long-term debt	709	768	1,110	503	484	472	440	366	258	60
Total governmental activities	<u>26,702</u>	<u>25,525</u>	<u>32,773</u>	<u>28,366</u>	<u>37,278</u>	<u>42,956</u>	<u>45,169</u>	<u>44,750</u>	<u>41,651</u>	<u>52,814</u>
Business-type activities:										
Water and sewer service	7,694	7,847	8,338	8,094	8,951	8,876	9,381	9,428	9,081	9,557
Golf course	1,355	1,335	1,274	1,255	1,217	1,201	1,114	1,346	1,703	2,684
Total business-type activities	<u>9,049</u>	<u>9,182</u>	<u>9,610</u>	<u>9,349</u>	<u>10,168</u>	<u>10,077</u>	<u>10,495</u>	<u>10,774</u>	<u>10,784</u>	<u>12,241</u>
Total primary government expense	<u>\$ 35,751</u>	<u>\$ 34,707</u>	<u>\$ 42,383</u>	<u>\$ 37,715</u>	<u>\$ 47,446</u>	<u>\$ 53,033</u>	<u>\$ 55,664</u>	<u>\$ 55,524</u>	<u>\$ 52,435</u>	<u>\$ 65,055</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 790	\$ 817	\$ 738	\$ 842	\$ 871	\$ 873	\$ 837	\$ 806	\$ 1,007	\$ 992
Fire	2,540	2,887	3,167	3,346	3,542	3,669	4,166	4,348	4,827	5,024
Public services	1,051	1,021	1,151	1,112	1,204	1,341	1,442	1,175	1,642	1,914
Other activities	22	9	7	10	31	14	10	3	7	6
Operating grants and contributions	688	1,037	1,032	911	708	389	3,124	1,592	1,139	899
Capital grants and contributions	1,114	2,558	2,238	2,523	984	1,015	600	600	4,983	5,093
Total governmental activities program revenues	<u>6,205</u>	<u>8,329</u>	<u>8,333</u>	<u>8,744</u>	<u>7,340</u>	<u>7,301</u>	<u>10,179</u>	<u>8,524</u>	<u>13,605</u>	<u>13,928</u>
Business-type activities:										
Charges for services:										
Water and sewer service	8,466	8,548	8,456	8,666	8,384	8,390	8,766	8,863	9,326	10,026
Golf course	1,226	1,155	1,112	1,034	997	1,023	898	1,470	1,359	2,167
Capital grants and contributions	-	-	-	-	468	8	-	-	-	-
Total business-type activities program revenues	<u>9,692</u>	<u>9,703</u>	<u>9,568</u>	<u>9,700</u>	<u>9,849</u>	<u>9,421</u>	<u>9,664</u>	<u>10,333</u>	<u>10,685</u>	<u>12,193</u>
Total primary government program revenues	<u>\$ 15,897</u>	<u>\$ 18,032</u>	<u>\$ 17,901</u>	<u>\$ 18,444</u>	<u>\$ 17,189</u>	<u>\$ 16,722</u>	<u>\$ 19,843</u>	<u>\$ 18,857</u>	<u>\$ 24,290</u>	<u>\$ 26,121</u>
Net (expense)/revenue										
Governmental activities:	\$ (20,497)	\$ (17,196)	\$ (24,440)	\$ (19,622)	\$ (29,938)	\$ (35,655)	\$ (34,990)	\$ (36,226)	\$ (28,046)	\$ (38,886)
Business-type activities:	643	521	(42)	351	(319)	(656)	(831)	(441)	(99)	(48)
Total primary government, net expense	<u>\$ (19,854)</u>	<u>\$ (16,675)</u>	<u>\$ (24,482)</u>	<u>\$ (19,271)</u>	<u>\$ (30,257)</u>	<u>\$ (36,311)</u>	<u>\$ (35,821)</u>	<u>\$ (36,667)</u>	<u>\$ (28,145)</u>	<u>\$ (38,934)</u>

(continued)

CITY OF FLORENCE, KENTUCKY

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

(continued)

General Revenues and Other Changes in Net Asset	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 6,982	\$ 7,328	\$ 7,446	\$ 7,476	\$ 7,878	\$ 7,741	\$ 8,343	\$ 8,708	\$ 9,134	\$ 9,471
Public service taxes	562	525	526	510	607	578	511	551	494	444
Taxes, levied for bank deposits	209	185	206	220	263	309	306	372	444	478
Payroll license	15,119	15,831	16,413	17,940	18,731	19,729	19,674	21,000	21,948	24,864
Gross receipts license	2,099	2,250	2,380	2,399	2,554	2,766	2,590	2,574	2,897	3,720
Insurance premium	4,275	4,467	4,266	4,583	4,615	3,184	2,988	3,377	3,637	3,499
Other	89	113	124	148	134	138	150	129	160	180
Uses of property	98	95	101	163	127	280	180	27	193	111
Interest	540	292	770	505	1,011	1,644	1,341	614	(600)	1,668
Miscellaneous	121	122	110	681	185	398	277	207	833	422
Transfers	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,600)
Total governmental activities	<u>29,994</u>	<u>31,108</u>	<u>32,242</u>	<u>34,525</u>	<u>36,005</u>	<u>36,667</u>	<u>36,260</u>	<u>37,459</u>	<u>39,040</u>	<u>42,257</u>
Business-type activities										
Investment earnings	23	24	35	68	106	144	118	25	-	100
Capital contributions	-	-	-	-	-	-	-	-	10	4,372
Transfers	100	100	100	100	100	100	100	100	100	2,600
Total business-type activities	<u>123</u>	<u>124</u>	<u>135</u>	<u>168</u>	<u>206</u>	<u>244</u>	<u>218</u>	<u>125</u>	<u>110</u>	<u>7,072</u>
Total primary government	<u>\$ 30,117</u>	<u>\$ 31,232</u>	<u>\$ 32,377</u>	<u>\$ 34,693</u>	<u>\$ 36,211</u>	<u>\$ 36,911</u>	<u>\$ 36,478</u>	<u>\$ 37,584</u>	<u>\$ 39,150</u>	<u>\$ 49,329</u>
Change in net assets										
Governmental activities	\$ 12,798	\$ 31,108	\$ 7,802	\$ 14,903	\$ 6,067	\$ 1,012	\$ 1,270	\$ 1,233	\$ 10,994	\$ 3,371
Business-type activities	644	124	93	519	(113)	(412)	(613)	(316)	11	7,024
Total primary government	<u>\$ 13,442</u>	<u>\$ 31,232</u>	<u>\$ 7,895</u>	<u>\$ 15,422</u>	<u>\$ 5,954</u>	<u>\$ 600</u>	<u>\$ 657</u>	<u>\$ 917</u>	<u>\$ 11,005</u>	<u>\$ 10,395</u>

CITY OF FLORENCE, KENTUCKY
Governmental Activities Tax Revenues By Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Bank Deposit Tax	Payroll License Tax	Gross Receipts Tax	Insurance Premium Tax
2014	\$ 7,112,868	\$ 562,203	\$ 209,289	\$ 14,871,599	\$ 2,098,956	\$ 4,274,919
2015	\$ 7,248,021	\$ 525,169	\$ 185,114	\$ 15,119,231	\$ 2,250,520	\$ 4,467,479
2016	\$ 7,356,483	\$ 526,387	\$ 206,365	\$ 16,412,440	\$ 2,380,422	\$ 4,265,760
2017	\$ 7,422,594	\$ 509,760	\$ 220,124	\$ 17,940,093	\$ 2,399,296	\$ 4,582,660
2018	\$ 7,820,248	\$ 606,610	\$ 263,130	\$ 18,730,631	\$ 2,554,307	\$ 4,615,303
2019	\$ 7,732,182	\$ 577,902	\$ 308,792	\$ 19,726,618	\$ 2,765,864	\$ 3,184,526
2020	\$ 8,328,611	\$ 510,914	\$ 306,525	\$ 19,674,388	\$ 2,589,960	\$ 2,987,739
2021	\$ 8,650,941	\$ 550,553	\$ 371,757	\$ 21,000,471	\$ 2,573,592	\$ 3,377,358
2022	\$ 9,232,640	\$ 494,370	\$ 443,704	\$ 18,626,406	\$ 2,896,896	\$ 3,637,375
2023	\$ 9,368,540	\$ 444,002	\$ 478,553	\$ 24,863,770	\$ 3,719,796	\$ 3,498,625

CITY OF FLORENCE, KENTUCKY

Fund balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GENERAL FUND										
Nonspendable	\$ 472	\$ 548	\$ 605	\$ 647	\$ 734	\$ 726	\$ 787	\$ 749	\$ 914	\$ 1,374
Committed to	7,000	7,000	7,000	7,000	7,000	7,000	7,000	8,300	9,200	10,300
Assigned to	-	-	-	-	-	-	-	-	-	-
Unassigned	42,362	49,065	55,741	64,471	65,618	68,120	72,285	70,915	75,298	71,272
Total general fund	\$ 49,834	\$ 56,613	\$ 63,346	\$ 72,118	\$ 73,352	\$ 75,846	\$ 80,072	\$ 79,964	\$ 85,412	\$ 82,946
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	\$ 71	\$ 87	\$ 74	\$ 66	\$ 60	\$ 100	\$ 117	\$ 104	\$ 134	\$ 156
Restricted	895	1,136	1,030	1,264	1,560	1,750	1,971	2,302	2,162	1,137
Assigned to	6,612	8,863	10,970	14,722	19,830	23,218	26,692	28,218	28,573	28,727
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 7,578	\$ 10,086	\$ 12,074	\$ 16,052	\$ 21,450	\$ 25,068	\$ 28,780	\$ 30,624	\$ 30,869	\$ 30,020

GASB 54 was applied in FY 2010 shifting the focus of fund balance availability to the extent the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

CITY OF FLORENCE, KENTUCKY

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Taxes	\$ 7,884	\$ 7,958	\$ 8,089	\$ 8,152	\$ 8,690	\$ 8,619	\$ 9,146	\$ 9,573	\$ 10,171	\$ 10,291
Licenses and permits	21,582	22,662	23,183	25,070	26,034	25,817	25,402	27,080	28,642	32,263
Intergovernmental	1,802	3,595	3,270	3,434	1,692	1,404	3,723	2,192	6,122	5,992
Fines and forfeitures	198	253	227	217	361	294	288	259	515	737
Charges for services	4,206	4,480	4,837	5,093	5,288	5,603	6,168	6,074	6,968	7,198
Uses of property	98	96	101	163	127	279	180	28	193	111
Interest	509	406	769	505	843	1,644	1,341	573	(600)	1,539
Miscellaneous	121	111	110	681	185	200	96	207	834	423
Total revenues	36,400	39,561	40,586	43,315	43,220	43,860	46,344	45,986	52,845	58,554
EXPENDITURES										
Current:										
Administration	2,402	2,502	2,356	2,548	2,787	3,012	3,671	3,007	3,430	3,676
Police	7,469	7,636	7,340	7,683	8,551	8,902	9,112	9,361	10,658	11,900
Fire	6,188	7,327	6,992	7,283	8,121	9,276	8,770	10,827	10,116	14,137
Public services	11,771	11,103	13,530	11,406	15,497	14,916	15,210	14,352	18,237	28,980
Debt service:										
Principal	1,020	1,060	1,045	1,060	1,065	1,095	1,120	6,315	4,435	515
Interest	690	553	502	485	467	447	423	290	177	60
Cost of issuance	-	74	-	-	-	-	-	-	-	-
Total expenditures	29,540	30,255	31,765	30,465	36,488	37,648	38,306	44,152	47,053	59,268
Excess(deficiency) of revenues over(under) expenditures	6,860	9,306	8,821	12,850	6,732	6,212	8,038	1,834	5,792	(714)

(continued)

CITY OF FLORENCE, KENTUCKY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
OTHER FINANCING SOURCES(USES)										
Refunding bonds issued	-	6,250	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(6,171)	-	-	-	-	-	-	-	-
Transfers in	1,825	1,825	3,825	1,825	3,325	1,825	1,825	325	125	125
Transfers out	(1,925)	(1,925)	(3,925)	(1,925)	(3,425)	(1,925)	(1,925)	(425)	(225)	(2,725)
Total other financing sources and uses	(100)	(21)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(2,600)
Net change in fund balances	\$ 6,760	\$ 9,285	\$ 8,721	\$ 12,750	\$ 6,632	\$ 6,112	\$ 7,938	\$ 1,734	\$ 5,692	\$ (3,314)
Debt service as a percentage of noncapital expenditures	7.28%	7.76%	6.67%	5.79%	5.71%	5.59%	5.07%	18.73%	12.64%	1.37%

(continued)

CITY OF FLORENCE, KENTUCKY
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Bank Deposit Tax</u>	<u>Total</u>
2014	\$ 7,113	\$ 562	\$ 209	\$ 7,884
2015	\$ 7,248	\$ 525	\$ 185	\$ 7,958
2016	\$ 7,357	\$ 526	\$ 206	\$ 8,089
2017	\$ 7,423	\$ 510	\$ 220	\$ 8,153
2018	\$ 7,820	\$ 607	\$ 263	\$ 8,690
2019	\$ 7,732	\$ 578	\$ 309	\$ 8,619
2020	\$ 8,328	\$ 511	\$ 306	\$ 9,145
2021	\$ 8,651	\$ 551	\$ 372	\$ 9,574
2022	\$ 9,233	\$ 494	\$ 444	\$ 10,171
2023	\$ 9,368	\$ 444	\$ 480	\$ 10,292

CITY OF FLORENCE, KENTUCKY

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Property			Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Personal Property			
2014	\$ 1,099,827,227	\$ 1,364,905,691	\$ 310,617,351	\$ 72,792,000	\$ 2,702,558,269	\$ 2.46
2015	\$ 1,167,812,275	\$ 1,321,557,354	\$ 358,457,842	\$ 74,880,000	\$ 2,772,947,471	\$ 2.46
2016	\$ 1,130,225,380	\$ 1,416,310,940	\$ 372,591,995	\$ 82,040,150	\$ 2,837,088,165	\$ 2.46
2017	\$ 1,116,788,389	\$ 1,478,581,450	\$ 413,566,187	\$ 79,187,400	\$ 2,929,748,626	\$ 2.46
2018	\$ 1,050,419,962	\$ 1,544,170,780	\$ 390,044,245	\$ 81,396,400	\$ 2,903,238,587	\$ 2.46
2019	\$ 1,074,055,327	\$ 1,580,543,391	\$ 416,072,481	\$ 83,584,800	\$ 2,987,086,399	\$ 2.46
2020	\$ 1,215,538,158	\$ 1,632,965,781	\$ 375,622,801	\$ 88,542,900	\$ 3,135,583,840	\$ 2.46
2021	\$ 1,262,270,775	\$ 1,698,015,751	\$ 479,138,787	\$ 88,778,700	\$ 3,350,646,613	\$ 2.46
2022	\$ 1,286,015,137	\$ 1,712,488,431	\$ 543,167,681	\$ 91,570,500	\$ 3,450,100,749	\$ 2.46
2023	\$ 1,447,406,797	\$ 1,743,152,031	\$ 488,475,112	\$ 93,883,000	\$ 3,585,150,940	\$ 2.46

SOURCE: Boone County PVA

NOTE: Property in the city is reassessed every four years. The county assesses property at 100% of fair market value for all types of real and personal property. Tax rates are per \$1,000 assessed value.

CITY OF FLORENCE, KENTUCKY
Property Tax Rates (1)
Direct and Overlapping (2) Governments
Last Ten Fiscal Years

Fiscal Year	Direct Rates City of Florence		Overlapping Rates County				Total Direct and Overlapping Rates
	Florence	Hazardous	Boone County	Extension Services	Health	Library	
2014	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.400
2015	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.400
2016	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.400
2017	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.400
2018	\$ 1.820	\$ 0.640	\$ 1.050	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.400
2019	\$ 1.820	\$ 0.640	\$ 1.040	\$ 0.180	\$ 0.190	\$ 0.520	\$ 4.390
2020	\$ 1.820	\$ 0.640	\$ 1.020	\$ 0.180	\$ 0.213	\$ 0.510	\$ 4.383
2021	\$ 1.820	\$ 0.640	\$ 1.010	\$ 0.175	\$ 0.213	\$ 0.490	\$ 4.348
2022	\$ 1.810	\$ 0.650	\$ 0.980	\$ 0.170	\$ 0.210	\$ 0.460	\$ 4.280
2023	\$ 1.810	\$ 0.650	\$ 0.980	\$ 0.167	\$ 0.200	\$ 0.450	\$ 4.257

(1) Per \$1000 assessed valuation

(2) Overlapping rates are those of the county government that apply to property owners living in the City of Florence.

CITY OF FLORENCE, KENTUCKY

Principal Property Taxpayers

June 30, 2023

Taxpayer	2023			2014		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Amazon Data Services, Inc	\$ 64,523,645	1	1.80%	\$		
Ingrasys Technology USA	50,927,610	2	1.42%			
Florence Mall, LLC	38,100,000	3	1.06%	96,000,000	1	3.17%
New Plan Property Holding	35,353,735	4	0.98%	37,225,135	2	1.23%
Robert Bosch Automotive Steering	30,674,600	5	0.85%			
Ted Bushelman Blvd LLC	30,000,000	6	0.84%			
Paddock Club Apartments, LLC	28,150,000	7	0.78%			
Vinings Trace LLC	27,385,630	8	0.76%			
Gregal-Gam Florence, LLC	24,825,000	9	0.69%			
Star Wetherington, LLC	23,894,000	10	0.67%			
Turfway Park				21,900,000	3	0.72%
Cabet Turfway Ridge				21,500,000	4	0.71%
ZF Steering				21,094,614	5	0.65%
IBM Credit				19,715,658	6	0.65%
Trellises Apartments II LLC				18,060,000	7	0.60%
Bluegrass RHF Housing				18,000,000	8	0.59%
Walmart Real Estate				18,000,000	9	0.59%
Beam Associates				12,000,000	10	0.56%
TOTAL	\$ 353,834,220		9.85%	\$ 283,495,407		9.47%

CITY OF FLORENCE, KENTUCKY

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Discounts	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Collections to Date	
						Amount	Percentage of Collection
2014	\$ 7,180,243	\$ 7,110,763	\$ (125,342)	99%	\$ 55,165	\$ 7,165,928	100%
2015	\$ 7,274,130	\$ 7,102,792	\$ (128,458)	99%	\$ 42,880	\$ 7,145,672	98%
2016	\$ 7,433,766	\$ 7,303,672	\$ (130,094)	99%	\$ 3,386	\$ 7,307,058	98%
2017	\$ 7,823,820	\$ 7,554,189	\$ (131,595)	97%	\$ 138,036	\$ 7,692,225	98%
2018	\$ 7,864,044	\$ 7,726,011	\$ (138,033)	99%	\$ 14,776	\$ 7,740,787	98%
2019	\$ 8,090,585	\$ 7,843,669	\$ (126,263)	98%	\$ 70,679	\$ 7,914,348	98%
2020	\$ 8,397,170	\$ 8,247,408	\$ (149,762)	99%	\$ 7,562	\$ 8,254,970	98%
2021	\$ 8,798,392	\$ 8,644,270	\$ (154,122)	99%	\$ -	\$ 8,644,270	98%
2022	\$ 9,252,179	\$ 9,096,383	\$ (155,796)	99%	\$ -	\$ 9,096,383	98%
2023	\$ 9,508,511	\$ 9,193,062	\$ (169,982)	98%	\$ -	\$ 9,193,062	97%

CITY OF FLORENCE, KENTUCKY

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Type Activities				Business-Type Activities				Total Primary Government	Debt per Population
	General Obligations Bonds	Public Properties Bonds	Capital Leases	Sewer Bonds	Water Bonds	Public Properties/GO Bonds	Capital Leases			
2014	\$ 19,755,000	\$ -	\$ -	\$ -	\$ 2,230,000	\$ 1,070,000	\$ -	\$ 23,055,000	\$ 742	
2015	\$ 18,790,000	\$ -	\$ -	\$ -	\$ 2,020,000	\$ 730,000	\$ -	\$ 21,540,000	\$ 675	
2016	\$ 17,795,000	\$ -	\$ -	\$ -	\$ 1,810,000	\$ 380,000	\$ -	\$ 19,985,000	\$ 627	
2017	\$ 16,735,000	\$ -	\$ -	\$ -	\$ 1,595,000	\$ -	\$ -	\$ 18,330,000	\$ 565	
2018	\$ 15,670,000	\$ -	\$ -	\$ -	\$ 1,375,000	\$ -	\$ -	\$ 17,045,000	\$ 525	
2019	\$ 14,575,000	\$ -	\$ -	\$ -	\$ 1,155,000	\$ -	\$ -	\$ 15,730,000	\$ 485	
2020	\$ 13,455,000	\$ -	\$ -	\$ -	\$ 930,000	\$ -	\$ -	\$ 14,385,000	\$ 443	
2021	\$ 7,140,000	\$ -	\$ -	\$ -	\$ 700,000	\$ -	\$ -	\$ 7,840,000	\$ 235	
2022	\$ 2,705,000	\$ -	\$ -	\$ -	\$ 475,000	\$ -	\$ -	\$ 3,180,000	\$ 98	
2023	\$ 2,190,000	\$ -	\$ -	\$ -	\$ 240,000	\$ -	\$ -	\$ 2,430,000	\$ 74	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 94 for personal income and population data.

(2) Public Properties Bonds

CITY OF FLORENCE, KENTUCKY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligations Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value(1) of Property	Per Capita (2)
2014	\$ 20,825,000	\$ -	\$ 20,825,000	0.77%	\$ 670
2015	\$ 19,520,000	\$ -	\$ 19,520,000	0.70%	\$ 612
2016	\$ 18,175,000	\$ -	\$ 18,175,000	0.64%	\$ 570
2017	\$ 16,735,000	\$ -	\$ 16,735,000	0.64%	\$ 516
2018	\$ 15,670,000	\$ -	\$ 15,670,000	0.54%	\$ 483
2019	\$ 14,575,000	\$ -	\$ 14,575,000	0.49%	\$ 449
2020	\$ 13,455,000	\$ -	\$ 13,455,000	0.43%	\$ 414
2021	\$ 7,140,000	\$ -	\$ 7,140,000	0.21%	\$ 214
2022	\$ 2,705,000	\$ -	\$ 2,705,000	0.08%	\$ 83
2023	\$ 2,190,000	\$ -	\$ 2,190,000	0.08%	\$ 67

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Assessed Value of Taxable Property on page 83 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on Page 92.

CITY OF FLORENCE, KENTUCKY
Direct and Overlapping Governmental Activities Debt
June 30, 2023

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 527,096,515	4.00%	\$ 21,083,861
Subtotal, overlapping debt			<u>21,083,861</u>
City of Florence direct debt			<u>2,430,000</u>
Total direct and overlapping			<u>\$ 23,513,861</u>

Source: Kentucky Local Debt Report

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Florence. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

CITY OF FLORENCE, KENTUCKY

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 270,259	\$ 277,295	\$ 283,709	\$ 292,975	\$ 290,324	\$ 298,708	\$ 313,558	\$ 335,065	\$ 345,010	\$ 358,515
Total net debt applicable to limit	20,825	19,520	18,175	16,735	15,670	14,575	14,575	7,140	2,705	2,190
Legal debt margin	249,434	257,775	265,534	276,240	274,654	284,133	298,983	327,925	342,305	356,325
Total net debt applicable to the limit as a percentage of debt limit	7.71%	7.04%	6.41%	5.71%	5.40%	4.88%	4.65%	2.13%	0.78%	0.61%

Legal Debt Margin Calculation for Fiscal Year 2023

Taxable assessed value	\$ 3,585,150
Debt limit(10% for total taxable assessed value)	<u>358,515</u>
Debt applicable to limit:	
General obligation bonds	2,190
Less: amount set aside for repayment general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>2,190</u>
Legal debt margin	<u>\$ 356,325</u>

Note: Under state finance law, the City of Florence's outstanding debt should not exceed 10 percent of assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF FLORENCE, KENTUCKY

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Sewer and Water Revenue Bonds						Coverage
	Sewer/Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2014	\$ 8,466,355	\$ 7,601,386	\$ 864,969	\$ 200,000	\$ 44,508	354%	
2015	\$ 8,548,161	\$ 7,733,558	\$ 814,603	\$ 210,000	\$ 34,928	333%	
2016	\$ 8,455,603	\$ 8,363,162	\$ 92,441	\$ 210,000	\$ 33,405	38%	
2017	\$ 8,666,172	\$ 8,038,066	\$ 628,106	\$ 215,000	\$ 30,323	256%	
2018	\$ 8,384,213	\$ 8,898,793	\$ (514,580)	\$ 220,000	\$ 27,170	-208%	
2019	\$ 8,389,947	\$ 8,825,063	\$ (435,116)	\$ 220,000	\$ 24,918	-178%	
2020	\$ 8,766,276	\$ 9,333,418	\$ (567,142)	\$ 225,000	\$ 20,754	-231%	
2021	\$ 8,862,856	\$ 9,385,090	\$ (522,234)	\$ 230,000	\$ 17,455	-211%	
2022	\$ 9,325,504	\$ 9,043,694	\$ 281,810	\$ 225,000	\$ 13,645	118%	
2023	\$ 10,026,420	\$ 9,529,349	\$ 497,071	\$ 235,000	\$ 8,644	204%	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

CITY OF FLORENCE, KENTUCKY
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Median Income (2)	Median Age (2)	Unemployment Rate (3)
2014	31,088	\$ 1,560,026,928	\$ 50,181	36.3	5.6%
2015	31,888	\$ 1,659,866,064	\$ 52,053	36.8	5.5%
2016	31,888	\$ 2,168,320,224	\$ 67,998	37.0	5.5%
2017	32,460	\$ 1,967,140,920	\$ 60,602	37.3	5.5%
2018	32,460	\$ 2,111,295,780	\$ 65,043	37.1	5.0%
2019	32,460	\$ 2,542,494,420	\$ 78,327	37.5	3.9%
2020	32,346	\$ 2,475,859,878	\$ 76,543	37.6	4.2%
2021	32,346	\$ 2,093,368,428	\$ 64,718	38.9	4.4%
2022	32,346	N/A	N/A	N/A	4.4%
2023	32,618	N/A	N/A	N/A	3.2%

(1) Census Bureau and Kentucky State Data Center

(2) Data USA

(3) Bureau of Labor Statistics Data and Kentucky State Data Center

CITY OF FLORENCE, KENTUCKY

Principal Employers

Current Year and Nine Years Ago

	2023			2014		
	Occupational Fees	Rank	Percentage of Occupational City Fees	Employees	Rank	Percentage of Total City Employment
<u>Taxpayer</u>						
St. Elizabeth Healthcare	\$ 1,404,452	1	5.56%	N/A	1	0.00%
Boone County Board of Ed	\$ 986,731	2	3.92%	N/A	2	0.00%
Robert Bosch Automotive	\$ 896,624	3	3.45%	N/A	3	0.00%
St. Elizabeth Physicians	\$ 569,650	4	2.02%	N/A	4	0.00%
Jabil	\$ 559,923	5	1.99%	N/A	5	0.00%
Meritor Heavy Vehicle	\$ 485,730	7	1.77%	N/A	7	0.00%
Department of Treasury	\$ 481,198	6	1.72%	N/A	6	0.00%
Automotive Steering	\$ 477,730	8	1.67%	N/A	8	0.00%
Sweco	\$ 417,106	9	1.50%	N/A	9	0.00%
Charter Communications	\$ 388,503	10	1.37%	N/A	10	0.00%
TOTAL	<u>\$ 6,667,647</u>		<u>24.97%</u>			<u>-</u>

Source: Tri-County Economic Development Corporation

Note: Information not available for all ten years due to the City not providing this schedule until FY 2015.

CITY OF FLORENCE, KENTUCKY

Full-time Equivalent Government Employees by Function

Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration:										
Mayor's office	4	4	5	5	5	8	8	8	8	10
Finance	10	10	8	8	8	8	8	8	7	7
Human resources	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Information technology	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public services:										
Professional	19	19	19	20	20	19	22	22	22	22
Maintenance	21	21	21	21	22	22	22	24	27	27
Police:										
Sworn	61	64	64	64	64	64	64	64	67	70
Civilian	4	4	4	4	4	4	4	4	4	4
Fire:										
Sworn	57	57	60	63	63	63	63	63	72	72
Civilian	1	1	1	1	1	1	2	2	2	2
Parks and recreation:										
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water and sewer administration										
Water	2	2	2	2	2	2	2	2	2	2
Water	11	11	11	11	11	11	11	11	11	11
Sewer	12	12	12	12	12	12	12	12	12	12

Source: Finance department.

CITY OF FLORENCE, KENTUCKY

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police:										
Physical arrests	2,563	2,736	2,501	2,017	2,364	2,127	1,732	1,283	1,283	1,669
Traffic violations	7,790	5,188	5,768	5,854	6,478	5,274	2,288	2,189	2,882	2,006
Parking violations	162	93	114	143	90	121	116	62	62	80
Fire:										
Number of calls answered:										
Fire	2,511	2,492	2,496	3,461	3,658	3,869	3,767	3,801	3,801	3,944
Ambulance	6,283	6,819	6,982	7,796	8,267	8,531	8,212	8,343	8,343	7,886
Inspections	2,186	2,575	2,527	2,097	1,426	1,442	1,054	1,106	1,106	1,525
Highways and streets:										
Street resurfacing(lane miles)	9.11	8.48	8.48	10.36	10.36	10.36	9.60	9.60	9.60	9.60
Water:										
New connections	27	46	35	26	25	32	41	35	35	17
Water main breaks	31	34	30	32	54	52	56	47	47	30
Average daily consumption (thousands of gallons)	3,021	2,995	2,945	2,996	3,185	3,007	3,010	2,987	2,987	3,043

Source: Various city departments

CITY OF FLORENCE, KENTUCKY

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	34	34	34	34	34	34	34	34	34	34
Fire:										
Fire stations	4	4	4	4	4	4	4	4	4	4
Highways and streets:										
Streets(miles)	169	169	169	169	169	173	173	193	193	181
Streetlights	2,103	2,103	2,103	2,111	2,115	2,115	2,115	3,246	3,246	3,265
Culture and recreation:										
Parks	9	9	9	9	9	9	12	12	12	12
Parks acreage	163.5	163.5	163.5	163.5	163.5	163.5	172.0	172.0	172.0	172.0
Swimming pools	1	1	1	1	1	1	1	1	1	1
Ball fields	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	4	4	4	4
Water:										
Water mains	150	150	146	146	147	151	147	147	147	148
Fire hydrants	1,598	1,598	1,605	1,605	1,621	1,632	1,632	1,631	1,631	1,669
Maximum daily capacity (thousands of gallons)	4,595	4,183	4,120	3,840	3,773	3,310	3,373	3,463	3,463	4,126
Sewer:										
Contained sanitary/storm sewers (miles)	276	274	274	274	200	201	196	197	197	203

Source: Various city departments

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

**To the Honorable Mayor and
Members of Council of
City of Florence, 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 governmental activities and each major fund of the City of Florence, Kentucky as of June 30, 2023 and the related notes to the financial statements which collectively comprise the City of Florence, Kentucky's financial statements, and have issued our report thereon dated October 27, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Florence, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Florence, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Florence, Kentucky'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

October 27, 2023

APPENDIX C-3

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2023

[this page intentionally left blank]

BOONE COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
For Years Ending December 31, 2023 and 2022

BOONE COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2023 and 2022

Table of Contents

	<u>Pages</u>
Board of Commissioners	1
Financial Section	
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	
Statements of Net Position	9-10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to the Financial Statements	13-32
Required Supplementary Information	
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan	33
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan	34
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 <i>Government Auditing Standards</i>	35-36

BOONE COUNTY WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2023 and 2022

Mike Giordano, Chair

Charlie Cain, Vice-Chair

James Daugherty, Treasurer

Tim Alexander, Jr., Secretary

Jim Parsons

Of Counsel

David Koenig, Esq.

INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners
Boone County Water District
Burlington, Kentucky**

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Boone County Water District as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, 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 audits in accordance with accounting standards generally accepted in the United States of America. 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 Boone County Water District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures 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 the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024, on our consideration of the Boone County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Boone County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone County Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky

May 10, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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

FINANCIAL HIGHLIGHTS

The District saw an increase in net position during 2023. This was primarily due to capital contributions of transmission lines donated to the District by developers, the Kentucky Department of Transportation and the Boone County Fiscal Court.

USING THIS ANNUAL REPORT

The financial statements presented herein include all the activities of the District accounted for within a single proprietary (enterprise) reporting entity. The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, notes to the financial statements and a supplemental schedule. These statements show the condition of the District's finances and the sources of income and the funds expended.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2023, 2022, and 2021.

Table 1 - Net Position

	2023	2022	2021
Current assets	\$ 22,352,180	\$ 21,866,094	\$ 21,170,546
Restricted assets	745	376	354
Non Current/ Capital assets, net	114,469,389	103,595,653	101,141,410
Deferred outflows of resources	717,571	694,896	1,095,868
Total Assets and Deferred Outflows of Resources	<u>137,539,885</u>	<u>126,157,019</u>	<u>123,408,178</u>
Current liabilities	2,062,891	1,884,245	1,835,952
Liabilities payable from restricted assets	89,138	87,069	185,060
Long-term liabilities	4,710,529	6,180,367	7,700,937
Deferred inflows of resources	1,705,780	661,630	1,200,757
Total Liabilities and Deferred Inflows of Resources	<u>8,568,338</u>	<u>8,813,311</u>	<u>10,922,706</u>
Net Position:			
Net investment in capital assets	113,092,104	102,134,829	97,962,712
Restricted	(2,583)	(3,154)	(31,751)
Unrestricted	15,882,026	15,212,033	14,554,511
Total Net Position	<u>\$ 128,971,547</u>	<u>\$ 117,343,708</u>	<u>\$ 112,485,472</u>

Net Position (i.e., total assets net of total liabilities) is divided into three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted.

The largest portion of the District's net position (87.69%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers;

consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

The second category, restricted, represents resources that are subject to restrictions on how they are to be expended.

The third category, unrestricted, may be used by the District to meet current obligations to creditors.

The District's net position for 2023 increased 9.91% or \$11,627,839 as compared to a 4.32% or \$4,858,236 increase in the previous year.

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

The District's operating revenues increased by \$795,308 or 4.6%. Water sales increased slightly in conjunction with an overall increase in the number of bills that were sent out. There was also a 39.8% increase in forfeited discounts from users who did not pay their bills timely and received a penalty.

Operating Expenses

The District's operating expenses increased \$996,228 or 5.3%. These increases are a reflection of inflation in the general economy as a whole in 2023.

- Water Purchased – There was an increase in water costs in the amount of \$498,624 or 4.37% over 2022. This was due to Boone-Florence Water Commission passing on increased rates for water purchased.
- Operations & Maintenance Expenses – Operation and maintenance expenses increased by \$343,795 primarily due to an increase in operating supplies, operating labor, and employee benefits. A significant portion of this increase was due to the increase in labor costs as the District continues having difficulty attracting new employees and retaining old employees. The District also experienced increases in the cost of operating supplies due to the inflationary prices that were being charged by vendors. The District also wrote off a higher amount of bad debts in this year.
- Depreciation – Depreciation expense for 2023 and 2022 was \$3,250,069 and \$3,096,260, respectively. This increase of \$153,809 or 4.97% correlates to significant additions in fixed assets in 2023 and is consistent with the increase seen in depreciation expense in recent years.

Net Effect Of Change In Pension and OPEB

The District is required to report its proportionate share of the estimated unfunded pension and OPEB liability (asset) associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as a non-operating income, \$362,553, is the result of recognizing the change in the liability (asset) and the related deferred inflows and outflows less any amortization of those inflows and outflows between June 30, 2022 and June 30, 2023. This benefit compares favorably to the benefit gain of \$10,267 from the amount reported in 2022. See Note 7 to the financial statements for a more complete explanation of this unfunded liability (asset) and the related deferred inflows and outflows.

Capital Contributions

Capital contributions were \$12,391,552, increased by \$5,577,730 during 2023. This is primarily due to the donation of transmission lines by developers, the Kentucky Department of Transportation and the Boone County Fiscal Court.

Interest and Investment Income

Interest and investment income increased \$1,232,481 in 2023. This portfolio consists of US Treasuries, US Agency debt, Municipal Bonds, Mutual Funds, and Money Market Funds. These investments, unlike certificates of deposit, carry with them the risk of loss. The amount of this unrealized income/(loss), \$183,824 and (\$688,087) at December 31, 2023 and 2022, respectively, has been included in investment income. Since the District plans to hold these investments to maturity, the management believes that these losses will never be incurred. The District is addressing deficiencies in its investment guidance. See the table below for a breakdown of investment income for 2023 and 2022.

	2023	2022	Increase/Decrease
Interest and dividends	\$ 442,419	\$ 159,259	\$ 283,160
Realized gains on the sale of investments	(1,653)	(96,861)	95,208
Accrued income	1,459	19,770	(18,311)
Investment fees	(18,452)	(18,965)	513
Investment income	423,773	63,203	360,570
Unrealized gain/loss on investment	183,824	(688,087)	871,911
Reported interest and investment income/loss	<u>\$ 607,597</u>	<u>\$ (624,884)</u>	<u>\$ 1,232,481</u>

Table 2 provides a summary of the change in the District's net position at December 31, 2023, 2022, and 2021.

Table 2 – Changes in Net Position

	2023	2022	2021
Operating revenues:			
Water sales	\$ 17,759,330	\$ 17,015,145	\$ 16,959,686
Forfeited discounts	295,931	211,647	160,586
Other water revenues	40,522	73,683	73,679
Total operating revenues	<u>18,095,783</u>	<u>17,300,475</u>	<u>17,193,951</u>
Operating expenses:			
Water purchased	11,920,713	11,422,089	11,012,893
Operation and maintenance expense	4,617,305	4,273,510	3,842,986
Depreciation	3,250,069	3,096,260	2,989,428
Total operating expenses	<u>19,788,087</u>	<u>18,791,859</u>	<u>17,845,307</u>
Net operating (loss) income	<u>(1,692,304)</u>	<u>(1,491,384)</u>	<u>(651,356)</u>
Non-operating income (expenses)			
Interest income	217,441	36,186	10,845
Investment income (loss)	390,157	(661,070)	(63,413)
Net effect on change in pension	362,553	10,267	(211,028)
Interest on long-term debt	(41,560)	(48,293)	(113,746)
Gain on disposal of assets	-	198,708	-
Net non-operating income (expenses)	<u>928,591</u>	<u>(464,202)</u>	<u>(377,342)</u>
(Loss) income before capital contributions	(763,713)	(1,955,586)	(1,028,698)
Capital contributions	12,391,552	6,813,822	4,984,616
Change in net position	<u>11,627,839</u>	<u>4,858,236</u>	<u>3,955,918</u>
Net position, January 1	117,343,708	112,485,472	108,529,554
Net position, December 31	<u>\$ 128,971,547</u>	<u>\$ 117,343,708</u>	<u>\$ 112,485,472</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2023, the District had \$114,469,389 invested in capital assets including construction in progress, land, buildings, water treatment, transmission and distribution system, equipment, and vehicles, as reflected in the following schedule. This represents a net increase (additions less retirements and depreciation) of \$10,873,736. This increase is mainly due to the fact that District expenditures for new assets of \$14,123,805 exceeded depreciation expense of \$3,250,069.

Table 3 Summarizes the District's capital assets at the end of 2023 as compared to 2022 and 2021.

Table 3 – Capital Assets at Year End

	2023	2022	2021
Land	\$ 256,633	\$ 256,633	\$ 256,633
Transmission and distribution system	159,697,173	148,034,401	142,744,203
Automated meter system	1,672,955	1,663,110	1,663,110
Buildings and improvements	1,985,351	1,985,351	1,978,045
Machinery and equipment	1,474,401	1,503,074	1,435,404
Furniture and fixtures	213,756	230,798	175,143
Rate Study	220,578	220,578	220,578
Construction in progress	3,596,412	1,151,141	1,051,119
Subtotal	169,117,259	155,045,086	149,524,235
Accumulated depreciation	(54,647,870)	(51,449,433)	(48,382,825)
Capital Assets, net	<u>\$ 114,469,389</u>	<u>\$ 103,595,653</u>	<u>\$ 101,141,410</u>

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2023 compared to 2022 and 2021.

Table 4 – Outstanding Debt at Year End

	2023	2022	2021
Note payable - KIA	\$ 1,377,285	\$ 1,460,824	\$ 1,542,153
Capitalized lease - BC Fiscal Court	-	-	1,636,545
Total	<u>\$ 1,377,285</u>	<u>\$ 1,460,824</u>	<u>\$ 3,178,698</u>

At the end of 2023, the District had \$1,377,285 in outstanding long-term debt compared to \$1,460,824 in 2022 and \$3,178,698 in 2021. This is a decrease of \$83,539 which includes \$83,539 of principal paid on the District's debt during 2023.

All of the required payments were made on the District's outstanding debt during 2023.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2024 projects operating revenues to increase 2.23% while operating expenses are expected to increase approximately 2.96%. Water revenues are projected to increase over the 2023 year due to continued expansion of the water system, new corporate development, and new households being added to the system. Operation expenses are also expected to increase due to continued inflationary pressures and increases in employee wages and benefit costs to stay competitive in the market. The increase in operating income is not expected to offset the increase in the operating expenses so that there may be an increase in operating loss at the end of 2024. This operating loss will be offset by any capital contributions that the District receives as the system continues to be expanded.

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrative Office at 2475 Burlington Pike, Burlington, Kentucky 41005.

Harry Anness

Harry Anness, General Manager
Boone County Water District

BOONE COUNTY WATER DISTRICT STATEMENTS OF NET POSITION December 31, 2023 and 2022
--

ASSETS

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 2,279,252	\$ 3,688,281
Investments	8,127,775	8,776,430
Reserve for depreciation, investment cash and equivalents	8,652,347	6,461,055
Accounts receivable		
Customers, net of allowance	2,617,096	2,370,450
Others	37,739	69,389
Assessments receivable	217,677	204,525
Inventories	370,587	254,777
Prepays	49,707	41,187
Total Current Assets	<u>22,352,180</u>	<u>21,866,094</u>
Restricted Assets		
Debt service account	745	376
Total Restricted Assets	<u>745</u>	<u>376</u>
Capital Assets		
Land, building, transmission system, equipment, and vehicles	165,520,847	153,893,945
Construction in progress	3,596,412	1,151,141
Total utility plant in service	169,117,259	155,045,086
Less accumulated depreciation	(54,647,870)	(51,449,433)
Total Capital Assets, Net	<u>114,469,389</u>	<u>103,595,653</u>
TOTAL ASSETS	<u>136,822,314</u>	<u>125,462,123</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions and OPEB	717,571	694,896
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>717,571</u>	<u>694,896</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>137,539,885</u>	<u>126,157,019</u>

Continued on page 10

BOONE COUNTY WATER DISTRICT STATEMENTS OF NET POSITION - Continued from page 9 December 31, 2023 and 2022
--

LIABILITIES

	2023	2022
Current Liabilities		
Accounts payable	1,176,147	1,057,234
Accrued payroll and taxes	457,710	418,310
Deferred revenue on tap ins	123,680	93,600
Customer deposits	305,354	315,101
Total Current Liabilities	<u>2,062,891</u>	<u>1,884,245</u>
Current Liabilities Payable From Restricted Assets		
KIA note payable	85,810	83,539
Accrued interest payable	3,328	3,530
Total Current Liabilities Payable From Restricted Assets	<u>89,138</u>	<u>87,069</u>
Long-Term Obligations		
KIA note payable - KRW	1,291,475	1,377,285
Net unfunded pension and OPEB liability	3,419,054	4,803,082
Total Long-Term Obligations	<u>4,710,529</u>	<u>6,180,367</u>
TOTAL LIABILITIES	6,862,558	8,151,681
DEFERRED INFLOW OF RESOURCES		
Deferred inflow related to pensions and OPEB	<u>1,705,780</u>	<u>661,630</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>8,568,338</u>	<u>8,813,311</u>
NET POSITION		
Net investment in capital assets	113,092,104	102,134,829
Restricted	(2,583)	(3,154)
Unrestricted	<u>15,882,026</u>	<u>15,212,033</u>
TOTAL NET POSITION	<u>\$ 128,971,547</u>	<u>\$ 117,343,708</u>

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

BOONE COUNTY WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For Years Ending December 31, 2023 and 2022
--

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water revenue	\$ 17,759,330	\$ 17,015,145
Forfeited discounts	295,931	211,647
Other water revenues	<u>40,522</u>	<u>73,683</u>
TOTAL OPERATING REVENUES	<u>18,095,783</u>	<u>17,300,475</u>
OPERATING EXPENSES		
Water purchased	11,920,713	11,422,089
Operation and maintenance expense	4,617,305	4,273,510
Depreciation	<u>3,250,069</u>	<u>3,096,260</u>
TOTAL OPERATING EXPENSES	<u>19,788,087</u>	<u>18,791,859</u>
OPERATING LOSS	<u>(1,692,304)</u>	<u>(1,491,384)</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	217,441	36,186
Investment income (loss)	390,157	(661,070)
Gain on disposal of assets	-	198,708
Net effect of change in pension and OPEB	362,553	10,267
Interest on long-term obligations	<u>(41,560)</u>	<u>(48,293)</u>
NET NON-OPERATING INCOME (EXPENSE)	<u>928,591</u>	<u>(464,202)</u>
NET LOSS	<u>(763,713)</u>	<u>(1,955,586)</u>
CAPITAL CONTRIBUTIONS	<u>12,391,552</u>	<u>6,813,822</u>
CHANGE IN NET POSITION	11,627,839	4,858,236
NET POSITION, JANUARY 1	<u>117,343,708</u>	<u>112,485,472</u>
NET POSITION, DECEMBER 31	<u>\$ 128,971,547</u>	<u>\$ 117,343,708</u>

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

BOONE COUNTY WATER DISTRICT STATEMENTS OF CASH FLOWS For Years Ending December 31, 2023 and 2022

	2023	<i>(Reclassified)</i> 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 17,867,635	\$ 17,514,380
Paid to suppliers for goods and services	(14,894,131)	(14,174,820)
Paid to or on behalf of employees for services	(1,589,571)	(1,518,141)
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	<u>1,383,933</u>	<u>1,821,419</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and sales of investments	839,634	(1,808,592)
Interest on investments	442,419	159,259
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	<u>1,282,053</u>	<u>(1,649,333)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(83,539)	(114,059)
Interest paid on long-term debt	(41,762)	(76,868)
Acquisition and construction of fixed assets	(3,276,741)	(761,198)
Contributed capital received	1,518,688	416,168
Sale of capital assets	-	225,000
NET CHANGE IN CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,883,354)</u>	<u>(310,957)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	782,632	(138,871)
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>10,149,712</u>	<u>10,288,583</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u><u>\$ 10,932,344</u></u>	<u><u>\$ 10,149,712</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (1,692,304)	\$ (1,491,384)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,250,069	3,096,260
Change in operating assets and liabilities		
(Increase) decrease in receivables	(228,148)	213,905
Increase in inventories	(115,810)	(45,440)
Increase in prepaid assets	(8,520)	(215)
Increase in accounts payable	118,913	35,352
Increase in accrued payroll and taxes	39,400	53,791
Increase (decrease) in deferred revenue on tap ins	30,080	(34,400)
Decrease in customer deposits	(9,747)	(6,450)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,383,933</u></u>	<u><u>\$ 1,821,419</u></u>
Non-Cash Capital and Related Financing Activities:		
Capital assets contributed to the District	<u><u>\$ 10,872,864</u></u>	<u><u>\$ 4,793,840</u></u>
Supplemental Information		
Interest paid	<u><u>\$ (41,762)</u></u>	<u><u>\$ (76,868)</u></u>
Components of Cash on the Statement of Net Position		
Cash and cash equivalents - current	\$ 2,279,252	\$ 3,688,281
Reserve for depreciation, investment cash and cash equivalents	8,652,347	6,461,055
Debt service account - restricted cash and cash equivalents	745	376
	<u><u>\$ 10,932,344</u></u>	<u><u>\$ 10,149,712</u></u>

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

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Boone County Water District (District) is a water utility, which provides service to residential and commercial customers in Boone County, Kentucky. The District was created by the Boone County Court under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”).

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission (“PSC”) pursuant to KRS 278.040.

Basis of Accounting

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets net of total liabilities) are segregated into “invested in capital assets, net of related liabilities”; “restricted”; and “unrestricted” components.

Assessments Receivable

Assessments that the District has levied on property owners for the extension of water service to their property are recorded as a receivable at the time of the final public hearing.

Allowance for Bad Debts

The District maintained an allowance for bad debts of \$30,500 for 2023 and 2022, respectively.

Cash Equivalents

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

Budgets

In accordance with Kentucky Revised Statute 65A, the District is required to upload a balanced budget on the Kentucky Department of Local Government’s website prior to January 15. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end.

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

Deferred Outflows and Inflows of Resources

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

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

Distribution System, Building, and Equipment

Property, plant, transmission lines and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the "Non-Operating Income (Expense)" portion of results of operations.

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use at year end are held as "Construction in Progress." When the related asset is ready for use, related costs are transferred to the related asset account.

Capital Contributions

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and assessments charged to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors. These amounts have been reduced by rebates paid to the contractor for 50 feet of line each time that a new customer taps into the contributed line.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension (expense) gain, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

BOONE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

Income Tax Status

The District is exempt from federal and state income taxes since it is a governmental entity. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-Operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sale of fixed assets and interest income.

NOTE 2 – DEPOSITS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the Statement of Net Position as “Cash and Cash Equivalents” and “Restricted Assets”. The balances for Cash and Cash Equivalents were \$10,931,599 and \$10,149,336 at December 31, 2023 and 2022, respectively. The balances for Restricted Assets were \$745 and \$376 at December 31, 2023 and 2022, respectively.

The District’s General Bond Resolution dated October 13, 1992 permits investment of monies in each fund, consistent with the contemplated use of such monies, in investment obligations defined as follows:

- a) Direct obligations of or obligations guaranteed by the United States of America;
- b) Obligations issued by any of the following agencies: Federal Home Loan Bank System; Export-Import Banks; Government National Mortgage Association; Farmers Home Administration; Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association; and any other Federal Agency to the extent that such obligations are backed by the full faith and credit of the United States (other than provided in (a) hereof);
- c) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public housing authorities, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
- d) U.S. Dollar denominated deposit accounts fully insured to the holder (up to the \$250,000 maximum coverage) by the Federal Deposit Insurance Corporation in commercial banks, and to the extent not so insured (amounts in excess of \$250,000 maximum coverage), collateralized by obligations described in (a) or (b) above, having at all times a quoted market value at least equal to such uninsured amount plus accrued and undisbursed interest;
- e) General obligations to the Commonwealth of Kentucky;

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

- f) A pool or fund made up entirely of U.S. Government obligations or obligations guaranteed both as to principal and interest by the U.S. Government ; or
- g) Repurchase agreements for U.S. Government Obligations, secured in the same manner as is provided in (d) above for other deposits.

NOTE 3 – INVESTMENTS

Investment obligations are deemed to be part of the fund or account for which they were purchased. Income, interest, gains and losses on an investment obligation are credited or charged to the fund or account for which such an investment obligation was purchased. In the case of the Debt Service Reserve, as long as the aggregate debt service reserve requirement is being maintained, excess income from that fund is to be transferred to the Water Reserve Fund.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments’ fair value measurements are as follows at December 31, 2023:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 3,778,777	\$ 3,778,777	\$ -	\$ -
U.S. agencies (FNMA, etc.)	1,583,661	1,583,661	-	-
Total debt securities	5,362,438	5,362,438	-	-
Equity securities:				
Mutual funds	2,765,337	2,765,337	-	-
Total equity securities	2,765,337	2,765,337	-	-
Subtotal investments	8,127,775	8,127,775	-	-
Cash and Cash Equivalents				
Money market funds	1,348,505	1,348,505	-	-
Total investments	\$ 9,476,280	\$ 9,476,280	\$ -	\$ -

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

Investments' fair value measurements are as follows at December 31, 2022:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	\$ 4,365,516	\$ 4,365,516	\$ -	\$ -
U.S. agencies (FNMA, etc.)	2,017,769	2,017,769	-	-
Total debt securities	6,383,285	6,383,285	-	-
Equity securities:				
Mutual funds	2,393,145	2,393,145	-	-
Total equity securities	2,393,145	2,393,145	-	-
Subtotal investments	8,776,430	8,776,430	-	-
Cash and Cash Equivalents				
Money market funds	311,152	311,152	-	-
Total investments	\$ 9,087,582	\$ 9,087,582	\$ -	\$ -

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

In accordance with GASB 40, the District had \$0 in bond sinking funds held in investments in federally backed US Treasury Obligations rated AAA/Aaa at December 31, 2023 and 2022, respectively. The market risk on these investments is negligible.

NOTE 4 – RESTRICTED PORTION OF NET POSITION

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted portion of net position. Invested in capital assets, net of related debt consists of all capital assets net of accumulated depreciation and reduced by outstanding debts, that is attributable to the acquisition, construction and improvement of those assets. The restricted portion of net position consists of assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. The unrestricted portion of net position consists of all other assets not included in the above categories.

Included in restricted portion of net position at December 31,

	2023	2022
Debt Service Account	\$ 745	\$ 376
Subtotal - Restricted Assets	745	376
Less: non-capital payables to be paid from restricted assets: accrued interest payable	(3,328)	(3,530)
Total Restricted Portion of Net Position	\$ (2,583)	\$ (3,154)

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

NOTE 5 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method as detailed in Note 1. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	5-10 years
Automated meter system	50 years
Transmission lines	50 years
Rate Study	4 years

Asset Type	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023
Land	\$ 256,633	\$ -	\$ -	\$ 256,633
Transmission lines	148,034,401	11,662,772	-	159,697,173
Automated meter system	1,663,110	9,845	-	1,672,955
Buildings	1,985,351	-	-	1,985,351
Machinery and equipment	1,503,074	5,917	(34,590)	1,474,401
Furniture and fixtures	230,798	-	(17,042)	213,756
Rate study	220,578	-	-	220,578
Construction in progress	1,151,141	2,445,271	-	3,596,412
Subtotal	155,045,086	14,123,805	(51,632)	169,117,259
Accumulated depreciation	(51,449,433)	(3,250,069)	51,632	(54,647,870)
Fixed Assets, net	\$ 103,595,653	\$ 10,873,736	\$ -	\$ 114,469,389

NOTE 6 – LONG TERM DEBT

The following is a summary of the District's debt:

Debt type	Balance at December 31 2022	Additions	Principal Payments	Balance at December 31 2023	Current Portion
KIA Loan	1,460,824	-	(83,539)	1,377,285	85,810
Totals	\$ 1,460,824	\$ -	\$ (83,539)	\$ 1,377,285	\$ 85,810

Capital Lease – Boone County Fiscal Court

The District established a capital lease related to its acquisition of Rural Water lines from the Boone County Fiscal Court, effective during the year ended 2009. This capital lease carries an interest rate of

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

2.00% and expires on August 1, 2037. District infrastructure assets serve as collateral for this debt. The District made a scheduled payment of 32,731 in February 2022 and the remaining balance of \$1,603,814 due to the Boone County Fiscal Court was forgiven by the Fiscal Court. The Fiscal Court defeased its bonds with County funds.

Note Payable – Kentucky Infrastructure Authority

The District established a note payable related to its acquisition of Rural Water lines from the Boone County Fiscal Court, effective during the year ended 2009. This note payable carries an interest rate of 2.70% and matures on June 1, 2037. District infrastructure assets serve as collateral for this debt.

Remaining debt service requirements on this note payable are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2024	2.70%	\$ 85,810	\$ 39,323	\$ 125,133
2025	2.70%	88,142	36,818	124,960
2026	2.70%	90,538	34,245	124,783
2027	2.70%	92,999	31,602	124,601
2028	2.70%	95,527	28,886	124,413
2029-2033	2.70%	518,026	101,048	619,074
2034-2037	2.70%	406,243	23,878	430,121
Totals		<u>\$ 1,377,285</u>	<u>\$ 295,800</u>	<u>\$ 1,673,085</u>

NOTE 7 - COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description – District employees are covered by CERS (County Employees' Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The District has only Non-Hazardous employees.

Membership in CERS consisted of the following at June 30, 2022:

BOONE COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	77,849	76,946
Inactive Plan Members	105,707	28,719
Retired Members	68,889	37,584
	<u>252,445</u>	<u>143,249</u>
Number of participating employers		<u>1,144</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive health insurance benefits after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

Contributions

The District contributed 26.79% of covered-employee’s compensation (from January – June 2023) of which 23.40% was for the pension fund and 3.39% was for the health insurance fund and contributed 23.34% of covered-employee’s compensation (from July – December 2023), of which 23.34% was for the pension fund and 0.00% was for the health insurance fund.

The District made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$399,040, of which \$371,950 was for the pension fund and \$27,090 was for the health insurance fund.

Pension Liabilities (Assets), Pension (Expense) Gain, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the District reported a liability (asset) of \$3,494,238 as its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District 's proportion of the net pension liability (asset) was based on a projection of the District 's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2023 measurement year, the District 's non-hazardous employer allocation proportion was 0.05446% of the total CERS non-hazardous duty employees. For the year ended December 31, 2023, the District recognized a pension gain of \$172,284 in addition to its \$371,950 pension contribution.

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 180,890	\$ (9,495)
Net difference between projected actual earnings on plan investments	-	(47,663)
Changes of assumptions	-	(320,249)
Changes in proportion and differences between contributions and proportionate share of contributions	100,331	(89,219)
Contributions subsequent to the measurement date	184,957	-
	\$ 466,178	\$ (466,626)

The District’s contributions subsequent to the measurement date of \$184,957 will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2024.

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension (expense) gain as follows:

Measurement Year Ending June 30,	Net Deferral
2024	\$ (143,551)
2025	(86,031)
2026	78,006
2027	(33,829)
2028	-
Thereafter	-
	<u>\$ (185,405)</u>

Actuarial Methods and Assumptions for Determining the Net Pension Liability (Asset)

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability (asset), net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability (asset) was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

Changes of Assumptions

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability (Asset) as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability (asset).

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore reflected no fiscal impact to the total pension liability (asset) of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability (asset) as of June 30, 2023, for the nonhazardous plans in determined using these updated benefits provisions.

<p>BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022</p>
--

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Nonhazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Nonhazardous
Investment Rate of Return	6.50% for CERS Nonhazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Plan Target Allocation

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

Asset Class	CERS Pensions	Long Term
	Non-Hazardous Target Allocation	Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit / high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	100.00%	5.75%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		8.25%

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Proportionate Share of Net Pension Liability (Asset)		
	1% Decrease	Current Rate	1% Increase
	5.50%	6.50%	7.50%
Non-hazardous	\$ 4,411,687	\$ 3,494,238	\$ 2,731,804
Total	\$ 4,411,687	\$ 3,494,238	\$ 2,731,804

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees. The District contributed 3.39% of covered-employee's compensation (from January – June 2023) and contributed 0.00% of covered-employee's compensation (from July – December 2023) for the health insurance fund. These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (asset). For the year ended December 31, 2023, the District recognized an OPEB gain of \$190,269 in addition to its \$27,090 OPEB contribution.

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

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

At December 31, 2023, the District reported an asset of \$75,184 as its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2023 measurement year, the District's proportion of the total non-hazardous plan was 0.05446%.

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 52,415	\$ (1,067,541)
Net difference between projected actual earnings on plan investments	-	(17,449)
Changes of assumptions	147,957	(103,111)
Changes in proportion and differences between contributions and proportionate share of contributions	51,021	(51,053)
Contributions subsequent to the measurement date	-	-
	\$ 251,393	\$ (1,239,154)

The District's contributions subsequent to the measurement date, \$0 for non-hazardous duty employees will be recognized as a reduction of the net OPEB asset in the year ending December 31, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB (expense) gain as follows:

Measurement Year Ending June 30,	Net Deferral
2024	\$ (241,213)
2025	(308,096)
2026	(240,367)
2027	(198,085)
2028	-
Thereafter	-
	\$ (987,761)

<p>BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022</p>
--

Actuarial Methods and Assumptions to Determine the Net OPEB Liability (Asset)

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability (asset), net OPEB liability (asset), and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability (asset) was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Nonhazardous
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous
Initial Rate of Return	
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, 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 Nonhazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (nondisabled)	System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability (asset) within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability (Asset) as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability (asset) of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability (asset) as of June 30, 2023, for the nonhazardous plan is determined using these updated benefit provisions.

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2018 to June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
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 Increases	3.30% to 10.30%, varies by service for Non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.
Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.

<p>BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022</p>
--

Mortality

Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 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 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

The single discount rates used to calculate the total OPEB liability (asset) 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 on 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 (asset) as of June 30, 2023, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability (asset) increased from 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

Single discount rates of 5.93% for CERS Nonhazardous were used to measure the total OPEB liability (asset) as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts.

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

Plan Target Allocation

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

Asset Class	CERS Pensions	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	5.90%
Private equity	10.00%	11.73%
Core bonds	10.00%	2.45%
Specialty credit /high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real estate	7.00%	4.99%
Real return	13.00%	5.15%
Expected Real Return	<u>100.00%</u>	5.75%
Long-Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>8.25%</u>

Sensitivity of the Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability (asset) calculated using the discount rates of 5.93% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Discount Rate, Non-Hazardous	Proportionate Share of Net OPEB Liability (Asset)		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability (asset), Non-Haz	\$ 141,092	\$ (75,184)	\$ (256,289)
Total	<u>\$ 141,092</u>	<u>\$ (75,184)</u>	<u>\$ (256,289)</u>

Sensitivity of the Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability (asset), as well as what the proportionate share of the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

	Proportionate Share of Net OPEB Liability (Asset)		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability (asset), non-hazardous	\$ (240,979)	\$ (75,184)	\$ 128,478
Total	\$ (240,979)	\$ (75,184)	\$ 128,478

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial reports that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at www.kyret.ky.gov.

NOTE 8 – RELATED PARTY TRANSACTIONS

The District purchases water from the joint Boone-Florence Water Commission (Commission). Two of the District’s board members also serve as commissioners on the Boone-Florence Water Commission. The Commission is the District’s sole source of wholesale water. The Commission was created in a joint venture with the City of Florence, Kentucky to purchase water from the City of Cincinnati, Ohio. During 2023 and 2022, the District purchased \$11,920,713 and \$11,422,089, respectively. During 2023 and 2022, the District leased office space to the Commission at a cost of \$6,000 per year. The District also provided maintenance services to the Water Commission lines and towers and was reimbursed \$17,727 and \$46,632 for those services during 2023 and 2022, respectively.

NOTE 9 – ECONOMIC DEPENDENCY/CREDIT RISK

Boone County Water District is a government agency operating with one office in Burlington, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Boone County, Kentucky.

NOTE 10 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS IN CURRENT YEAR

Statement No. 91 – *Conduit Debt Obligations*

Statement No. 99 – *Omnibus 2022*

The implementation of these standards had no significant effect on the District during this calendar year.

NOTE 11 – FUTURE ACCOUNTING STANDARDS

Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62* – Implementation in calendar year 2024

Statement No. 101 – *Compensated Absences* – Implementation in calendar year 2024

Statement No. 102 – *Certain Risk Disclosures* – Implementation in calendar year 2025

NOTE 12 – ANNEXATION OF MARYDALE PROPERTY

In November 2021, the City of Florence annexed the “Marydale” property, formerly a parcel in unincorporated Boone County. This property has had District water infrastructure in place for almost 25 years. The City of Florence and the District agreed to sell this water infrastructure to the City in exchange

BOONE COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2023 and 2022

for \$225,000. The City of Florence will tie this infrastructure into its' existing water lines. The District recognized \$225,000 as a sale of capital assets in fiscal year 2022.

NOTE 13 – RECLASSIFICATION OF PRIOR YEAR FINANCIAL STATEMENTS

The District has reclassified the cash and cash equivalents amounts on the Statement of Cash Flows for fiscal year 2022. The District now reconciles to the total amount for both unrestricted and restricted cash and cash equivalents. The breakdown of these amounts is disclosed at the bottom of the Statement of Cash Flows. There was no change to the total net position of the District as a result of this reclassification.

NOTE 14 – SUBSEQUENT EVENTS

Management has considered subsequent events through May 10, 2024, which represents the date the financial statements were available to be issued. The District did not have any events subsequent to December 31, 2023 through May 10, 2024 to disclose.

BOONE COUNTY WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset)	0.05446%	0.05220%	0.05640%	0.05494%	0.05336%	0.05267%	0.05077%	0.05000%	0.05102%	
Proportionate share of the net pension liability (asset)	\$ 3,494,238	\$ 3,773,184	\$ 3,595,751	\$ 4,213,699	\$ 3,752,792	\$ 3,207,520	\$ 2,971,900	\$ 2,461,715	\$ 2,193,686	
Covered employee payroll in year of measurement	\$ 1,580,765	\$ 1,443,314	\$ 1,442,153	\$ 1,409,158	\$ 1,345,944	\$ 1,305,317	\$ 1,143,696	\$ 1,179,827	\$ 1,151,543	
Share of the net pension liability (asset) as a percentage of its covered employee payroll	221.05%	261.43%	249.33%	299.02%	278.82%	245.73%	259.85%	208.65%	190.50%	
Plan fiduciary net position as a percentage of total pension liability (asset)	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	

Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 371,950	\$ 341,145	\$ 282,724	\$ 284,296	\$ 247,340	\$ 205,408	\$ 179,614	\$ 142,047	\$ 150,428	\$ 158,222
Actual contribution	371,950	341,145	282,724	284,296	247,340	205,408	179,614	142,047	150,428	158,222
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,579,636	\$ 1,529,116	\$ 1,397,470	\$ 1,437,819	\$ 1,393,882	\$ 1,335,691	\$ 1,238,229	\$ 1,143,696	\$ 1,179,827	\$ 1,151,543
Contributions as a percentage of covered employee payroll	23.55%	22.31%	20.23%	19.77%	17.79%	15.38%	14.51%	12.42%	12.75%	13.74%

Notes to Required Supplementary Information
for the Year Ended December 31, 2023

The net pension liability (asset) as of December 31, 2023, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the pension (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 7 in the Notes to the Financial Statements.

BOONE COUNTY WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net OPEB liability (asset)	0.05446%	0.05219%	0.05638%	0.05492%	0.05335%	0.052660%				
Proportionate share of the net OPEB liability (asset)	\$ (75,184)	\$ 1,029,898	\$ 1,079,443	\$ 1,326,199	\$ 897,239	\$ 935,039				
Covered employee payroll in year of measurement	\$ 1,580,765	\$ 1,443,314	\$ 1,442,153	\$ 1,409,158	\$ 1,345,944	\$ 1,305,317				
Share of the net OPEB liability (asset) as a percentage of its covered employee payroll	-4.76%	71.36%	74.85%	94.11%	66.66%	71.63%				
Plan fiduciary net position as a percentage of total OPEB liability (asset)	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%				

Schedule of the District's OPEB Fund Contributions
County Employees' Retirement System (CERS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 27,090	\$ 69,702	\$ 73,617	\$ 70,116	\$ 69,593	\$ 66,640	\$ 61,453			
Actual contribution	27,090	69,702	73,617	70,116	69,593	66,640	61,453			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Covered employee payroll	\$ 1,579,636	\$ 1,529,116	\$ 1,397,470	\$ 1,437,819	\$ 1,393,882	\$ 1,335,691	\$ 1,238,229			
Contributions as a percentage of covered employee payroll	1.71%	4.56%	5.27%	4.88%	4.99%	4.99%	4.96%			

Notes to Required Supplementary Information
for the Year Ended December 31, 2023

The net OPEB liability (asset) as of December 31, 2023, is based on the June 30, 2023, actuarial valuation. The changes to the elements of the OPEB (expense) gain, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 7 in the Notes to the Financial Statements.

**Independent Auditor’s Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**To the Board of Commissioners
Boone County Water District
Burlington, 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 Boone County Water District as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements which collectively comprise Boone County Water District’s basic financial statements and have issued our report thereon dated May 10, 2024.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Certified Public Accountants

Erlanger, Kentucky

May 10, 2024

APPENDIX D

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

SUMMARY OF THE GENERAL REVENUE BOND RESOLUTION

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the General Revenue Bond Resolution and the Series 2024A Water Supply Revenue Bond Resolution. Reference is hereby made to such documents for complete definitions of all terms.

“Account” means any separate account established and created within any Fund by the Commission under and in accordance with Article V of the General Resolution.

“Act” means Chapter 74, Chapter 58, Section 56.513, and Sections 65.940 through 65.956, inclusive, of the Kentucky Revised Statutes, as amended from time to time.

“Action,” when used with respect to any Holder of an Obligation, has the meaning provided in Section 1.02(a) of the General Resolution.

“Adoption Date” means October 16, 2024.

“Agent Member” means any member of, or participant in, the Securities Depository.

“Aggregate Debt Service Reserve Fund Requirement,” as of any date, means an amount, computed on an aggregate basis for all Debt Service Reserve Fund Obligations, equal to the least of (a) 10% of the face amount of all Debt Service Reserve Fund Obligations; (b) 100% of the Maximum Debt Service Requirements (as of the specified date) of all Debt Service Reserve Fund Obligations in the current or any future Fiscal Year; or (c) 125% of the average Debt Service Requirements (as of the specified date) of all Debt Service Reserve Fund Obligations in the current Fiscal Year and all future Fiscal Years.

“Aggregate Depreciation Fund Requirement” means, as of any date, the total Depreciation Fund Requirement for all Bonds and Notes Outstanding or owed as of such date.

“Annual Budget” means, for each Fiscal Year, the budget for the System for that particular Fiscal Year, as amended or supplemented, adopted by the Board of Commissioners of the Commission under and in accordance with Section 7.12 of the General Resolution.

“Assumed Term” means a period of up to thirty years, as selected by the Commission; provided, however, that for any Obligation that has a Stated Maturity more than thirty years from the date of the relevant calculation, the Assumed Term for such Obligation shall be the period selected by the Commission of up to the Stated Maturity of such Obligation.

“Authorized Newspapers” means, collectively, (a) a newspaper of general circulation in the Commission that meets the requirements of a qualified newspaper established by law, (b) a daily newspaper of general circulation in the Commonwealth, and (c) a newspaper or financial journal printed in the English language, customarily published and circulated, for at least five days (other than legal holidays) in each calendar week, in the Borough of Manhattan, District, and State of New York, or as otherwise provided by the laws of the Commonwealth.

“Authorized Officer” means the Chair, Vice-Chair, the General Manager, the Secretary, and any other officers, agents, or employees of the Commission duly authorized by resolution of the Board of Commissioners of the Commission to perform the act or execute the instrument in question.

“Bank Direct Purchase” has the meaning provided in Section 1.06 of the General Resolution.

“Bank Direct Purchaser” has the meaning provided in Section 1.06 of the General Resolution.

“Bond Anticipation Note” means any Boone-Florence Water Commission Water Supply Revenue Bond Anticipation Note, or the Series of Bond Anticipation Notes, as the case may be, executed, authenticated (if applicable), and delivered under and in accordance with the General Resolution and authorized and issued under and in accordance with a Series Resolution.

“Bond Counsel Opinion” means an opinion, including a supplemental opinion thereto, signed by a firm of attorneys of nationally recognized standing in the field of municipal bond law selected by the Commission.

“Bond Insurer” means any insurance company that issues a municipal bond insurance policy insuring the payment of the principal of and interest on any of the Bonds or Notes.

“Bonds” means any Boone-Florence Water Commission Water Supply Revenue Bonds, or the issue of Bonds, as the case may be, executed, authenticated (if applicable), and delivered under and in accordance with the General Resolution and authorized and issued under and in accordance with a Series Resolution.

“Book-Entry Form,” with respect to any of the Bonds or Notes, means a form or system under which (a) the ownership of beneficial interests in the Bonds or Notes and the Debt Service charges with respect to such Bonds or Notes may be transferred only through a book entry on the records of a Securities Depository, and (b) physical Bond or Note certificates in fully registered form are only registered in the name of a Securities Depository or a Securities Depository Nominee as the owner of such Bond or Note and are held in the custody of a Securities Depository.

“Capital Appreciation Obligations” means any Obligation, or portion thereof, which, at the time of the original offering or sale thereof, is offered for sale to the public or is sold to the initial purchaser thereof with either a stated interest rate that is less than the original issue yield to maturity thereof or with no stated interest rate, and with respect to which a Compounded Value is required to be determined in accordance with the Supplemental Resolution and other documents under which such Capital Appreciation Obligation was issued or incurred.

“Commission” means the Boone-Florence Water Commission, a de jure statutory water commission of the Commonwealth.

“Commonwealth” means the Commonwealth of Kentucky.

“Compounded Value,” with respect to any Capital Appreciation Obligation, means the initial price or initial principal amount at which such Capital Appreciation Obligation was offered for sale to the public or sold to the original purchaser thereof at the initial offering or sale thereof, without reduction to reflect underwriter’s discount or placement fees, compounded at the original issue yield to maturity of such Capital Appreciation Obligation to the date of determination of Compounded Value in the manner provided in the Supplemental Resolution and other documents under which such Capital Appreciation Obligation was issued or incurred, and with respect to any Capital Appreciation Obligation with interest payable on a current basis, any interest paid or payable during such period.

“Consent,” when used in connection with the Holders of the Obligations, means a written consent signed in the name of the Holder of the Obligations giving such consent by such Holder or its duly authorized attorney and delivered to the Commission.

“Construction” means and includes, among other things, (a) preliminary planning undertaken by the Commission to determine the economic and engineering feasibility of the construction, now or in the future, of facilities that will constitute a part of the System, including all engineering, architectural, legal, fiscal, and marketing costs incurred in connection therewith and all economic investigations and studies, surveys, designs, plans, working drawings, specifications, procedures, and other actions necessary to the construction of facilities for the System; (b) the acquisition, construction, alteration, remodeling, improvement, extension, installment, or equipping of System facilities; (c) the inspection and supervision of System facilities and all costs incidental to the acquisition and financing of the same; and (d) any other physical devices or appurtenances in connection with, or reasonably attendant to, any System facilities.

“Construction and Acquisition Account” means, for each Series of Bonds or Notes for which such an Account has been created under the applicable Series Resolution, the Account within the Proceeds Fund so designated, established, and created for such Series of Bonds or Notes under and in accordance with Section 5.03 of the General Resolution.

“Consultant” means a Consulting Accountant or a Consulting Engineer.

“Consultant’s Certificate” means a certificate executed by a Consultant.

“Consulting Accountant” means a firm of independent certified public accountants licensed to practice within the Commonwealth and not within the regular employ of the Commission with respect to the System.

“Consulting Engineer” means any engineer or firm of engineers (a) who have been or will be retained by the Commission to prepare plans and specifications for present or future portions of the System, (b) who, by virtue of their

experience, prestige, and ability, bear a reputation in the field of water system engineering, and are nationally recognized and known, and (c) upon whose professional judgment sophisticated investors rely in connection with any securities issued for water purposes.

“Cost of Issuance Account” means, for each Series of Bonds or Notes issued under the General Resolution, the Account within the Proceeds Fund so designated, established, and created for such Series of Bonds or Notes under and in accordance with Section 5.03 of the General Resolution.

“Costs of Issuance” means the costs incurred in the issuance of a Series of Bonds or Notes, including, but not limited to, the fees and charges of financial advisors, underwriters or purchasers, Bond Counsel, Paying Agents, Registrars, Rating Agencies, and bond and official statement printers, any credit enhancement charges, and any other fees and expenses normally attendant to the issuance of Bonds or Notes under the General Resolution.

“Counsel Opinion” means a written opinion signed by any attorney or any firm of attorneys selected by or satisfactory to the Commission and licensed to practice law in the Commonwealth, including any attorney in the regular employment of the Commission or retained by the Commission in other connections.

“Current Expenses” means all reasonable and necessary costs of (a) operating, maintaining, repairing, and insuring the System, and (b) allowances for depreciation on all System facilities, but excludes all expenditures for extensions, improvements, and extraordinary repairs and maintenance for the System and all payments into the Sinking Fund and the Debt Service Reserve Fund.

“Debt Service” means, (a) with respect to any Bond, Bond Anticipation Note, or other Note which is not a Revenue Anticipation Note, the payment of the principal and any Redemption Price or Prepayment Price of and interest on such Bond, Bond Anticipation Note, or other Note; (b) with respect to any Revenue Anticipation Note, the payment of the principal and any Prepayment Price of and interest on such Revenue Anticipation Note; and (c) with respect to any Program Obligation, the payment of the principal and any Prepayment Price of and interest on such Program Obligation, and any related program administration fees or other similar charges relating to such Program Obligation, or, if such Program Obligation constitutes a lease obligation entered into under and in accordance with Sections 65.940 through 65.956, inclusive, of the Kentucky Revised Statutes, as amended, the portions of the lease payments with respect to such Program Obligation comprising the principal, interest, and related program administration fee components.

“Debt Service Coverage Ratio,” for a specific period, means the quotient obtained by dividing the Net Revenues of the System, as reflected in the Financial Statements of the System for such period or, if the Financial Statements are unavailable for such period, in the unaudited financial statements of the System for such period, by the Maximum Debt Service Requirements of the System for such period, all as established in accordance with Section 1.05 of the General Resolution.

“Debt Service Reserve Fund” means the Fund so designated, established, and created under and in accordance with Section 5.08 of the General Resolution as a reserve for the payment of the principal, interest, and Redemption Price or Prepayment Price with respect to any Debt Service Reserve Fund Obligations.

“Debt Service Reserve Fund Guarantor” means the issuer of a Debt Service Reserve Fund Guaranty.

“Debt Service Reserve Fund Guaranty” means a letter of credit, surety bond, or other similar arrangement representing the irrevocable obligation of the Debt Service Reserve Guarantor to pay to the Commission, upon request by the Commission, moneys in an amount up to the maximum amount stated therein for application as provided in Section 5.08 of the General Resolution.

“Debt Service Reserve Fund Guaranty Agreement” means a reimbursement agreement, loan agreement, or other similar agreement by and between the Commission and a Debt Service Reserve Fund Guarantor with respect to the repayment of any amounts advanced under a Debt Service Reserve Guaranty.

“Debt Service Reserve Fund Guaranty Coverage” means the amount available to be paid to the Commission at any particular time under the terms of the Debt Service Reserve Fund Guaranty.

“Debt Service Reserve Fund Obligation” means a Series of Bonds or Notes for which the Commission has elected to apply the benefit of the Debt Service Reserve Fund in accordance with Section 2.04(a) and Section 2.06(a)(vi) of the General Resolution, all of which shall constitute Senior Obligations under the General Resolution.

“Debt Service Requirements” means, for any period, the principal of and premium, if any, and interest on all Outstanding Long-Term Obligations, and any other debt service charges with respect thereto, coming due at the Maturity or Stated Maturity of such Long-Term Obligations during such period, and for such purposes, at the election of the Commission, any one or more of the following rules shall apply:

(a) Committed Take-Out. If the Commission has received a lending commitment, binding to the degree that is customary in normal commercial practice, for the purpose of refunding, purchasing, or otherwise directly or indirectly refinancing any Long-Term Obligation at the Stated Maturity or Maturity thereof (or, if otherwise due or payable in connection with any required purchase of such Long-Term Obligation, on demand, at any date upon which such demand may be made), then the portion of the principal, interest, premium, if any, and other similar charges so committed to be refunded, purchased, or directly or indirectly refinanced shall be excluded from such calculation, and the principal of and premium, if any, and interest (calculated at the fixed rate stated in such commitment or, if the rate stated therein is variable, at the lesser of (i) the rate established in accordance with paragraph (c) of this definition or (ii) the maximum rate, if any, stated in such commitment) on the commitment which would be due in the period for which the calculation is being made, if such commitment is obtained at the Stated Maturity or Maturity of the Long-Term Obligation to be refunded, purchased, or refinanced, shall be added.

(b) Balloon and Demand Obligations. If the outstanding balance of any Long-Term Obligation which is due or, at the option of the Holder thereof, could become due or payable with respect to any required purchase of such Long-Term Obligation in such period (after taking into account the amortization thereof in accordance with any required Sinking Fund Installment) exceeds 20% of the original aggregate principal amount of such Long-Term Obligation and:

(i) the Commission executes an Officer’s Certificate, dated within ninety days of the date of calculation of such Debt Service Requirements, stating that the financing of a stated term (which term shall not extend beyond thirty years after the date of such calculation), amortization, and interest rate is reasonably attainable to refund or to otherwise directly or indirectly refinance any amount of such Long-Term Obligation, then the principal of and premium, if any, and interest on the portion of such Long-Term Obligation, and any other debt service charges with respect thereto, so certified to be refundable or refinancable shall be excluded from such calculation, and the principal of, the premium, if any, and interest on, and any other debt service charges, as so certified, which would result from the issuance or incurrence of an Obligation to effect such refunding or refinancing during such period, if issued or incurred on the first day of the period for which the Debt Service Requirements are being calculated, shall be added; or

(ii) the Commission executes an Officer’s Certificate, dated within ninety days of the date of calculation of such Debt Service Requirements, projecting the amount of principal and interest coming due and payable on such Long-Term Obligation during such period, it may be assumed that (A) the principal balance of such Long-Term Obligation (1) will be refinanced on the date of such calculation, (2) will be payable over the Assumed Term from the date of such calculation, and (3) will bear interest at the Index Rate from the date of such calculation, and (B) the interest and any other debt service charges on such Long-Term Obligation will be payable in equal annual installments or in accordance with an alternate schedule of specified amortization sufficient to pay the principal of, interest on, and any other debt service charges with respect thereto over the Assumed Term.

(c) Variable Rate Obligations. As to any Long-Term Obligation that bears interest at a variable rate that cannot be ascertained at the time of calculation, for any balance of such Long-Term Obligation, either of the following, at the election of the Commission, shall be presumed to apply for purposes of such calculation, and for all future dates: (i) the average rate thereon during any twelve month period ending within thirty days before the date of calculation (or such lesser time as such Long-Term Obligation has been Outstanding), or (ii) the average rate of a comparable variable rate interest index during any twelve month period ending within thirty days before the date of calculation (or such lesser time as such interest index has been determined), as selected by the Commission and set forth in an Officer’s Certificate of the Commission.

(d) Economically Defeased Obligations and Trustee Held Funds. The principal of and premium, if any, and interest on any Long-Term Obligation, and any other debt service charges with respect thereto, that are or could become due or payable with respect to any required payment or purchase of such Long-Term Obligation shall be excluded from such calculation to the extent such amounts are payable from Defeasance Obligations.

(e) Redeemed or Refunded Obligations. If any arrangements have been made for the redemption, prepayment, or payment, with the proceeds of any firmly committed Long-Term Obligation or other committed sources of money, of any of the principal of, the premium, if any, or interest on, or any other debt service charges with respect to any Long-Term Obligation then Outstanding or treated as Outstanding under this definition, then the principal, premium, if any, interest, and other debt service charges, if any, to be refinanced or paid by such firmly committed Long-Term Obligation or other committed money shall be ignored for the purposes of such calculation, and such firmly committed Long-Term Obligation shall be treated as an Outstanding Long-Term Obligation with terms as shall be set forth in the related commitment.

(f) Capital Appreciation Obligations. The Compounded Value of any Capital Appreciation Obligation may be excluded from such calculation for any period, unless such Compounded Value was or is actually due and payable during such period.

(g) Commercial Paper. The Debt Service Requirements for any Obligation that constitutes commercial paper shall be calculated in accordance with paragraph (b) of this definition, provided that the Assumed Term for purposes of clause (ii) of paragraph (b) shall not extend beyond thirty years after the date of such calculation.

(h) Construction Obligations. If any Long-Term Obligation has been issued or incurred to finance the Construction of a Project or to refund an Obligation issued or incurred for such purpose, then the principal of and premium, if any, and interest on such Long-Term Obligation, and any other debt service charges with respect thereto, may be excluded from such calculation during the period of the construction, acquisition, installation, or equipping of the Project; provided, however, that such period shall not exceed three years from the date such Long-Term Obligation was originally issued or incurred for such Project (excluding, for purposes of the three year limitation, the date on which any refunding Obligation was issued or incurred).

For purposes of calculating the Debt Service Requirements for any Long-Term Obligation where the payment of such Long-Term Obligation is contingent or conditional, whether or not a payment date is specified in such Long-Term Obligation, the Stated Maturity of such Long-Term Obligation shall be the date certain on which such Long-Term Obligation is due and payable and such payments are not contingent or conditional.

“Default” means the occurrence and continuance of an event that, after notice, lapse of time, or both, would become an Event of Default under the General Resolution.

“Defeasance Obligations” means:

(a) noncallable direct obligations of the United States of America, including U.S. Treasury bills, notes, bonds, and zero coupon bonds, U.S. Treasury Obligations - State and Local Government Series (SLGS), and direct obligations of the U.S. Treasury that have been stripped by the Treasury itself, including CATS, TIGRS, and similar securities;

(b) noncallable obligations issued or guaranteed by the Government National Mortgage Association which are backed by the full faith and credit of the United States of America; and

(c) noncallable senior debt obligations issued or guaranteed by any Federal Home Loan Bank or any Federal Home Loan Bank Board or by the Farm Credit System, the Federal Home Loan Mortgage Corporation, or the Federal National Mortgage Association.

“Depository” means a financial institution appointed by the Commission from time to time to hold and maintain any of the Funds or Accounts established and created under the General Resolution by the adoption of a Supplemental Resolution or by any other action of the Commission.

“Depreciation Fund” means the Fund so designated, established, and created under and in accordance with Section 5.06 of the General Resolution.

“Depreciation Fund Requirement” means, with respect to each Series of Bonds or Notes, the amount set forth in the Series Resolution authorizing the issuance of such Series of Bonds or Notes as the reserve for major repairs or replacements of the System to be maintained in the Depreciation Fund in connection with such Series of Bonds or Notes.

“Event of Default” has the meaning provided in Section 10.01 of the General Resolution.

“Fiduciary” means any Paying Agent, Registrar, Depository of any of the Funds or Accounts established and created under the General Resolution, Program Trustee, or other party performing a similar function to any of the foregoing, as may be appropriate.

“Financial Statements” means, the audited financial statements of the System for each Fiscal Year prepared in accordance with generally accepted accounting principles.

“Fiscal Year” means the period commencing on July 1 of any year and ending on June 30 of the succeeding calendar year, or such other period as shall be determined to be the fiscal year for the Commission in accordance with the laws of the Commonwealth.

“Fund” means any of the Funds set forth in Section 5.02 of the General Resolution which are established and created under the General Resolution.

“General Resolution” means the General Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024.

“Holder” means (a) with respect to any Bond or Note, (i) the Person in whose name such Bond or Note is registered on the applicable Register, or (ii) for any Bond or Note sold and awarded via a Bank Direct Purchase in accordance with Section 1.06(a) of the General Resolution, the Bank Direct Purchaser, or (iii) in accordance with Section 1.06(b) of the General Resolution, for any Bond or Note insured by a Bond Insurer, the Bond Insurer, or (b) with respect to any Program Obligation, the Person to whom payments are due under and in accordance with the applicable Program Documents.

“Incurrence Date” means, with respect to a particular Program Obligation, the date of such Program Obligation, as specified and determined by the Program Obligation Resolution authorizing the incurrence of such Program Obligation.

“Index Rate” means, at the option of the Commission, with respect to any Obligation, (a) the “25-Bond Revenue” index rate for 30-year tax-exempt revenue bonds, as published by *The Bond Buyer* on any date selected by the Commission which is within sixty days before the date of any calculation made with respect to the Index Rate, or any other reasonably comparable index rate for 30-year tax-exempt revenue bonds, as selected by the Commission, (b) the weighted average coupon or, if applicable, arbitrage yield calculated for federal tax purposes of such Obligation, as selected and certified by the Commission, or (c) such other interest rate or interest index as may be certified in writing by an Authorized Officer of the Commission as appropriate to the situation.

“Interest Account” means, for each Series of Bonds or Notes issued under the General Resolution, the Account within the Sinking Fund so designated, established, and created for such Series of Bonds or Notes under and in accordance with Section 5.07 of the General Resolution.

“Interest Payment Dates” means, (a) with respect to any Series of Bonds or Notes, the dates upon which interest on such Bonds or Notes shall be payable, as provided in the applicable Series Resolution, and (b) with respect to any Program Obligation, the dates upon which the interest component of such Program Obligation shall be payable, as provided in the applicable Program Obligation Resolution or in the Program Documents governing such Program Obligation.

“Investment Obligations” means and includes any of the following, subject, in each case, to any further restrictions of the investment policy of the Commission, as adopted and in effect from time to time:

(a) Obligations of the United States and any of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of such obligations subject to repurchase agreements is taken either directly or through an authorized custodian. Any such investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in the Commonwealth;

(b) Obligations and contracts for the future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including, but not limited to:

- (i) United States Treasury obligations;
- (ii) United States Export-Import Bank notes or guaranteed participation certificates;
- (iii) Farmers Home Administration insured notes;
- (iv) Government National Mortgage Corporation obligations; and
- (v) Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including, but not limited to:

- (i) the Federal Home Loan Mortgage Corporation;
- (ii) Federal Farm Credit Banks;
- (iii) the Bank for Cooperatives (CoBank);
- (iv) Federal Intermediate Credit Banks;
- (v) Federal Land Banks;
- (vi) Federal Home Loan Banks;
- (vii) the Federal National Mortgage Association; and
- (viii) the Tennessee Valley Authority;

(d) Certificates of deposit or other interest-bearing accounts issued through any bank or savings and loan institution having a physical presence in the Commonwealth which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;

(e) Uncollateralized certificates of deposit issued through any bank or savings and loan institution having a physical presence in the Commonwealth which are rated in one of the three highest categories by a competent rating agency;

(f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;

(g) Commercial paper rated in the highest category by a competent rating agency;

(h) Bonds or certificates of indebtedness of the Commonwealth and any of its agencies and instrumentalities;

(i) Securities issued by any state or local government, or any instrumentality or agency thereof, in the United States which are rated in one of the three highest categories by a competent rating agency;

(j) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:

(i) The mutual fund or the exchange traded fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

(ii) The management company of such investment company shall have been in operation for at least five years; and

(iii) All of the securities in the mutual fund or the exchange traded fund shall be eligible investments under this definition;

(k) Individual equity securities, if (i) the funds being invested are managed by a professional investment manager that is regulated by a federal regulatory agency, and (ii) the individual equity securities are included within the Standard & Poor's 500 Index, provided, however, that a single sector shall not exceed 25% of the equity allocation; and

(l) Individual high-quality corporate bonds that are managed by a professional investment manager and that:

(i) Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;

(ii) Have a standard maturity of no more than ten years; and

(iii) Are rated in all three of the highest rating categories by at least two competent credit rating agencies.

“Issue Date” means, with respect to the Bonds or Notes of a particular Series, the date of the Bonds or Notes of such Series, as specified and determined by the Series Resolution authorizing the issuance of such Series of Bonds or Notes.

“KACo” means the Kentucky Association of Counties, Inc., a nonprofit corporation organized and existing under the laws of the Commonwealth, and any of its affiliated entities, including, without limitation, the Kentucky Association of Counties Finance Corporation and the Kentucky Association of Counties Leasing Trust.

“KACo Program Obligations” means any Obligations owed by the Commission to KACo under one or more loan agreements, lease agreements, or other obligations entered into from time to time by and between the Commission and KACo or one of its affiliates.

“KIA” means the Kentucky Infrastructure Authority, a public body corporate and politic and a governmental agency and an instrumentality of the Commonwealth established and existing under Sections 224A.011 to 224A.318, inclusive, of the Kentucky Revised Statutes.

“KIA Program Obligations” means any Obligations owed by the Commission to KIA under one or more assistance agreements entered into from time to time by and between the Commission and KIA.

“KLC” means the Kentucky League of Cities, Inc., a nonprofit corporation organized and existing under the laws of the Commonwealth, and any of its affiliated entities, including, without limitation, the Kentucky Bond Corporation and the Kentucky Bond Development Corporation.

“KLC Program Obligations” means any Obligations owed by the Commission to KLC under one or more loan agreements, lease agreements, or other obligations entered into from time to time by and between the Commission and KLC or one of its affiliates.

“KRWFC” means the Kentucky Rural Water Finance Corporation, a nonprofit, non-stock corporation organized and existing under the laws of the Commonwealth.

“KRWFC Program Obligations” means any Obligations owed by the Commission to KRWFC under one or more loan agreements entered into from time to time by and between the Commission and KRWFC.

“Long-Term Obligation” means any Obligation (a) that matures by its terms, or (b) which the Holder (i) may renew, at its option, to a date, or (ii) intends to refund, in a series of refundings or otherwise, by any other Obligation that will mature by its terms (unless any earlier right of demand is exercised), in any case, more than one year after such Obligation was originally issued or incurred. All Obligations for any money borrowed or credit extended under a commercial paper program shall constitute Long-Term Obligations.

“Maturity,” with respect to any Obligation, means the date upon which the principal of such Obligation or any Principal Installment thereof becomes due and payable in accordance with the terms of such Obligation, whether at the Stated Maturity or upon any declaration of acceleration, demand, call for redemption, notice of prepayment, or otherwise.

“Maximum Debt Service Requirements” means, for any period, the largest total Debt Service Requirements for such period.

“Net Revenues” means, for any specific period, the Revenues of the System for such period less the Operation and Maintenance Costs of the System for such period.

“Notes” means, collectively, all Bond Anticipation Notes, Revenue Anticipation Notes, and other Notes issued by the Commission under the General Resolution.

“Obligations” means, collectively, all Senior Obligations, Senior Subordinate Obligations, and Subordinate Obligations owed by the Commission under and in accordance with the General Resolution, any Supplemental Resolutions, and any applicable Program Documents from time to time.

“Obligations to be Refunded” has the meaning provided in Section 2.07 of the General Resolution.

“Officer’s Certificate” of any Person means a certificate signed by an Authorized Officer of such Person.

“Operation and Maintenance Costs” means, for any period, the costs and expenses incurred by the Commission in operating and administering the System for such period and providing all services and products related thereto, and in operating and maintaining the System for such period, and shall include, without limitation, (a) the cost of salaries, supplies, materials, utilities, mailing, office rent, labor, maintenance, upkeep, furnishings, equipment, repairs to facilities, and insurance premiums, (b) the fees and expenses for any legal, accounting, management, consulting, and banking services, (c) the fees and expenses of any regulatory agency with jurisdiction over the Commission, and (d) all other items normally considered operation and maintenance costs under generally accepted accounting principles, but shall exclude (i) allowances for depreciation and amortization, including any deposits to the Depreciation Fund, (ii) any Principal Installments, Sinking Fund Installments, and interest paid with respect to any Obligations during such period, and (iv) unrealized investment losses.

“Operation and Maintenance Fund” means the Fund so designated, established, and created under and in accordance with Section 5.05 of the General Resolution.

“Order,” when used with respect to the Commission, means a written order signed by an Authorized Officer of the Commission and delivered to the required party.

“Outstanding,” with respect to any Obligation, means, as of the date of such determination, all Obligations theretofore or then being issued or incurred, authenticated (if applicable), and delivered under the General Resolution, except:

(a) Any Obligations cancelled on or before such date in accordance with the terms of the General Resolution or any applicable Program Documents, including any Obligations cancelled in accordance with Section 3.09, Section 3.10, Section 3.11, or Section 9.06 of the General Resolution;

(b) Any Obligation in lieu of or in substitution for which other Obligations shall have been authenticated (if applicable) and delivered, including (i) any mutilated, destroyed, stolen, or lost Obligations, in accordance with Section 3.10 of the General Resolution, (ii) any temporary Bonds or Notes, in accordance with Section 3.11 of the General Resolution, and (iii) any Obligations to be Refunded;

(c) Any Obligations deemed to have been paid in accordance with Section 12.01 of the General Resolution; and

(d) For purposes of any Consent, Action, or calculation Outstanding Obligations provided for in the General Resolution, any Obligations owned or held by or for the account of the Commission, as provided in Section 9.05 of the General Resolution.

“Paying Agent” means any bank or trust company appointed as paying agent for any Series of Bonds or Notes, and its successor or successors hereafter appointed, in the manner provided in Section 11.01 and Section 11.07 of the General Resolution; provided, however, that the Commission may be designated to serve as the Paying Agent for any of the Obligations issued or incurred under the General Resolution.

“Paying Agent and Registrar Agreement” means any agreement entered into by and between the Commission and any Paying Agent or Registrar appointed for a particular Series of Bonds or Notes, as authorized by the Series Resolution with respect to such Series of Bonds or Notes.

“Person” means any individual, firm, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, or government, or any agency or political subdivision thereof, either state or federal.

“Prepayment Date” means (a) with respect to any Bond or Note sold and awarded via a Bank Direct Purchase, any date upon which such Bond or Note, or portion thereof, may be prepaid in accordance with the terms of the applicable Series Resolution or applicable Purchase Agreement, and (b) with respect to any Program Obligation, any date upon which such Program Obligation, or portion thereof, may be prepaid in accordance with the terms of the applicable Program Obligation Resolution or applicable Program Documents.

“Prepayment Price” means (a) with respect to any Bond or Note sold and awarded via a Bank Direct Purchase, the amount which may be paid to effect the prepayment of such Bond or Note, or portion thereof, on a particular Prepayment Date, as specified by the applicable Series Resolution or applicable Purchase Agreement, and (b) with respect to any Program Obligation, the amount which may be paid to effect the prepayment of such Program Obligation, or portion thereof, on a particular Prepayment Date, as specified by the applicable Program Obligation Resolution or applicable Program Documents.

“Principal Account” means, for each Series of Bonds or Notes issued under the General Resolution, the Account within the Sinking Fund so designated, established, and created for such Series of Bonds or Notes under and in accordance with Section 5.07 of the General Resolution.

“Principal Installment,” for any Fiscal Year, means, as of any date of calculation:

(a) the principal amount of such Obligation which matures in such Fiscal Year, reduced by the aggregate principal amount of such Obligation which would be retired before such Fiscal Year by reason of the payment when due and the application, in accordance with this General Resolution, of any Sinking Fund Installment payable before such Fiscal Year for the retirement of such Obligation; plus

(b) the unsatisfied balance of any Sinking Fund Installment due during such Fiscal Year with respect to such Obligation.

“Principal Installment Date” means, (a) with respect to any Series of Bonds or Notes, the date upon which each Principal Installment of such Bonds or Notes shall be payable, as provided in the applicable Series Resolution, and (b) with respect to any Program Obligation, the date upon which each Principal Installment of such Program Obligation shall be payable, as provided in the applicable Program Obligation Resolution or in the Program Documents governing such Program Obligation.

“Proceeds Fund” means the Fund so designated, established, and created under and in accordance with Section 5.03 of the General Resolution.

“Program Documents” means all documents, agreements, and other instruments governing the rights and obligations of the Commission with respect to a particular Program Obligation, other than the General Resolution and the applicable Program Obligation Resolution.

“Program Obligation Account” means, for each Program Obligation incurred under the General Resolution, the Account within the Sinking Fund so designated, established, and created for such Program Obligation under and in accordance with Section 5.07 of the General Resolution.

“Program Obligation Resolution” means any Program Obligation Resolution authorizing the incurrence of a Program Obligation in accordance with the terms of the General Resolution, adopted by the Board of Commissioners of the Commission in accordance with the provisions of Section 2.04(b) of the General Resolution.

“Program Obligations” means any Obligations owed by the Commission to third parties under and in accordance with the financing programs offered by such third parties to municipal borrowers in the Commonwealth, including, without limitation, any KACo Program Obligations, KIA Program Obligations, KLC Program Obligations, KRWFC Program Obligations, USDA Program Obligations, or other similar Program Obligations.

“Program Trustee,” with respect to any Program Obligation, means any fiduciary charged with the oversight or administration of the Program Documents governing such Program Obligation or of any funds or accounts related thereto under such Program Documents.

“Project” means any project permitted under the Act or, in connection with any Program Obligation, any statutory authority for such Program Obligation and, in either case, relating to the Construction of any System facilities or otherwise in furtherance of the System, as shall be more particularly described in the Supplemental Resolution authorizing the issuance or incurrence of any Obligation to finance or refinance such Project.

“Public Offering” has the meaning provided in Section 2.03(a) of the General Resolution.

“Purchase Agreement,” with respect to any Bonds or Notes sold and awarded via a Bank Direct Purchase, means either a Loan and Bond Purchase Agreement or a Loan and Note Purchase Agreement, as applicable, by and between the Commission and the applicable Bank Direct Purchaser, which sets forth certain terms and conditions of the issuance, sale, and delivery of such Bonds or Notes.

“Rating Agency” means each of (a) Fitch Ratings, Inc., (b) Moody’s Investors Service, Inc., or (c) S&P Global Ratings, a division of S&P Global Inc., and any successor to any of their credit rating businesses.

“Redemption Date” means with respect to any Bond or Note, the date upon which such Bond or Note, or portion thereof, is to be redeemed in accordance with the notice of such redemption given as provided in Section 6.01 of the General Resolution.

“Redemption Price” means with respect to any Bond or Note, the amount required to be paid to redeem such Bond or Note, or portion thereof, on a particular Redemption Date, as specified by the Series Resolution authorizing the issuance of such Bond or Note.

“Refunding Account” means, for each Series of Bonds or Notes for which such an Account has been created under the applicable Series Resolution, the Account within the Proceeds Fund so designated, established, and created for such Series of Bonds or Notes under and in accordance with Section 5.03 of the General Resolution.

“Refunding Bonds” means all Bonds, whether issued in one or more Series, authenticated (if applicable) and delivered on original issuance in accordance with the terms of Section 2.07(a) of the General Resolution, and all Bonds thereafter authenticated and delivered in lieu of or in substitution for such Refunding Bonds under and in accordance with the General Resolution.

“Refunding Notes” means all Notes, whether issued in one or more Series, authenticated (if applicable) and delivered on original issuance in accordance with the terms of Section 2.07(a) of the General Resolution, and all Notes thereafter authenticated and delivered in lieu of or in substitution for such Refunding Notes under and in accordance with the General Resolution.

“Refunding Program Obligations” means all Program Obligations incurred and delivered in accordance with the terms of Section 2.07(b) of the General Resolution and the Program Documents governing such Refunding Program Obligations, and all Program Obligations thereafter executed and delivered in lieu of or in substitution for such Refunding Program Obligations under and in accordance with the General Resolution and the applicable Program Documents.

“Register,” with respect to any Series of Bonds or Notes, means the books maintained for the registration and transfer of the Bonds and Notes of such Series under and in accordance with Section 3.07(a) of the General Resolution.

“Registrar” means any bank or trust company appointed as registrar for any Series of Bonds or Notes, and its successor or successors hereafter appointed, in the manner provided in Section 11.01 and Section 11.07 of the General Resolution; provided, however, that the Commission may be designated to serve as the Registrar for any of the Obligations issued or incurred under the General Resolution.

“Revenue Anticipation Note” means any Boone-Florence Water Commission Water Supply Revenue Anticipation Note, or the issue of Revenue Anticipation Notes, as the case may be, executed and delivered under and in accordance with the

General Resolution and authorized and issued under and in accordance with the Short-Term Borrowing Act and a Series Resolution.

“Revenue Fund” means the Fund so designated, established, and created under and in accordance with Section 5.04 of the General Resolution.

“Revenues” means the totality of (a) all water purchase fees and charges and all other income of any and all types and varieties imposed, enforced, and collected by the Commission for any services, products, or items rendered or provided by the Commission in connection with the System, (b) any realized investment income, and (c) any other income received by the Commission from any federal or state governmental agency as representing income or operating subsidies of the Commission, as distinguished from any capital grants, to the extent such income is not otherwise required to be treated and applied and specifically excluding therefrom any funds received as result of any assessments or assessment charges.

“Securities Depository” means a securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under the provisions of Section 17A of the Securities Exchange Act, operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and initially means The Depository Trust Company (a limited purpose trust company), New York, New York.

“Securities Depository Nominee” means any nominee of any Securities Depository, and initially means Cede & Co., New York, New York, as nominee of The Depository Trust Company.

“Senior Long-Term Obligations” means all Long-Term Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Senior Obligations in accordance with Section 2.04 of the General Resolution.

“Senior Obligations” means all Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Senior Obligations in accordance with Section 2.04 of the General Resolution.

“Senior Short-Term Obligations” means all Short-Term Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Senior Obligations in accordance with Section 2.04 of the General Resolution.

“Senior Subordinate Long-Term Obligations” means all Long-Term Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Senior Subordinate Obligations in accordance with Section 2.04 of the General Resolution.

“Senior Subordinate Obligations” means all Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Senior Subordinate Obligations in accordance with Section 2.04 of the General Resolution.

“Senior Subordinate Short-Term Obligations” means all Short-Term Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Senior Subordinate Obligations in accordance with Section 2.04 of the General Resolution.

“Serial Bonds” means any Bonds having successive Stated Maturities that are not treated as Term Bonds subject to Sinking Fund Installments.

“Serial Notes” means any Notes having successive Stated Maturities that are not treated as Term Notes subject to Sinking Fund Installments.

“Series” means all Bonds or Notes authenticated (if applicable) and delivered on original issuance in a simultaneous transaction, together with any Bonds or Notes thereafter authenticated (if applicable) and delivered in lieu of or in substitution for such Bonds or Notes under the General Resolution, regardless of any variations in Stated Maturities, interest rates, Sinking Fund Installments, or any other provisions with respect thereto.

“Series Resolution” means a Series Resolution authorizing the issuance of a Series of Bonds or Notes in accordance with the terms of the General Resolution, adopted by the Board of Commissioners of the Commission in accordance with the provisions of Section 2.04(a) of the General Resolution.

“Short-Term Borrowing Act” means Sections 65.7701 to 65.7721, inclusive, of the Kentucky Revised Statutes, as in effect from time to time, and any statutory scheme enacted by the Kentucky legislature as the statutory successor to such statutes.

“Short-Term Obligation” means any Obligation that (a) matures not more than (and may not be extended or renewed at the option of the debtor to a date which is more than) one year from the date of incurrence, extension, or renewal, and is not subject to a binding commitment to refinance or other arrangement to provide for the payment of such Obligation over a term greater than one year beyond the date of incurrence, extension, or renewal, or (b) regardless of Stated Maturity, is required by its terms to have a period of at least fifteen consecutive days in a twelve month period during which there shall be no outstanding principal amount of such Obligation.

“Sinking Fund” means the Fund so designated, established, and created under and in accordance with Section 5.07 of the General Resolution.

“Sinking Fund Installment,” for any Fiscal Year, means, as of any date of calculation, and with respect to any Bonds or Notes then Outstanding, the amount of money required to be paid as regular installments of principal for such Bonds or Notes by mandatory sinking fund redemption, but does not include any amount payable by the Commission only by reason of the Stated Maturity of a Bond or Note.

“Stated Maturity,” when used with respect to any Obligation or any installment of interest thereon, means the date specified in such Obligation or the related Supplemental Resolution or the applicable Program Documents, if any, as the fixed Principal Installment Dates or Interest Payment Dates for such Obligation.

“Subordinate Long-Term Obligations” means all Long-Term Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Subordinate Obligations in accordance with Section 2.04 of the General Resolution.

“Subordinate Obligations” means all Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Subordinate Obligations in accordance with Section 2.04 of the General Resolution.

“Subordinate Short-Term Obligations” means all Short-Term Obligations issued or incurred and Outstanding under the General Resolution which have been designated as Subordinate Obligations in accordance with Section 2.04 of the General Resolution.

“Supplemental Resolution” means and includes (a) any Series Resolution, (b) any Program Obligation Resolution, or (c) any other resolution which is supplemental to or amendatory of the General Resolution, as the case may be, adopted by the Board of Commissioners of the Commission under and in accordance with Article VIII and Article IX of the General Resolution.

“Surplus Fund” means the Fund so designated, established, and created under and in accordance with Section 5.09 of the General Resolution.

“System” means the existing water supply and distribution facilities of the Commission and all future additions and extensions thereto.

“Term Bonds” means any Bonds that are designated as Term Bonds in the applicable Series Resolution and that are subject to Sinking Fund Installments as provided in such Series Resolution.

“Term Notes” means any Notes that are designated as Term Notes in the applicable Series Resolution and that are subject to Sinking Fund Installments as provided in such Series Resolution.

“USDA” means the United States Department of Agriculture, Rural Development, an agency of the federal government with a state office located in the Commonwealth, or its lawful successor.

“USDA Program Obligations” means any Obligations owed by the Commission to USDA under one or more loan agreements entered into from time to time by and between the Commission and USDA or its lawful successor.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL REVENUE BOND RESOLUTION

The following is a summary of the General Revenue Bond Resolution and does not purport to set forth all of the provisions of such documents to which reference is made for the complete and actual terms of the General Resolution.

Article II - Authorization and Issuance or Incurrence of Obligations

Section 2.03 - Authorization of Obligations

(a) Authorization of Bonds and Notes. In order to provide sufficient funds for the System, the Commission has authorized the issuance from time to time of Bonds and Notes, without limitation as to number or amount, except as provided in the General Resolution or as may be limited by the Act or other applicable law, and subject to the terms, conditions, and limitations established in the General Resolution and the applicable Series Resolution. The Bonds and Notes shall be special and limited obligations of the Commission, payable only from the income, revenues, and other moneys specifically pledged by the Commission under the General Resolution for the payment of the Bonds and Notes, including the Net Revenues. Each Bond and Note shall contain upon its face a statement that the Commission is not obligated to pay such Bond or Note except from the income, revenues, and moneys pledged by the Commission for the payment thereof, and that such Bond or Note, as the case may be, does not constitute an indebtedness of the Commission within the meaning of the Constitution of the Commonwealth. The Bonds and Notes shall be sold at a public, competitive sale held in accordance with Section 424.360 of the Kentucky Revised Statutes, as amended, and awarded to either (i) an underwriter via a public offering (a “Public Offering”), or (ii) a financial institution or other sophisticated investor to hold for its own investment via a Bank Direct Purchase. In addition, Bond Anticipation Notes may alternatively be sold and awarded via a Bank Direct Purchase to a responsible lender at a private, negotiated sale, in accordance with the provisions of Section 58.150(6) and Section 56.513 of the Kentucky Revised Statutes, as amended.

Each Bond or Note of a particular Series issued by the Commission under the General Resolution (A) shall be designated as (1) a “Boone-Florence Water Commission Water Supply Revenue Bond, Series _____,” (2) a “Boone-Florence Water Commission Water Supply Revenue Bond Anticipation Note, Series _____,” or (3) a “Boone-Florence Water Commission Water Supply Revenue Note, Series _____,” as applicable, with such series designation as shall be provided in the Series Resolution authorizing the issuance of such Series of Bonds or Notes, (B) shall be subject to all of the terms, conditions, and limitations contained in the General Resolution and the applicable Series Resolution, and (C) shall be entitled to the benefits of the continuing pledges and liens established under the General Resolution to secure the full and final payment of the principal of and interest on the Bonds and Notes, any Redemption Price or Prepayment Price with respect to any Bonds or Notes, and any Sinking Fund Installments for the retirement of any Bonds or Notes.

Notwithstanding the definition of the term “Notes” set forth above, any references to Notes in this paragraph (a) shall exclude any Revenue Anticipation Notes.

(b) Authorization of Program Obligations. In order to provide sufficient funds for the System, the Commission has authorized the incurrence from time to time of Program Obligations, without limitation as to number or amount, except as provided in the General Resolution or as may be limited by the Act or other applicable law, and subject to the terms, conditions, and limitations established in the General Resolution, the applicable Program Obligation Resolution, and the applicable Program Documents. The Program Obligations shall be special and limited obligations of the Commission, payable only from the income, revenues, and other moneys specifically pledged by the Commission under the General Resolution for the payment of the Program Obligations, including the Net Revenues. The Program Obligations shall each contain a statement to the effect that the Commission is not obligated to pay such Program Obligation except from the income, revenues, and moneys pledged by the Commission for the payment thereof, and that such Program Obligation does not constitute an indebtedness of the Commission within the meaning of the Constitution of the Commonwealth.

Each Program Obligation incurred by the Commission under the General Resolution (i) shall bear such title and such other designation as shall be provided in the applicable Program Obligation Resolution, (ii) shall be subject to all of the terms, conditions, and limitations contained in the General Resolution, the applicable Program Obligation Resolution, or the applicable Program Documents, and (iii) shall be entitled to the benefits of the continuing pledges and liens established under the General Resolution to secure the full and final payment of the principal of and interest on the Program Obligations, any Prepayment

Price with respect to any Program Obligation, and any other amounts required to be paid in connection with any Program Obligation under the applicable Program Obligation Resolution or the applicable Program Documents.

(c) Authorization of Revenue Anticipation Notes. In order to provide sufficient funds for the System, the Commission has authorized the issuance from time to time of Revenue Anticipation Notes, without limitation as to number or amount, except as provided in the General Resolution or as may be limited by the Short-Term Borrowing Act or other applicable law, and subject to the terms, conditions, and limitations set forth in the General Resolution and the applicable Series Resolution. The Revenue Anticipation Notes shall be special and limited obligations of the Commission, payable only from the income, revenues, and other moneys specifically pledged by the Commission under the General Resolution for the payment of the Revenue Anticipation Notes, including the Net Revenues. Each Revenue Anticipation Note shall contain upon its face a statement to the effect that the Commission is not obligated to pay such Revenue Anticipation Note except from the income, revenues, and moneys pledged by the Commission for the payment thereof and that such Revenue Anticipation Note does not constitute an indebtedness of the Commission within the meaning of the Constitution of the Commonwealth. The Revenue Anticipation Notes may be sold and awarded via a Bank Direct Purchase at a public, competitive sale or a private or invited negotiated sale, as the Commission, in its sole discretion, shall determine, all in accordance with Section 65.7717 of the Kentucky Revised Statutes; provided, however, that any public, competitive sale of a Revenue Anticipation Note shall be held in accordance with Section 424.360 of the Kentucky Revised Statutes.

Each Revenue Anticipation Note issued by the Commission under the General Resolution (i) shall be designated as a “Boone-Florence Water Commission Water Supply Revenue Anticipation Note, Series _____,” with such series designation as shall be provided in the Series Resolution authorizing the issuance of such Revenue Anticipation Note, (ii) shall be subject to all of the terms, conditions, and limitations contained in the General Resolution, the Short-Term Borrowing Act, and the applicable Series Resolution, and (iii) shall be entitled to the benefits of the continuing pledges and liens established under the General Resolution to secure the full and final payment of the principal of and interest on the Revenue Anticipation Notes, and any Prepayment Price with respect to any Revenue Anticipation Note, upon their respective Maturities.

Section 2.06 - Conditions Precedent to Issuance, Incurrence, Authentication, and Delivery of Obligations

(a) Conditions Precedent to Issuance, Authentication, and Delivery of Bonds and Notes. Except as permitted by Section 3.08, Section 3.10, and Section 3.11 of the General Resolution, the Bonds and Notes authorized to be issued under the General Resolution and the applicable Series Resolution shall be issued, authenticated (if applicable), and delivered only upon receipt by the Commission or the applicable Paying Agent or Registrar, if any, of the following:

(i) A copy of the General Resolution and the applicable Series Resolution, and, for any Bond Anticipation Notes, the Series Resolution with respect to the related Bonds, each certified by the Secretary of the Commission;

(ii) An Officer’s Certificate of the Commission as to the delivery of such Bonds or Notes describing the Bonds or Notes to be authenticated (if applicable) and delivered, designating the purchaser or purchasers to whom such Bonds or Notes are to be delivered, and stating the purchase price of such Bonds or Notes;

(iii) An Officer’s Certificate of the Commission, dated the Issue Date of such Bonds or Notes, (A) stating whether such Bonds or Notes constitute Senior Obligations, Senior Subordinate Obligations, or Subordinate Obligations under the General Resolution, (B) certifying that all of the conditions precedent established in the General Resolution with respect to the issuance of such Bonds or Notes thereunder have been complied with, (C) demonstrating that all of the applicable requirements set forth in Section 2.06(a) of the General Resolution have been satisfied, and (D) certifying that no Default or Event of Default under the General Resolution or the applicable Series Resolution exists or would occur upon the issuance of such Bonds or Notes;

(iv) A Bond Counsel Opinion to the effect that:

(A) the General Resolution and the Series Resolution authorizing the issuance of such Bonds or Notes have each been duly and lawfully adopted by the Board of Commissioners of the Commission;

(B) the General Resolution and the applicable Series Resolution are in full force and effect, are valid and binding upon the Commission, and are enforceable in accordance with their respective terms;

(C) the Commission has all necessary power and authority to issue such Bonds or Notes, to execute and deliver all of the documents and instruments required to be executed and delivered by the Commission in connection with the issuance of such Bonds or Notes, and to observe and perform its obligations thereunder, and the Commission has taken all necessary authorizing action for that purpose;

(D) the General Resolution creates the valid pledge which it purports to create, subject only to the provisions of the General Resolution permitting the application of the Net Revenues of the System for or to the purposes and on the terms and conditions set forth therein;

(E) all conditions precedent to the issuance, execution, and delivery of such Bonds or Notes set forth in this Section have been complied with; and

(F) upon the execution, authentication (if applicable), and delivery thereof, such Bonds or Notes will (1) be duly and validly issued, (2) constitute legal, valid, and binding special and limited obligations of the Commission, enforceable in accordance with their terms, (3) be entitled to the benefits of the General Resolution and the applicable Series Resolution, and (4) be secured under the General Resolution equally and on a parity with all other Outstanding Senior Obligations, Senior Subordinate Obligations, or Subordinate Obligations, as the case may be;

(v) A Consultant's Certificate or Officer's Certificate, as applicable, evidencing compliance with Section 7.03 of the General Resolution, provided, however, that no such Consultant's Certificate or Officer's Certificate shall be required in connection with any Notes issued by the Commission to provide working capital for the System in accordance with the Short-Term Borrowing Act;

(vi) If such Bonds or Notes have been designated as Debt Service Reserve Fund Obligations in the applicable Series Resolution, an Officer's Certificate of the Commission directing the deposit in the Debt Service Reserve Fund of a portion of the proceeds of such Bonds or Notes, upon the issuance, sale, and delivery thereof, in the amount required to increase the aggregate amount then held in the Debt Service Reserve Fund to the Aggregate Debt Service Reserve Fund Requirement, if any; provided, however, that in lieu of making such deposit at the time of issuance of such Bonds or Notes, the Commission may:

(A) obtain a Debt Service Reserve Fund Guaranty as permitted under Section 5.08(c) of the General Resolution;

(B) determine in such Officer's Certificate, subject to the requirements of Section 5.08(f) of the General Resolution, to fund the balance required to be held in the Debt Service Reserve Fund through monthly deposits from the Revenue Fund over a period not exceeding twenty-four months; or

(C) determine in such Officer's Certificate that no deposit shall be made to the Debt Service Reserve Fund in connection with the issuance of such Bonds or Notes and that such Bonds or Notes shall not be secured by and moneys on deposit in the Debt Service Reserve Fund;

(vii) Such additional documents or other instruments as shall be required by the provisions of Section 2.06(a), Section 2.07(a), Article VII, or Article VIII of the General Resolution, or any Supplemental Resolution adopted under Article VIII thereof; and

(viii) Such moneys and securities as shall be required by the provisions set forth in Section 2.06(a), Section 2.07(a), Article VII, or Article VIII of the General Resolution, or any Supplemental Resolution adopted under Article VIII thereof.

(b) Conditions Precedent to Incurrence and Delivery of Program Obligations. Except as may be permitted by the applicable Program Documents, the Program Obligations authorized to be incurred under the General Resolution and the related Program Obligation Resolution shall be incurred and delivered only upon receipt by the Commission or any other appropriate party set forth in the applicable Program Documents, of the following:

(i) A copy of the General Resolution and the applicable Program Obligation Resolution, each certified by the Secretary of the Commission;

(ii) Fully executed copies of the Program Documents governing such Program Obligation;

(iii) An Officer's Certificate of the Commission with respect to the delivery of such Program Obligation describing the Program Obligation to be executed and delivered and the terms and conditions of such Program Obligation as set forth in the applicable Program Obligation Resolution and the applicable Program Documents;

(iv) An Officer's Certificate of the Commission, dated the Incurrence Date of such Program Obligation, (A) specifying whether such Program Obligation constitutes a Senior Obligation, Senior Subordinate Obligation, or Subordinate Obligation under the General Resolution, (B) certifying that all of the conditions precedent set forth in the General Resolution with respect to the incurrence of such Program Obligation under the General Resolution have been complied with, (C) demonstrating that all of the applicable requirements set forth in Section 2.06(b) of the General Resolution have been satisfied, and (D) certifying that no Default or Event of Default under the General Resolution or the applicable Program Obligation Resolution exists or would occur upon the incurrence of such Program Obligation;

(v) A Counsel Opinion in form and substance required by the applicable Program Documents, including statements to the effect that:

(A) the General Resolution and the Program Obligation Resolution authorizing the incurrence of such Program Obligation have each been duly and lawfully adopted by the Board of Commissioners of the Commission; and

(B) the General Resolution and the applicable Program Obligation Resolution are in full force and effect, are valid and binding upon the Commission, and are enforceable in accordance with their respective terms;

(vi) A Consultant's Certificate or Officer's Certificate, as applicable, evidencing compliance with Section 7.03 of the General Resolution;

(vii) Such additional documents or other instruments as shall be required by the applicable Program Documents or the provisions of Section 2.06(b), Section 2.07(b), Article VII, or Article VIII of the General Resolution, or any Supplemental Resolution adopted under Article VIII thereof; and

(viii) Such moneys and securities as shall be required by the applicable Program Documents or the provisions set forth in Section 2.06(b), Section 2.07(b), Article VII, or Article VIII of the General Resolution, or any Supplemental Resolution adopted under Article VIII thereof.

Section 2.07 - Provisions for Refunding Obligations

(a) Refunding Bonds and Refunding Notes. For purposes of clarity, the requirements set forth below apply in addition to those requirements provided in Section 2.06(a) of the General Resolution.

(i) One or more Series of Refunding Bonds or Refunding Notes may be issued, authenticated (if applicable), and delivered for the purpose of refunding all or a portion of any Outstanding Obligations (the "Obligations to be Refunded"). The Bonds or Notes of a Series of Refunding Bonds or Refunding Notes, as the case may be, shall be issued in a principal amount sufficient, together with any other moneys available for such purpose, to accomplish such refunding and to make any deposits required by the Act or other applicable law, Section 2.07(a) of the General Resolution, or the Series Resolution authorizing the issuance of such Series of Refunding Bonds or Refunding Notes.

(ii) The Bonds or Notes of any Series of Refunding Bonds or Refunding Notes, as the case may be, may be authenticated (if applicable) and delivered only upon:

(A) Receipt by the applicable Fiduciary with respect to each Obligation to be Refunded of irrevocable instructions, satisfactory to such Fiduciary, from the Commission directing such Fiduciary (1) to give due notice of the redemption or prepayment of all or a portion of such Obligation to be Refunded on the applicable Redemption Date or Prepayment Date, as the case may be, as shall be specified in such instructions, and (2) to give due notice of such redemption or prepayment to the Holder of such Obligation to be Refunded in accordance with Article VI and Section 12.01 of the General Resolution, provided,

however, that with respect to any Obligation to be Refunded for which there is no applicable Fiduciary, the notice required by clause (2) above shall be given by the Commission;

(B) Provision of the notice of the redemption or prepayment, as the case may be, of each Obligation to be Refunded to the Holder of such Obligation, under and in accordance with Article VI and Section 12.01 of the General Resolution;

(C) Receipt by the applicable Fiduciary with respect to each Obligation to be Refunded or, in the absence of any such Fiduciary for a particular Obligation to be Refunded, the Holder of such Obligation to be Refunded, as the case may be, of either:

(1) moneys in an amount sufficient to effect the payment, at the applicable Redemption Price or Prepayment Price, as the case may be, of such Obligation to be Refunded, including all accrued interest on such Obligation to be Refunded to the applicable Redemption Date or Prepayment Date, as the case may be, which moneys shall be held irrevocably in trust, in a separate account for the benefit of and assigned to the Holder of such Obligation to be Refunded, or

(2) Defeasance Obligations in the principal amounts, maturing, bearing interest, and otherwise having such terms and qualifications as shall be necessary to comply with all of the provisions of Section 12.01(b) of the General Resolution, together with any moneys required thereunder with respect to the Obligations to be Refunded, which Defeasance Obligations and other moneys, if any, shall be held in trust and used only as provided therein; and

(D) Receipt by the applicable Fiduciary with respect to each Obligation to be Refunded or, in the absence of any such Fiduciary for a particular Obligation to be Refunded, the Holder of such Obligation to be Refunded, as the case may be, of an Officer's Certificate of the Commission containing such statements as may be reasonably necessary to evidence the Commission's compliance with the requirements of Section 2.07(a) of the General Resolution, upon which Officer's Certificate any such Fiduciary or Holder shall be entitled to rely.

(iii) The applicable Fiduciary with respect to each Obligation to be Refunded or, in the absence of any such Fiduciary for a particular Obligation to be Refunded, the Holder of such Obligation to be Refunded, as the case may be, shall furnish to the Commission, at the time of delivery of the Series of Refunding Bonds or Refunding Notes, a certificate to the effect that such Fiduciary or Holder, as the case may be, holds in trust, on the date specified in the applicable Series Resolution, the moneys or the Defeasance Obligations required to effect the redemption or prepayment, as the case may be, of such Obligation to be Refunded on the applicable Redemption Date or Prepayment Date.

(iv) Any balance of the proceeds of the Bonds or Notes of each such Series of Refunding Bonds or Refunding Notes, as the case may be, remaining after the redemption or prepayment, as applicable, of the Obligations to be Refunded shall be deposited in such Funds or Accounts as shall be specified in the applicable Series Resolution.

(v) Any moneys received by the Commission from any source, which receipt shall be conditioned upon the Commission using such moneys for the redemption or prepayment, as the case may be, of any Obligations to be Refunded shall be deemed to be and be treated as proceeds of a Series of Refunding Bonds or Refunding Notes, and upon receipt of any such moneys, the Commission shall (A) deliver to the applicable Fiduciary with respect to each Obligation to be Refunded all documents and moneys or Defeasance Obligations required by the provisions of paragraph (ii) above, and (B) do all acts and other things necessary in order to accomplish the redemption or prepayment, as the case may be, of all of the Obligations to be Refunded, all in accordance with the applicable provisions of Section 2.07(b) of the General Resolution.

(b) Refunding Program Obligations. For purposes of clarity, the requirements set forth below apply in addition to those requirements provided in Section 2.06(b) of the General Resolution.

(i) Refunding Program Obligations may be delivered to refund any Obligations to be Refunded. The Refunding Program Obligations shall be incurred in a principal amount sufficient, together with any other moneys available for such purpose, to accomplish such refunding and to make any deposits required by the Act or other

applicable law, Section 2.07(b) of the General Resolution, the Program Obligation Resolution authorizing the incurrence of such Refunding Program Obligation, or the Program Documents governing such Refunding Program Obligation.

(ii) Refunding Program Obligations may be executed and delivered only upon:

(A) Receipt by the applicable Fiduciary with respect to each Obligation to be Refunded of irrevocable instructions, satisfactory to such Fiduciary, from the Commission directing such Fiduciary (1) to give due notice of the redemption or prepayment of all or a portion of such Obligation to be Refunded on the applicable Redemption Date or Prepayment Date, as the case may be, as shall be specified in such instructions, and (2) to give due notice of such redemption or prepayment to the Holder of such Obligation to be Refunded in accordance with Article VI and Section 12.01 of the General Resolution, provided, however, that with respect to any Obligation to be Refunded for which there is no applicable Fiduciary, the notice required by clause (2) above shall be given by the Commission;

(B) Provision of the notice of the redemption or prepayment, as the case may be, of each Obligation to be Refunded to the Holder of such Obligation, under and in accordance with Article VI and Section 12.01 of the General Resolution;

(C) Receipt by the applicable Fiduciary with respect to each Obligation to be Refunded or, in the absence of any such Fiduciary for a particular Obligation to be Refunded, the Holder of such Obligation to be Refunded, as the case may be, of either:

(1) moneys in an amount sufficient to effect the payment, at the applicable Redemption Price or Prepayment Price, as the case may be, of such Obligation to be Refunded, including all accrued interest on such Obligation to be Refunded to the applicable Redemption Date or Prepayment Date, as the case may be, which moneys shall be held irrevocably in trust, in a separate account for the benefit of and assigned to the Holder of such Obligation to be Refunded, or

(2) Defeasance Obligations in the principal amounts, maturing, bearing interest, and otherwise having such terms and qualifications as shall be necessary to comply with all of the provisions of Section 12.01(b) of the General Resolution, together with any moneys required thereunder with respect to the Obligations to be Refunded, which Defeasance Obligations and other moneys, if any, shall be held in trust and used only as provided therein; and

(D) Receipt by the applicable Fiduciary with respect to each Obligation to be Refunded or, in the absence of any such Fiduciary for a particular Obligation to be Refunded, the Holder of such Obligation to be Refunded, as the case may be, of an Officer's Certificate of the Commission containing such statements as may be reasonably necessary to evidence the Commission's compliance with the requirements of Section 2.07(b) of the General Resolution, upon which Officer's Certificate any such Fiduciary or Holder shall be entitled to rely.

(iii) The applicable Fiduciary with respect to each Obligation to be Refunded or, in the absence of any such Fiduciary for a particular Obligation to be Refunded, the Holder of such Obligation to be Refunded, as the case may be, shall furnish to the Commission, at the time of delivery of the Refunding Program Obligation, a certificate to the effect that such Fiduciary or Holder, as the case may be, holds in trust, on the date specified in the applicable Program Obligation Resolution or the applicable Program Documents, the moneys or the Defeasance Obligations required to effect the redemption or prepayment, as the case may be, of such Obligation to be Refunded on the applicable Redemption Date or Prepayment Date.

(iv) Any balance of the proceeds of the Refunding Program Obligation remaining after the redemption or prepayment, as applicable, of the Obligations to be Refunded shall be deposited in such Funds or Accounts, or funds or accounts, as shall be specified in the applicable Program Obligation Resolution or the applicable Program Documents.

(v) Any moneys received by the Commission from any source, which receipt shall be conditioned upon the Commission using such moneys for the redemption or prepayment, as the case may be, of any Obligations to be Refunded shall be deemed to be and be treated as proceeds of a Refunding Program Obligation, and upon receipt

of any such moneys, the Commission shall (A) deliver to the applicable Fiduciary with respect to each Obligation to be Refunded all documents and moneys or Defeasance Obligations required by the provisions of paragraph (ii) above, and (B) do all acts and other things necessary to accomplish the redemption or prepayment, as the case may be, of all of the Obligations to be Refunded, all in accordance with the applicable provisions of Section 2.07(b) of the General Resolution.

Article III - General Terms and Provisions of Obligations

Section 3.12 - Form of Obligations

(a) Form of Bonds and Notes. Each Bond and Note issued by the Commission under the General Resolution shall be in substantially the applicable form set forth in Exhibit B, Exhibit C, or Exhibit D to the General Resolution, or in such other form as may be prescribed by the Series Resolution authorizing the issuance of such Bond or Note, and shall be issued as fully registered bonds or notes, as applicable, without coupons.

(b) Form of Program Obligations. Each Program Obligation incurred under the General Resolution shall be in substantially the form set forth in or prescribed by the Program Documents authorizing the incurrence of such Program Obligation.

Section 3.13 - Ownership of Obligations

(a) Ownership of Bonds and Notes. As to any Bond or Note, the Commission and any applicable Fiduciary shall, notwithstanding any notice to the contrary, deem and treat the Person in whose name such Bond or Note shall be registered upon the Register maintained in connection with such Bond or Note under Section 3.07(a) of the General Resolution as the Holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal of, interest on, and any Redemption Price or Prepayment Price with respect to such Bond or Note, and for all other purposes, and all such payments shall be made only to or upon the order of the Holder of such Bond or Note or its duly authorized attorney, and shall be valid and effectual to satisfy and discharge the liability upon such Bond or Note to the extent of the sums so paid. The Commission agrees, to the extent permitted by law, to indemnify and save any Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment, or other liability incurred by such Fiduciary, acting in good faith and without gross negligence, in so treating such Holder.

If so designated in the Series Resolution authorizing the issuance of a particular Series of Bonds or Notes, the Bonds or Notes of such Series may be registered in the name of the Securities Depository or the Securities Depository Nominee, as the Holder thereof, and the ownership of such Bonds or Notes shall be maintained in Book-Entry Form by the Securities Depository for the account of the Agent Members thereof. Except as otherwise provided in Section 3.13(a) of the General Resolution, any Bonds and Notes issued and maintained in Book-Entry Form may be transferred, in whole but not in part, only to the Securities Depository, the Securities Depository Nominee, any successor Securities Depository selected and approved by the Commission, or any nominee of any such successor Securities Depository.

For any Bonds or Notes issued in Book-Entry Form, neither the Commission nor any Paying Agent or Registrar for such Bonds or Notes shall have any responsibility or other obligation with respect to (i) the accuracy of the records of the Securities Depository or any Agent Member thereof with respect to any beneficial ownership interest in such Bonds or Notes, (ii) the delivery to any Agent Member, any beneficial owner of such Bonds or Notes, or any other Person, other than the Securities Depository, of any notice with respect to such Bonds or Notes or the General Resolution, or (iii) the payment to any Agent Members, any beneficial owners of such Bonds or Notes, or any other Persons, other than the Securities Depository, of any amount with respect to the principal or any Redemption Price of such Bonds or Notes and the interest thereon.

Further, for any Bonds and Notes registered in Book-Entry Form, the Commission and any Paying Agent or Registrar for such Bonds or Notes may treat the Securities Depository as, and deem the Securities Depository to be, the Holder and absolute owner of such Bonds and Notes for all purposes whatsoever, including, without limitation:

- (A) receiving the payments of the principal of and premium, if any, and interest on such Bonds and Notes;
- (B) giving notices of redemption and other matters with respect to such Bonds and Notes;
- (C) registering transfers with respect to such Bonds and Notes;

- (D) selecting such Bonds and Notes for redemption; and
- (E) obtaining Consents under the General Resolution.

Notwithstanding the definition of the term “Holder” set forth in the General Resolution as referencing the registered owners of the Bonds or Notes, the Commission and any applicable Paying Agent or Registrar shall be entitled to rely upon written instructions from a majority of the beneficial owners of any Bonds and Notes with reference to any Consent required from the Holders of such Bonds or Notes in accordance with Section 9.01 of the General Resolution.

If, at any time, (1) the Securities Depository notifies the Commission that it is unwilling or unable to continue as Securities Depository with respect to any Bonds or Notes issued in Book-Entry Form, or (2) the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or under any other applicable statute or regulation, and, in either case, a successor Securities Depository is not appointed by the Commission within ninety days after the Commission receives such notice or becomes aware of such condition, as the case may be, then Section 3.13(a) of the General Resolution shall no longer be applicable, and thereupon, the Commission shall execute and deliver or, if applicable, the Commission shall execute and the applicable Paying Agent or Registrar shall authenticate and deliver certificates representing the affected Bonds or Notes to the beneficial owners of such Bonds or Notes, who shall thereafter be deemed and treated as the Holders and the absolute owners of such Bonds or Notes, as provided by the first paragraph of Section 3.13(a) of the General Resolution.

(b) Ownership of Program Obligations. The ownership of the Program Obligations shall be determined as provided in the Program Obligation Resolution authorizing the incurrence of such Program Obligation or the Program Documents governing such Program Obligation.

Article IV - Application of Obligation Proceeds

Section 4.01 - Application of Bond Proceeds and Note Proceeds

(a) Upon the issuance, sale, and delivery of a Series of Bonds or Notes under the General Resolution, the proceeds of such Series of Bonds or Notes shall be deposited in the Funds and Accounts specified in the Series Resolution authorizing the issuance of such Series of Bonds or Notes, and such proceeds shall be applied only for the particular purposes for which the amounts on deposit in each of the respective Funds or Accounts may be applied under and in accordance with the provisions of the General Resolution and the applicable Series Resolution.

(b) Upon the delivery of a Series of Bonds or Notes under the General Resolution, (i) any proceeds received to pay capitalized interest shall be deposited in the Construction and Acquisition Account established for such Series of Bonds or Notes within the Proceeds Fund, (ii) any proceeds received as accrued interest shall be deposited in the Interest Account established for such Series of Bonds or Notes within the Sinking Fund, and (iii) any proceeds received as a premium over the principal amount of a Series of Bonds or Notes shall be applied as provided in the applicable Series Resolution.

Article V - Establishment of Funds and Accounts and Application of Net Revenues

Section 5.01 - Pledge Effected by the General Resolution

(a) There are irrevocably pledged for the payment of Debt Service on each Senior Obligation, and any Sinking Fund Installments for the retirement thereof, in accordance with their respective terms and the provisions of the General Resolution, subject only to the provisions of the General Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, in a manner superior to all other such pledges contained therein, (i) the proceeds of such Senior Obligation, (ii) any Investment Obligations acquired with the proceeds of any Obligation or by the application of moneys derived from the Revenues of the System, (iii) the Net Revenues of the System, and (iv) the Sinking Fund and the Debt Service Reserve Fund established and created under Section 5.07 and Section 5.08 of the General Resolution, respectively, including all Accounts within such Funds and all moneys and securities on deposit therein; provided, however, that the pledge of any amounts on deposit in the Debt Service Reserve Fund shall only apply to Debt Service Reserve Fund Obligations.

Further, there are irrevocably pledged for the payment of Debt Service on each Senior Subordinate Obligation, and any Sinking Fund Installments for the retirement thereof, in accordance with their respective terms and the provisions of the General Resolution, subject only to the provisions of the General Resolution permitting the application thereof for or to the

purposes and on the terms and conditions set forth therein, in a manner subordinate to the rights of the Senior Obligations provided by Section 5.01 of the General Resolution, but otherwise superior to all other such pledges contained therein, (A) the proceeds of such Senior Subordinate Obligation, (B) any Investment Obligations acquired with the proceeds of any Obligation or by the application of moneys derived from the Revenues of the System, (C) the Net Revenues of the System, and (D) the Sinking Fund established and created under Section 5.07 of the General Resolution, including all Accounts within such Fund and all moneys and securities on deposit therein.

In addition, there are irrevocably pledged for the payment of Debt Service on each Subordinate Obligation, and any Sinking Fund Installments for the retirement thereof, in accordance with their respective terms and the provisions of the General Resolution, subject only to the provisions of the General Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, in a manner subordinate to the rights of the Senior Obligations and the rights of the Senior Subordinate Obligations provided by Section 5.01 of the General Resolution, but otherwise superior to all other obligations of the Commission not secured thereunder, (1) the proceeds of such Subordinate Obligation, (2) any Investment Obligations acquired with the proceeds of any Obligation or by the application of moneys derived from the Revenues of the System, (3) the Net Revenues of the System, and (4) the Sinking Fund established and created under Section 5.07 of the General Resolution, including all Accounts within such Fund and all moneys and securities on deposit therein.

(b) The proceeds of the Obligations, the Investment Obligations, the Net Revenues, and the Sinking Fund and the Debt Service Reserve Fund established under Section 5.07 and Section 5.08 of the General Resolution, respectively, including all Accounts established within such Funds thereunder and all moneys and securities on deposit therein, pledged under the General Resolution shall immediately be subject to the lien of the pledge of Section 5.01 thereof, without any physical delivery thereof or any further act, and the lien of such pledge shall be valid and binding against all parties with claims of any kind in tort, contract, or otherwise against the Commission, irrespective of whether such parties have notice thereof.

Section 5.02 - Funds and Accounts Authorized by the General Resolution

In accordance with Section 5.02 of the General Resolution, the Commission has established and created the following special trust Funds and Accounts:

- (a) Proceeds Fund;
- (b) Revenue Fund;
- (c) Operation and Maintenance Fund;
- (d) Depreciation Fund;
- (e) Sinking Fund;
- (f) Debt Service Reserve Fund; and
- (g) Surplus Fund.

All of the foregoing Funds and Accounts shall be maintained by the Commission and shall apply to the Obligations issued or incurred under the General Resolution, as provided therein. All of the limitations and requirements with respect to such Funds and Accounts shall continue to be met as long as any of the Obligations are Outstanding.

Further, all of the above listed Funds and Accounts shall be held and maintained by the Commission in one or more Depositories (each being a Fiduciary) appointed by the Commission from time to time in any Series Resolution or Program Obligation Resolution, as applicable, adopted in connection with the issuance or incurrence of an Obligation under the General Resolution, or by any other action of the Commission.

Section 5.03 - Proceeds Fund

(a) In accordance with Section 5.03 of the General Resolution, the Commission has established and created the “Boone-Florence Water Commission Water Supply Revenue Bond and Note Proceeds Fund - General Revenue Bond Resolution” (the “Proceeds Fund”). The Commission shall establish and create within the Proceeds Fund, for each Series of Bonds and Notes issued under the General Resolution, (i) a separate “Boone-Florence Water Commission Water Supply Revenue Bond and Note Cost of Issuance Account - General Revenue Bond Resolution” (each, a “Cost of Issuance Account”), and (ii) as applicable, a separate (A) “Boone-Florence Water Commission Water Supply Revenue Bond and Note Construction

and Acquisition Account - General Revenue Bond Resolution” (each, a “Construction and Acquisition Account”), and (B) “Boone-Florence Water Commission Water Supply Revenue Bond and Note Refunding Account - General Revenue Bond Resolution” (each, a “Refunding Account”), and shall identify each separate Account by including in the designation for such Account the applicable year, letter, or other designation of the Bonds or Notes of the Series for which such Account was created.

(b) There shall be deposited in or transferred to the Cost of Issuance Account established for each Series of Bonds or Notes, moneys in the amount necessary to pay the Costs of Issuance of such Series of Bonds or Notes, from any of the following sources:

(i) the proceeds of the Bonds or Notes of such Series, as specified and determined in the Series Resolution authorizing the issuance of such Series of Bonds or Notes,

(ii) any moneys for which the Commission has exercised a discretion to transfer thereto, as permitted by the General Resolution, including any moneys determined by the Commission to be transferred thereto from the Operation and Maintenance Fund in accordance with Section 5.05(c) of the General Resolution, or

(iii) any moneys received by the Commission from any other source and determined by the Commission to be deposited therein, unless such moneys are required to be otherwise applied in accordance with the General Resolution or any applicable Supplemental Resolution.

To the extent not otherwise provided in the General Resolution or the applicable Series Resolution, the Cost of Issuance of a Series of Bonds or Notes shall be paid only from the moneys credited to the Cost of Issuance Account established and created for such Series of Bonds or Notes under Section 5.03 of the General Resolution.

(c) The Depository of the Proceeds Fund shall, from time to time, pay out or permit the withdrawal of any moneys on deposit in any Cost of Issuance Account, free and clear of any lien, pledge, or assignment in trust created under the General Resolution, for the purpose of paying, in the manner authorized therein, any Costs of Issuance of the Bonds or Notes of the Series for which such Cost of Issuance Account was established, upon receipt by the Depository of a check or other bill of exchange drawn upon such Cost of Issuance Account, signed by an Authorized Officer of the Commission, and stating the following information with respect to each payment to be made:

(i) the item for which such payment is to be made,

(ii) the name of the Person to whom such payment is to be made, and

(iii) the amount to be paid.

(d) The Depository of the Proceeds Fund, upon receipt of an Officer’s Certificate of the Commission stating that all Costs of Issuance of the applicable Series of Bonds or Notes have been paid and directing the Depository to make such a transfer, shall transfer any moneys remaining on deposit in the Cost of Issuance Account for such Series of Bonds or Notes to the Construction and Acquisition Account established for such Series of Bonds or Notes or, if a Construction and Acquisition Account has not been established for such Series of Bonds or Notes, to the Interest Account of the Sinking Fund established for such Series of Bonds or Notes.

(e) The Commission may, in its sole discretion, by an Order of an Authorized Officer of the Commission direct the Depository of the Proceeds Fund to invest the moneys in any Cost of Issuance Account in Investment Obligations maturing or subject to redemption at such times and in such amounts as shall be necessary for the Commission to pay the Costs of Issuance of the Series of Bonds or Notes for which such Cost of Issuance Account was created. The Commission shall sell or present for redemption or exchange such Investment Obligations in accordance with Section 5.10(d) of the General Resolution in order to effectuate the purposes of such Costs of Issuance Accounts.

(f) There shall be deposited in the Construction and Acquisition Account or Refunding Account, as applicable, established for each Series of Bonds or Notes, proceeds of the Bonds or Notes of such Series in the amount required to be deposited therein, as specified and determined in the Series Resolution authorizing the issuance of such Series of Bonds or Notes, in accordance with and subject to the provisions of Article IV of the General Resolution. In addition, there shall also be deposited in the Construction and Acquisition Account for a particular Series of Bonds or Notes (i) any moneys directed by the Commission to be transferred thereto from (A) the Cost of Issuance Account for such Series of Bonds or Notes, in accordance with Section 5.03(d) of the General Resolution, or (B) any Construction and Acquisition Account established for any other

Series of Bonds or Notes, in accordance with Section 5.03(i) of the General Resolution, and (ii) any other moneys for which the Commission has exercised a discretion to transfer thereto, as permitted by the General Resolution, including any moneys determined by the Commission to be transferred thereto from the Operation and Maintenance Fund, in accordance with Section 5.05(c) of the General Resolution.

(g) Any moneys credited to a Construction and Acquisition Account shall be expended only for the payment of Construction costs of the System, subject to the provisions and restrictions set forth in Section 5.03 of the General Resolution. Any moneys credited to a Refunding Account shall be expended only for the payment, or provision for the payment, of any Outstanding Obligations. The Commission shall keep and maintain complete and detailed records with respect to each Construction and Acquisition Account and each Refunding Account.

(h) Except as may be expressly limited by the purposes for which a particular Series of Bonds or Notes is issued, as set forth in the Series Resolution authorizing the issuance of such Series of Bonds or Notes, the Depository of the Proceeds Fund shall, from time to time, pay out or permit the withdrawal of any moneys held in any Construction and Acquisition Account for the purpose of making disbursements and payments to contractors, material suppliers, fabricators, and other parties rendering services in connection with the Construction of System facilities for which the applicable Series of Bonds or Notes is being issued, under and in accordance with the terms and conditions of the various construction, acquisition, or service contracts by and between the Commission and such parties, upon receipt by the Depository of a check or other bill of exchange drawn upon such Construction and Acquisition Account and signed by an Authorized Officer of the Commission, accompanied by either a written voucher executed by the Consulting Engineer, if a Consulting Engineer has been retained in connection with the costs to be paid from such Construction and Acquisition Account, or an Officer's Certificate of the Commission, which, in either case, shall contain the following information and statements with respect to each payment or disbursement to be made:

- (i) the name of the Person or other party to whom the payment or disbursement is to be made;
- (ii) the amount to be paid to such Person or party;
- (iii) the applicable construction, acquisition, or service contract with respect to which the payment or disbursement is to be made;
- (iv) that with respect to such payment or disbursement, there has not been filed with or served upon the Commission notice of any lien or attachment upon or any claim affecting the right to receive payment of any of the amounts requisitioned and payable to any Persons or parties named in such requisition for payment and which has not been released or will not be released simultaneously with such payment or disbursement;
- (v) that such requisition for payment contains no item representing payment on account of any retained percentages of Construction costs which the Commission, as of the date of such requisition, is entitled to retain; and
- (vi) that in connection with such requisition for payment, the Commission has received all proofs as are properly required by the Commission to determine that each obligation set forth in such requisition for payment has been properly incurred and is then due and unpaid and, insofar as any obligation set forth in such requisition for payment was incurred for any work, services, materials, equipment, or supplies, that such work or services were actually performed or such materials, equipment, or supplies were actually installed in furtherance of the Construction of the System or delivered at the site or sites of the System for such purposes.

All such checks, bills of exchange, written vouchers, and Officer's Certificates of the Commission conforming to the requirements set forth in Section 5.03(h) of the General Resolution and received by the Depository of the Proceeds Fund as set forth therein may be relied upon by and shall be retained in the possession of such Depository, subject, at all times, to the inspection of the Commission and its officials.

(i) At such times as all moneys due to be disbursed from a Construction and Acquisition Account have been so disbursed and paid, then (A) upon receipt by the Depository of the Proceeds Fund of (1) an Officer's Certificate of the Commission stating that the Construction of the particular System facilities financed by the applicable Series of Bonds or Notes has been completed, and (2) a Counsel Opinion to the effect that there are no uncalled mechanics', laborers', contractors', or materialmen's liens against any of the System facilities on file in any public office where such liens must be filed in order to be valid liens and that, in the opinion of such counsel, the time within which such liens could be filed has expired, such Depository shall transfer the balance remaining in such Construction and Acquisition Account to the Sinking Fund; or (B) upon receipt by

such Depository of an Officer's Certificate of the Commission stating that either (1) an additional Series of Bonds or Notes are due to be issued within a reasonable time, or (2) the Commission anticipates that within six months of such date, the Commission will incur Construction costs for which it would be inefficient or impractical to issue an additional Series of Bonds or Notes, such Depository may continue to hold the balance remaining in such Construction and Acquisition Account in such Construction and Acquisition Account; or (C) upon receipt by such Depository of an Order of an Authorized Officer of the Commission directing the Depository to make such a transfer, such Depository shall transfer the balance remaining in such Construction and Acquisition Account to any other Construction and Acquisition Account for any other Series of Bonds and Notes issued under the General Resolution.

(j) The Commission shall, by an Order of an Authorized Officer of the Commission, direct the Depository of the Proceeds Fund to continuously invest the moneys in each Construction and Acquisition Account in Investment Obligations maturing or subject to redemption at such times and in such amounts as shall be necessary for the Commission to make any payment on account of any construction, acquisition, or service contract relating to the System entered into in connection with the Series of Bonds or Notes for which such Construction and Acquisition Account was created. The Commission shall sell or present for redemption or exchange such Investment Obligations in accordance with Section 5.10(d) of the General Resolution in order to effectuate the purposes of such Construction and Acquisition Accounts.

Section 5.04 - Revenue Fund

(a) In accordance with Section 5.04 of the General Resolution, the Commission has established and created the "Boone-Florence Water Commission Water Supply Revenue Fund - General Revenue Bond Resolution" (the "Revenue Fund").

(b) The Commission shall cause all moneys received as Revenues of the System, together with all or a portion of the proceeds of any Revenue Anticipation Note issued by the Commission in accordance with the Short-Term Borrowing Act, to be promptly deposited into the Revenue Fund.

(c) To the extent any Revenues of the System are received by the Commission in connection with any legislative appropriation or federal or state grant for deposit to the Revenue Fund, the Operation and Maintenance Fund, the Sinking Fund, the Debt Service Reserve Fund, or any Account of any of the foregoing Funds, such Revenues shall be promptly transmitted by the Commission to the appropriate Depository for deposit to the Fund or Account so specified.

(d) The Commission shall cause all of the Revenues of the System to be transferred from the Revenue Fund and deposited to the following Funds and Accounts on the first business day of each calendar month (except for the tenth item), in the prescribed sequence and amounts as follows:

FIRST: Into the Operation and Maintenance Fund, an amount which, together with any moneys already on deposit therein, will be sufficient to pay, as they accrue, the proper and necessary costs of operating, maintaining, and insuring the System, and to accumulate and maintain in the Operation and Maintenance Fund, an amount sufficient to pay all costs of operating, maintaining, and insuring the System for such calendar month.

SECOND: Into each Interest Account or Program Obligation Account in the Sinking Fund with respect to a Senior Obligation, (i) an amount equal to the total amount of interest that will become due on the applicable Senior Obligation on the next Interest Payment Date for such Senior Obligation, divided by the number of months between each Interest Payment Date with respect to such Senior Obligation, or (ii) if the interest on such Senior Obligation is payable monthly, the amount of interest coming due on such Senior Obligation in that month, or (iii) if the Commission has entered into an agreement with a credit provider whereby the interest on such Senior Obligation is paid directly by such credit provider, the amount required by such agreement to reimburse such credit provider for its payment of such interest.

THIRD: Into each Principal Account or Program Obligation Account in the Sinking Fund with respect to a Senior Obligation, (i) an amount equal to the Principal Installment that will become due on the applicable Senior Obligation on the next Principal Installment Date for such Senior Obligation, divided by the number of months between each Principal Installment Date with respect to such Senior Obligation, or (ii) if the Principal Installments of such Senior Obligation are payable monthly, an amount equal to the Principal Installment coming due on such Senior Obligation in that month, or (iii) if the Commission has entered into an agreement with a credit provider whereby the Principal Installments of such Senior Obligation are paid directly by such credit provider, the amount required by such agreement to reimburse such credit provider for its payment of such Principal Installments.

FOURTH: Into the Debt Service Reserve Fund, such amount as may be required (i) to comply with the requirements of Section 5.08(f) and (h) of the General Resolution, or (ii) to pay any amounts due to a Debt Service Reserve Fund Guarantor under a Debt Service Reserve Fund Guaranty Agreement as a result of any payments advanced to the Commission by such Debt Service Reserve Fund Guarantor under a Debt Service Reserve Fund Guaranty, as permitted by Section 5.08(c) of the General Resolution.

FIFTH: Into each Interest Account or Program Obligation Account in the Sinking Fund with respect to a Senior Subordinate Obligation, (i) an amount equal to the total amount of interest that will become due on the applicable Senior Subordinate Obligation on the next Interest Payment Date for such Senior Subordinate Obligation, divided by the number of months between each Interest Payment Date for such Senior Subordinate Obligation, or (ii) if interest on such Senior Subordinate Obligation is payable monthly, the amount of interest coming due on such Senior Subordinate Obligation in that month, or (iii) if the Commission has entered into an agreement with a credit provider whereby the interest on such Senior Subordinate Obligation is paid directly by such credit provider, the amount required by such agreement to reimburse the credit provider for its payment of the interest.

SIXTH: Into each Principal Account or Program Obligation Account in the Sinking Fund with respect to a Senior Subordinate Obligation, (i) an amount equal to the Principal Installment that will become due on the applicable Senior Subordinate Obligation on the next Principal Installment Date for such Senior Subordinate Obligation, divided by the number of months between each Principal Installment Date with respect to such Senior Subordinate Obligation, or (ii) if the Principal Installments of such Senior Subordinate Obligation are payable monthly, an amount equal to the Principal Installment coming due on such Senior Subordinate Obligation in that month, or (iii) if the Commission has entered into an agreement with a credit provider whereby the Principal Installments of such Senior Subordinate Obligation are paid directly by such credit provider, the amount required by such agreement to reimburse such credit provider for its payment of such Principal Installments.

SEVENTH: Into each Interest Account or Program Obligation Account in the Sinking Fund with respect to a Subordinate Obligation, respectively, (i) an amount equal to the total amount of interest that will become due on the applicable Subordinate Obligation on the next Interest Payment Date for such Subordinate Obligation, divided by the number of months between each Interest Payment Date for such Subordinate Obligation, or (ii) if interest on such Subordinate Obligation is payable monthly, the amount of interest coming due on such Subordinate Obligation in that particular month, or (iii) if the Commission has entered into an agreement with a credit provider whereby the interest on such Subordinate Obligation is paid directly by such credit provider, the amount required by such agreement to reimburse such credit provider for its payment of such interest.

EIGHTH: Into each Principal Account or Program Obligation Account in the Sinking Fund with respect to a Subordinate Obligation, respectively, (i) an amount equal to the Principal Installment that will become due on the applicable Subordinate Obligation on the next Principal Installment Date for such Subordinate Obligation, divided by the number of months between each Principal Installment Date with respect to such Subordinate Obligation, or (ii) if Principal Installments of such Subordinate Obligation are payable monthly, an amount equal to the Principal Installment coming due on such Subordinate Obligation in that month, or (iii) if the Commission has entered into an agreement with a credit provider whereby the Principal Installments of such Subordinate Obligation are paid directly by such credit provider, the amount required by the agreement to reimburse the credit provider for its payment of the Principal Installments.

NINTH: Into the Depreciation Fund, an amount equal to 1/36th of the Aggregate Depreciation Fund Requirement so that the Aggregate Depreciation Fund Requirement will be met within thirty-six months after the Issue Date of any Series of Bonds or Notes issued under the General Resolution.

TENTH: On a periodic basis, the amounts remaining on deposit in the Revenue Fund at the end of any calendar month or, in the case of annual transfers, the preceding calendar year, after making the payments required by the first through ninth items (inclusive) set forth above, including any balances required to be accrued and maintained, may be transferred to the Surplus Fund.

(e) The Commission shall, by an Order of an Authorized Officer of the Commission, direct the Depository of the Revenue Fund to continuously invest the moneys on deposit in the Revenue Fund in Investment Obligations maturing or subject to redemption at such times and in such amounts as shall be necessary to make any deposit, transfer, or payment required under Section 5.04 of the General Resolution. The Commission shall sell or present for redemption or exchange such

Investment Obligations in accordance with Section 5.10(d) of the General Resolution to effectuate the purposes of the Revenue Fund.

Section 5.05 - Operation and Maintenance Fund

(a) In accordance with Section 5.05 of the General Resolution, the Commission has established and created the “Boone-Florence Water Commission Water Supply Operation and Maintenance Fund - General Revenue Bond Resolution” (the “Operation and Maintenance Fund”).

(b) There shall be deposited in or transferred to the Operation and Maintenance Fund (i) all Revenues required to be deposited therein in accordance with Section 5.04(c) of the General Resolution, (ii) all moneys required to be transferred thereto from the Revenue Fund in accordance with Section 5.04(d) of the General Resolution, and (iii) any moneys received by the Commission from any other source and determined by the Commission to be deposited therein, unless such moneys are required to be otherwise applied in accordance with the General Resolution or any Supplemental Resolution.

(c) Subject to the provisions and requirements of Section 5.04(d) of the General Resolution, the Commission shall, from time to time, withdraw and pay out the moneys on deposit in the Operation and Maintenance Fund, free and clear of any lien, pledge, or assignment in trust created under the General Resolution, for the purpose of paying all reasonable or necessary Operation and Maintenance Costs of the System, including any costs incurred by the Commission in obtaining and distributing the annual audit and report required by Section 7.15 of the General Resolution and any payments authorized by Section 7.20(b) of the General Resolution to reimburse any state agency, political subdivision, or instrumentality of the Commonwealth for the reasonable costs of any services performed for and on behalf of the Commission with respect to the System; provided, however, that the Commission may, at any time, transfer, or initiate the transfer of, moneys from the Operation and Maintenance Fund to any other Fund or Account other than the Revenue Fund established and created under the General Resolution.

(d) The Commission may, in its sole discretion, by an Order of an Authorized Officer of the Commission, direct the Depository of the Operation and Maintenance Fund to invest the moneys on deposit in the Operation and Maintenance Fund in Investment Obligations maturing or subject to redemption at such times and in such amounts as shall be necessary to pay any Operation and Maintenance Costs of the System. The Commission shall sell or present for redemption or exchange such Investment Obligations in accordance with Section 5.10(d) of the General Resolution in order to effectuate the purposes of the Operation and Maintenance Fund, and the proceeds of any such sale and the amounts received upon the maturity or redemption of such Investment Obligations shall be deposited in the Operation and Maintenance Fund and, unless such moneys are otherwise transferred or expended in accordance with Section 5.05 of the General Resolution, shall be applied to reduce the next succeeding monthly deposit required by Section 5.04(d) of the General Resolution.

Section 5.06 - Depreciation Fund

(a) In accordance with Section 5.06 of the General Resolution, this Commission has established and created the “Boone-Florence Water Commission Water Supply Depreciation Fund - General Revenue Bond Resolution” (the “Depreciation Fund”).

(b) There shall be deposited in or transferred to the Depreciation Fund:

(i) the portion of the proceeds of the Bonds or Notes of any Series required to be deposited therein to maintain the applicable Depreciation Fund Requirement in accordance with the Series Resolution authorizing the issuance of such Series of Bonds or Notes;

(ii) all Revenues required to be deposited therein, as provided by Section 5.04(c) of the General Resolution;

(iii) all moneys required to be transferred thereto from the Revenue Fund in accordance with Section 5.04(d) of the General Resolution;

(iv) any moneys for which the Commission has exercised a discretion to transfer thereto, as permitted by the General Resolution, including any moneys determined by the Commission to be transferred thereto from the Operation and Maintenance Fund in accordance with Section 5.05(c) of the General Resolution; and

(v) any moneys received by the Commission from any other source and determined by the Commission to be deposited therein, unless such moneys are required to be otherwise applied in accordance with the General Resolution or any applicable Supplemental Resolution.

(c) The moneys on deposit in the Depreciation Fund shall be utilized to make repairs and replacements to the System and to pay the costs of constructing additions, extensions, betterments, and improvements to the System which will either increase the income and Revenues of the System or provide a higher degree of service to the System users. In addition to the foregoing, the moneys on deposit in the Depreciation Fund may, upon the Order of an Authorized Officer of the Commission, be expended and applied as follows:

(i) to cure any deficiency existing at any time in the respective amounts required to be on deposit in the Sinking Fund and the Debt Service Reserve Fund at such time, as provided in Section 5.07 and Section 5.08 of the General Resolution, respectively;

(ii) to redeem or prepay any Bonds or Notes, in whole or in part, as provided in Section 6.01 and Section 6.02(a) of the General Resolution, respectively ;

(iii) to prepay any Program Obligations under and in accordance with the terms and conditions set forth in the applicable Program Documents; and

(iv) to pay the Debt Service on any of the Outstanding Obligations as and when due, without limitation.

(d) The Depository of the Depreciation Fund shall, from time to time, pay out or permit the withdrawal of any moneys in the Depreciation Fund for the purpose of making any payment authorized by Section 5.06(c) of the General Resolution, upon receipt by such Depository of a check or other bill of exchange drawn upon the Depreciation Fund, signed by an Authorized Officer of the Commission, and stating the following information with respect to each payment to be made:

(i) the item for which the payment is to be made,

(ii) the name of the Person or party to whom the payment is to be made, and

(iii) the amount to be paid.

(e) If, at any time, the amount held in the Depreciation Fund is less than the Aggregate Depreciation Fund Requirement, there shall be deposited into the Depreciation Fund, on no less than a monthly basis, an amount equal to 1/36th of such deficiency so that the balance in the Depreciation Fund will equal the Aggregate Depreciation Fund Requirement in the month that is thirty-six months from the month such deficiency first existed. Thereafter, such monthly payments may cease as long as the Aggregate Depreciation Fund Requirement shall be maintained; provided, however, that such monthly payments shall resume if, at any time, the amount on deposit in the Depreciation Fund is less than the Aggregate Depreciation Fund Requirement and shall continue until the Aggregate Depreciation Fund Requirement is met.

(f) The Commission may, in its sole discretion, by an Order of an Authorized Officer of the Commission, direct the Depository of the Depreciation Fund to invest the moneys on deposit in the Depreciation Fund in Investment Obligations maturing or subject to redemption at such times and in such amounts as shall be necessary to make any authorized payment from the Depreciation Fund. The Commission shall sell or present for redemption or exchange such Investment Obligations in accordance with Section 5.10(d) of the General Resolution in order to effectuate the purposes of the Depreciation Fund and, to the extent that other moneys are not available to pay the Debt Service on any of the Outstanding Obligations as and when due, the proceeds of any such sale and the amounts received upon the maturity or redemption of such Investment Obligations shall be deposited in the appropriate Account of the Sinking Fund to make any such Debt Service payment when due and payable.

Section 5.07 - Sinking Fund

(a) In accordance with Section 5.07 of the General Resolution, the Commission has established and created the “Boone-Florence Water Commission Water Supply Revenue Obligation Sinking Fund - General Revenue Bond Resolution” (the “Sinking Fund”), which Sinking Fund shall be maintained by the Commission and held in the appropriate Depository so long as any Obligations authorized or permitted to be issued or incurred under the General Resolution shall be Outstanding. The Commission shall establish and create within the Sinking Fund, (i) for each Program Obligation incurred under the General Resolution, a separate “Boone-Florence Water Commission Water Supply Revenue Program Obligation Account - General

Revenue Bond Resolution” (each, a “Program Obligation Account”), and (ii) for each Series of Bonds or Notes issued under the General Resolution, a separate (A) “Boone-Florence Water Commission Water Supply Revenue Bond and Note Principal Account - General Revenue Bond Resolution” (each, a “Principal Account”), and (B) “Boone-Florence Water Commission Water Supply Revenue Bond and Note Interest Account - General Revenue Bond Resolution” (each, an “Interest Account”), and shall further identify each separate Account by including in the designation for such Account the applicable title, year, letter, or other designation of the Obligation for which such Account was created.

- (b) There shall be deposited in or transferred to the appropriate Accounts of the Sinking Fund:
 - (i) all moneys directed by the Commission to be transferred thereto from the applicable Cost of Issuance Account in accordance with Section 5.03(d) of the General Resolution;
 - (ii) all moneys to be transferred thereto from the applicable Construction and Acquisition Account in accordance with Section 5.03(i) of the General Resolution;
 - (iii) all Revenues required to be deposited therein, as provided by Section 5.04(c) of the General Resolution;
 - (iv) all moneys required to be transferred thereto from the Revenue Fund in accordance with Section 5.04(d) of the General Resolution;
 - (v) all moneys required to be transferred thereto from the Debt Service Reserve Fund in accordance with Section 5.08(d) and (g) of the General Resolution;
 - (vi) all moneys required to be transferred thereto from the Surplus Fund in accordance with Section 5.09(c) of the General Resolution;
 - (vii) any moneys for which the Commission has exercised a discretion to transfer thereto, as permitted by the General Resolution, including (A) any moneys determined by the Commission to be transferred thereto from the Operation and Maintenance Fund in accordance with Section 5.05(c) of the General Resolution, and (B) any moneys ordered by the Commission to be transferred thereto from the Depreciation Fund in accordance with Section 5.06(c) of the General Resolution; and
 - (viii) any moneys received by the Commission from any other source and determined by the Commission to be deposited therein, unless such moneys are required to be otherwise applied in accordance with the General Resolution or any applicable Supplemental Resolution.

(c) All moneys on deposit in the Sinking Fund from time to time shall be used, disbursed, and applied, and are irrevocably pledged, only for the purpose of paying the Debt Service and any Sinking Fund Installments with respect to all Obligations issued or incurred and Outstanding under the General Resolution. In addition, any moneys on deposit in the Sinking Fund from time to time may, at the option of the Commission, be used and employed to purchase sufficient Bonds or Notes to satisfy any Sinking Fund Installment due within the next succeeding twelve months.

(d) The Commission shall direct the Depository of the Sinking Fund or any Account held therein to, and such Depository shall:

- (i) pay out of the moneys in the Interest Account for each Series of Bonds or Notes issued under the General Resolution, to any applicable Paying Agent or any other party performing an equivalent function with respect to the Series of Bonds or Notes for which such Account was established, (A) on the day preceding each Interest Payment Date for such Series of Bonds or Notes, the amount required to pay the interest on the Bonds or Notes of such Series due on such Interest Payment Date, and (B) on the day preceding any Redemption Date or any Prepayment Date for any Bonds or Notes of such Series, the amount required to pay all of the interest accrued on such Bonds or Notes to such Redemption Date or Prepayment Date, as the case may be, unless the payment of such accrued interest shall be otherwise provided for, and in either case, such amounts shall be applied by such Paying Agent or other applicable party to such payments;
- (ii) pay out of the moneys in the Principal Account for each Series of Bonds or Notes issued under the General Resolution, to any applicable Paying Agent or any other party performing an equivalent function with respect to the Series of Bonds or Notes for which such Account was established, (A) on the day preceding each

Principal Installment Date for such Series of Bonds or Notes, the amount required to pay the Principal Installment of the Bonds or Notes of such Series due on such Principal Installment Date, and (B) on the day preceding any Redemption Date or any Prepayment Date for any Bonds or Notes of such Series, the amount required to retire or prepay, as the case may be, the principal amount of such Bonds or Notes called for redemption on such Redemption Date or Prepayment Date, and in either case, such amounts shall be applied by such Paying Agent or other applicable party to such payments; and

(iii) pay out of the moneys in the Program Obligation Account for each Program Obligation incurred under the General Resolution, to the appropriate party set forth in the Program Documents with respect to the Program Obligation for which such Account was established, at the times required by the applicable Program Documents, (A) the amount required to pay the interest on such Program Obligation due on each Interest Payment Date, (B) the amount required to pay the Principal Installment of such Program Obligation due on each Principal Installment Date, and (C) the amount required to pay the Prepayment Price of such Program Obligation on any Prepayment Date, plus all of the interest accrued on such Program Obligation to such Prepayment Date, and in any case, such amounts shall be applied by the appropriate parties to such payments.

(e) The amount accumulated in a Principal Account for any Sinking Fund Installment may, at the option of the Commission, be applied (together with any amounts accumulated in the Interest Account with respect to interest on the Bonds or Notes with respect to which such Sinking Fund Installment was established) by the Commission before the forty-fifth day preceding the due date of such Sinking Fund Installment, as follows:

(i) to the purchase of Bonds or Notes of the Series and Stated Maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable from Sinking Fund Installments for such Bonds or Notes when such Bonds or Notes are redeemable by application of the Sinking Fund Installments, plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Commission shall determine, or

(ii) to the redemption of such Bonds or Notes, if then redeemable by their terms, at the Redemption Price described in paragraph (i) above.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Installment, the Commission shall proceed to call the Bonds or Notes for which such Sinking Fund Installment was established for redemption on such due date, in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment and Stated Maturity, all in accordance with Section 6.01 of the General Resolution. The Commission shall call such Bonds or Notes for redemption in accordance with Section 6.01 of the General Resolution, whether or not it then has moneys on deposit in the Principal Account for such Bonds or Notes sufficient to pay the applicable Redemption Price thereof as of the Redemption Date.

(f) Any amounts remaining in any Interest Account or Program Obligation Account on any Interest Payment Date or in any Principal Account or Program Obligation Account on any Principal Installment Date may, to the extent not needed to pay interest or Principal Installments, as applicable, be transferred to the Surplus Fund.

(g) The Commission may, in its sole discretion, by an Order of an Authorized Officer of the Commission, direct the Depository of the Sinking Fund to invest the moneys in the Principal Accounts, Interest Accounts, and Program Obligation Accounts in Investment Obligations maturing or subject to redemption on or before the Interest Payment Date or Principal Installment Date, as the case may be, for the Obligation for which such Account was created next succeeding the date upon which such investment is made and in such amounts as shall be necessary to pay the interest on or Principal Installment of such Obligation due on such date. The Commission shall sell or present for redemption or exchange such Investment Obligations in accordance with Section 5.10(d) of the General Resolution in order to effectuate the purposes of the Sinking Fund.

Section 5.08 - Debt Service Reserve Fund

(a) In accordance with Section 5.08 of the General Resolution, the Commission has established and created the "Boone-Florence Water Commission Water Supply Debt Service Reserve Fund - General Revenue Bond Resolution" (the "Debt Service Reserve Fund").

(b) There shall be deposited in or transferred to the Debt Service Reserve Fund:

(i) the portion of the proceeds of any Debt Service Reserve Fund Obligation required to be deposited therein in order to satisfy the Aggregate Debt Service Reserve Fund Requirement, as provided by the Series Resolution authorizing the issuance of such Debt Service Reserve Fund Obligation and the Order of the Commission required by Section 2.06(a)(vi) of the General Resolution;

(ii) all Revenues required to be deposited therein, as provided by Section 5.04(c) of the General Resolution;

(iii) all moneys required to be transferred thereto from the Revenue Fund in accordance with Section 5.04(d) of the General Resolution;

(iv) all moneys required to be transferred thereto from the Surplus Fund in accordance with Section 5.09(c) of the General Resolution;

(v) any moneys for which the Commission has exercised a discretion to transfer thereto, as permitted by the General Resolution, including (A) any moneys determined by the Commission to be transferred thereto from the Operation and Maintenance Fund in accordance with Section 5.05(c) of the General Resolution, and (B) any moneys ordered by the Commission to be transferred thereto from the Depreciation Fund in accordance with Section 5.06(c) of the General Resolution; and

(vi) any moneys received by the Commission from any other source and determined by the Commission to be deposited therein, unless such moneys are required to be otherwise applied in accordance with the General Resolution or any applicable Supplemental Resolution.

(c) In lieu of any required deposit of moneys in the Debt Service Reserve Fund, the Commission may obtain a Debt Service Reserve Guaranty, which shall be considered a deposit of moneys in the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Guaranty Coverage provided by the related Debt Service Reserve Fund Guaranty Agreement.

Any Debt Service Reserve Guaranty permitted to be obtained by the Commission under the General Resolution shall be issued and delivered only upon receipt by the Commission of (i) a Bond Counsel Opinion to the effect that the delivery of such Debt Service Reserve Fund Guaranty to the Commission is authorized under the General Resolution and complies with the terms thereof, and (ii) if any Debt Service Reserve Fund Obligations are rated by a Rating Agency, written evidence from each applicable Rating Agency demonstrating (A) that it has reviewed the proposed Debt Service Reserve Fund Guaranty, and (B) that (1) the issuance of such Debt Service Reserve Fund Guaranty to the Commission, and (2) if a Debt Service Reserve Fund Guaranty is then in effect with respect to the Debt Service Reserve Fund, the substitution of the proposed Debt Service Reserve Fund Guaranty for the Debt Service Reserve Fund Guaranty then in effect will not, in either case, result in a reduction or withdrawal of its rating on the applicable Debt Service Reserve Fund Obligation, and (iii) if any Debt Service Reserve Fund Obligations, or any portions thereof, are insured by a municipal bond insurance policy issued by a Bond Insurer, written evidence from each applicable Bond Insurer demonstrating (A) that it has reviewed the proposed Debt Service Reserve Fund Guaranty, and (B) that (1) the issuance of such Debt Service Reserve Fund Guaranty to the Commission, and (2) if a Debt Service Reserve Fund Guaranty is then in effect with respect to the Debt Service Reserve Fund, the substitution of the proposed Debt Service Reserve Fund Guaranty for the Debt Service Reserve Fund Guaranty then in effect will not, in either case, result in the cancellation of the municipal bond insurance policy provided by the Bond Insurer.

(d) The Debt Service Reserve Fund is pledged to and shall be used for the payment of the principal of, interest on, and Redemption Price or Prepayment Price, if any, with respect to any Debt Service Reserve Fund Obligation as to which there would otherwise be a default in payment, and the moneys on deposit in the Debt Service Reserve Fund shall, upon due certification by the Commission as provided in Section 5.08(e) of the General Resolution, be transferred to the appropriate Principal Accounts and Interest Accounts of the Sinking Fund at such times and in such amounts as shall be necessary in order to effectuate the intent of Section 5.08 of the General Resolution and the purposes of the Debt Service Reserve Fund.

(e) The Depository of the Debt Service Reserve Fund shall, from time to time, transfer any moneys (including any excess moneys on deposit therein over and above the then applicable Aggregate Debt Service Reserve Fund Requirement) held in the Debt Service Reserve Fund to the appropriate Principal Accounts and Interest Accounts of the Sinking Fund for the purpose of making any payments required by Section 5.08(d) of the General Resolution, upon receipt of a check or other bill

of exchange drawn upon the Debt Service Reserve Fund, signed by an Authorized Officer of the Commission, and stating the following information with respect to each transfer to be made:

- (i) the purpose of the transfer;
- (ii) the amount to be transferred; and
- (iii) the Principal Account or Interest Account of the Sinking Fund to which such amount shall be transferred.

(f) If the amount on deposit in the Debt Service Reserve Fund is reduced below the Aggregate Debt Service Reserve Fund Requirement as a result of any transfers to the Sinking Fund required by Section 5.08(d) of the General Resolution, the deficiency in the Debt Service Reserve Fund shall be cured from the first available Revenues of the System by making monthly deposits to the Debt Service Reserve Fund in equal amounts so that such deficiency is eliminated upon making twenty-four such deposits.

(g) The Commission shall, by an Order of an Authorized Officer of the Commission, direct the Depository of the Debt Service Reserve Fund to continuously invest the moneys on deposit in the Debt Service Reserve Fund in Investment Obligations maturing or subject to redemption at such times and in such amounts as shall be necessary to provide moneys to effectuate any of the purposes of the Debt Service Reserve Fund listed in Section 5.08(d) of the General Resolution. The Commission shall sell or present for redemption or exchange such Investment Obligations in accordance with Section 5.10(d) of the General Resolution in order to effectuate the purposes of the Debt Service Reserve Fund, and the proceeds of any such sale and the amounts received upon the maturity or redemption of such Investment Obligations shall be deposited in the Debt Service Reserve Fund; provided, however, that so long as the amount on deposit in the Debt Service Reserve Fund satisfies the Aggregate Debt Service Reserve Fund Requirement, such amounts shall be transferred, as received, to the Interest Accounts of the Sinking Fund.

(h) Unless the Debt Service Reserve Fund is funded as provided in Section 5.08(b) and (f) of the General Resolution, the value of any Investment Obligations credited to the Debt Service Reserve Fund, determined in accordance with Section 1.05(a) and Section 5.10(e) of the General Resolution, shall be calculated at least annually. The Depository of the Debt Service Reserve Fund shall notify the Commission with respect to any deficiency in the Debt Service Reserve Fund recognized by such valuation, and upon receiving such notice, the Commission shall cure the deficiency from the first available Revenues of the System, as provided in Section 5.08(f) of the General Resolution.

Section 5.09 - Surplus Fund

(a) In accordance with Section 5.09 of the General Resolution, the Commission has established and created the “Boone-Florence Water Commission Water Supply Surplus Fund - General Revenue Bond Resolution” (the “Surplus Fund”).

(b) There shall be deposited in or transferred to the Surplus Fund (i) all Revenues required to be deposited therein in accordance with Section 5.04(d) of the General Resolution, (ii) any moneys determined by the Commission to be transferred thereto from the Operation and Maintenance Fund in accordance with Section 5.07(c) of the General Resolution, and (iii) all moneys required to be transferred thereto in accordance with Section 5.07(f) of the General Resolution.

(c) The moneys on deposit in the Surplus Fund shall, to the extent necessary from time to time, (i) be transferred to the Debt Service Reserve Fund to permit the payment of all Debt Service Reserve Fund Obligations without drawing on the Debt Service Reserve Fund, (ii) be used to pay the Debt Service on any Outstanding Obligations issued or incurred under the General Resolution to finance the costs of improving or extending the System, or (iii) be transferred to the appropriate Account of the Sinking Fund or to any other fund or account prescribed by the applicable Supplemental Resolution to permit the payment of the Debt Service on any Outstanding Obligations issued or incurred under the General Resolution to finance the costs of improving or extending the System. In addition to the foregoing, the moneys on deposit in the Surplus Fund may also be used for any other lawful purpose of the Commission with respect to the System.

(d) The Commission shall, by an Order of an Authorized Officer of the Commission, direct the Depository of the Surplus Fund to continuously invest the moneys on deposit in the Surplus Fund in Investment Obligations maturing or subject to redemption at such times and in such amounts as shall be necessary to provide moneys to effectuate any of the purposes of the Surplus Fund set forth in Section 5.09(c) of the General Resolution. The Commission shall sell or present for

redemption or exchange such Investment Obligations in accordance with Section 5.10(d) of the General Resolution in order to effectuate the purposes of the Surplus Fund.

Section 5.10 - Investment of Funds; Valuation

Except as otherwise provided in the General Resolution:

(a) Investment Obligations purchased as an investment of moneys on deposit in any Fund or Account under the provisions of the General Resolution shall be deemed, at all times, to be a part of such Fund or Account, and the income or interest earned, gains realized, or losses suffered by such Fund or Account due to the investment of any moneys on deposit therein shall be retained in or credited or charged to, as the case may be, such Fund or Account, subject, in the case of the Debt Service Reserve Fund, to the provisions of Section 5.08(g) of the General Resolution; and provided, however, that any escrow agreements entered into in connection with any such investments may provide otherwise.

(b) All investments of the moneys on deposit in any Fund or Account under and in accordance with Article V of the General Resolution shall only be made upon receipt of an Order of an Authorized Officer of the Commission and shall be made in accordance with the investment policies of the Commission.

(c) Any Investment Obligations purchased in accordance with Article V of the General Resolution shall be physically held by the Depository of the Fund or Account for which such investment was made. Each Depository shall advise the Commission in writing, on or before the twentieth day of each calendar month, of the details of all Investment Obligations held for the credit of each Fund or Account in its custody under the provisions of the General Resolution, as of the end of the preceding month and shall review and advise the Commission annually as to the nature and value of all Investment Obligations relating to each Fund and Account.

(d) The Commission, upon the Order of an Authorized Officer of the Commission, shall sell, at the best price obtainable, or present for redemption or exchange any Investment Obligation purchased under Article V of the General Resolution whenever any such sale, redemption, or exchange shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made.

(e) In computing the amount on deposit in a particular Fund, including all Accounts therein, any Investment Obligations purchased as an investment of the moneys on deposit in such Fund or Accounts shall be valued at the lesser of cost or fair market value. Valuation, as of any date of computation, shall include the amount of interest or gain realized to such date, and shall be established in accordance with Section 1.05(a) of the General Resolution.

Article VI - Redemption and Prepayment of Obligations

Section 6.01 - Redemption of Bonds and Notes

(a) Privilege of Redemption and Redemption Price. Any Bonds or Notes which are subject to redemption before their Stated Maturity under and in accordance with the Series Resolution authorizing the issuance of such Bonds or Notes shall be redeemable, upon notice as provided in Section 6.01 of the General Resolution, at such times, at such Redemption Prices, and upon such terms as may be specified in the applicable Series Resolution.

(b) Redemption at the Election or Direction of the Commission. In the case of the redemption of any Bonds or Notes otherwise than in accordance with Section 6.01(c) of the General Resolution, the Commission shall give the Depository of the Sinking Fund and any applicable Paying Agent or other Fiduciary written notice of its election to redeem such Bonds or Notes, which notice shall include (i) the Redemption Date, (ii) the Series of the Bonds or Notes to be redeemed, (iii) the principal amounts of the Bonds or Notes of each Stated Maturity of such Series to be redeemed, (iv) the Redemption Price of the Bonds or Notes to be redeemed on such Redemption Date (which Redemption Date, Series, principal amounts, and Redemption Price of the Bonds or Notes to be redeemed shall be determined by the Commission, in its sole discretion, subject to any applicable limitations contained in the General Resolution or the applicable Series Resolution), and (v) the moneys or Defeasance Obligations to be applied to the payment of the Redemption Price of the Bonds or Notes to be redeemed. Such notice shall be given at least thirty-five days before the Redemption Date set forth therein, or such shorter period as shall be acceptable to the Depository of the Sinking Fund and any applicable Paying Agent or any other Fiduciary. Thereupon, if notice of such redemption shall have been given to the Holders of the Bonds or Notes to be redeemed as provided in Section 6.01(d) of the General Resolution, the Depository of the Sinking Fund shall, before the applicable Redemption Date, pay to the Commission

or appropriate Paying Agent or other Fiduciary an amount in cash which, in addition to any other moneys available for such purpose and held by the Commission or such Paying Agent or other Fiduciary, will be sufficient to redeem, on the Redemption Date, at the Redemption Price thereof, all of the Bonds or Notes to be redeemed.

(c) Selection of Bonds or Notes to Be Redeemed By Lot. Upon the redemption of less than all of the Bonds or Notes of like Series and Stated Maturity then Outstanding, the Commission or any applicable Registrar or other Fiduciary, as directed by the Commission, shall assign to each such Outstanding Bond or Note a distinctive number for each \$5,000 of the principal amount of such Bond or Note, and shall select by lot, using such method of selection as it, in its sole discretion, shall deem proper, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds or Notes to be redeemed. The Bonds or Notes to be redeemed shall be the Bonds or Notes which were assigned the numbers so selected; provided, however, that only so much of the principal amount of each such Bond or Note of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to such Bond or Note and so selected. For purposes of clarity, a notice of redemption under Section 6.01(d) shall not be required in connection with the redemption of any Bonds or Notes awarded and sold via a Bank Direct Purchase under and in accordance with Section 6.01(c) of the General Resolution.

(d) Notice of Redemption. The Commission or the applicable Paying Agent or other Fiduciary, as directed by the Commission, shall give notice in the name of the Commission of the redemption of any Bonds or Notes determined to be redeemed, which notice shall specify the Series and Stated Maturities of the Bonds or Notes to be redeemed, the Redemption Date, the Redemption Price, and the place or places where the Redemption Price will be payable and, if less than all of the Bonds or Notes of any like Series and Stated Maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds or Notes to be redeemed and, if any Bonds or Notes are to be redeemed in part only, the respective portions of the principal amount of such Bonds or Notes to be redeemed. Such notice shall further state that on such Redemption Date there shall become due and payable upon each Bond or Note to be redeemed the Redemption Price thereof or, with respect to any Bonds or Notes to be redeemed in part only, the Redemption Price of the specified portions of the principal amount thereof to be redeemed, together with all interest accrued to the Redemption Date, and that from and after such Redemption Date, interest on the Bonds or Notes, or portions thereof, so redeemed shall cease to accrue and be payable. The Commission shall mail, or cause to be mailed, a copy of such notice, postage prepaid, by registered mail, not less than thirty days before the applicable Redemption Date to the Holders of any Bonds or Notes, or portions thereof, which are to be redeemed, at their addresses appearing upon the Register maintained for such Bonds or Notes in accordance with Section 3.07(a) of the General Resolution.

(e) Payment of Redeemed Bonds or Notes. Notice of redemption having been given in accordance with Section 6.01(d) of the General Resolution, the Bonds, Notes, or portions thereof so called for redemption shall become due and payable on the Redemption Date designated in such notice, at the Redemption Price therefor, plus all interest accrued and unpaid to the Redemption Date, and, upon the presentation and surrender of such Bond or Note at the designated office specified in such notice, together with an assignment duly executed by the Holder thereof, or its duly authorized attorney, such Bonds, Notes, or portions thereof, shall be paid at the Redemption Price, including all accrued and unpaid interest to the Redemption Date. If there shall be drawn for redemption less than all of the principal amount of any Bond or Note then Outstanding, the Commission shall execute and deliver or, if applicable, the Commission shall execute and the applicable Paying Agent or other Fiduciary shall deliver, upon the surrender of such Bond or Note, without charge to the Holder thereof, in exchange for the Bond or Note so surrendered, new Bonds or Notes of like Series and Stated Maturity as the Bond or Note surrendered, and of any authorized denomination, in an aggregate principal amount equal to the unredeemed principal amount of the Bond or Note surrendered. If, on the Redemption Date, moneys for the redemption of all of the Bonds, Notes, or portions thereof of any like Series and Stated Maturity to be redeemed, together with accrued interest to the Redemption Date, are held by the Commission or the applicable Paying Agent or other Fiduciary so as to be available for such redemption on the Redemption Date, and if notice of redemption shall have been given as aforesaid, then from and after the Redemption Date, interest on the Bonds, Notes, or portions thereof of such Series and Stated Maturities so called for redemption shall cease to accrue and become payable. If the moneys shall not be available on the Redemption Date, such Bonds or Notes or portions thereof of such Series and Stated Maturities so called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Article VII - Particular Covenants of the Commission

Article VII of the General Resolution sets forth the particular covenants of the Commission with respect to Bonds, which covenants constitute a part of the Commission's contract with the Holders of the Obligations from time to time, to the effect and with the purposes set forth in Article VII of the General Resolution. A summary of certain covenants contained in Article VII of the General Resolution are set forth below.

Section 7.02 - Payment of Obligations

The Commission shall duly and punctually pay, or cause to be paid, from the moneys and assets pledged in the General Resolution, (a) all amounts owed with respect to each of the Obligations, in the manner, on the dates, and at the places prescribed for the payment of such Obligation in the Supplemental Resolution authorizing the issuance or incurrence, as the case may be, of such Obligation and the applicable Program Documents, if any, according to the true intent and meaning thereof, and (b) any Sinking Fund Installments becoming payable with respect to any Bonds or Notes under the terms of such Bonds or Notes, the General Resolution, and the applicable Series Resolution.

Section 7.03 - Limitation on Incurrence of Obligations

(a) Limitation on Obligations. Under Section 7.03(a) of the General Resolution, the Commission has covenanted that it will not issue or incur any Obligations, except for any Obligations (i) permitted by Section 7.03(b) of the General Resolution, or (ii) existing on, or approved by a Series Resolution enacted commensurate with, the Adoption Date of the General Resolution.

(b) Permitted Obligations. The Commission issue or incur any of the following Obligations:

(i) Long-Term Obligations.

(A) Senior Long-Term Obligations. Any Senior Long-Term Obligation, if the Commission obtains a Consultant's Certificate demonstrating that either:

(1) the Debt Service Coverage Ratio for all Outstanding Senior Obligations, computed by taking into account the issuance or incurrence of such Senior Long-Term Obligation and the application of the proceeds thereof, for the immediately preceding Fiscal Year is not less than 1.20; or

(2) the Debt Service Coverage Ratio for all Outstanding Senior Obligations, computed by taking into account the issuance or incurrence of such Senior Long-Term Obligation and the application of the proceeds thereof, for twelve consecutive months of the last eighteen consecutive months ending on the Issue Date or Incurrence Date of such Senior Long-Term Obligation, is not less than 1.20;

provided, however, that when performing the above calculations, the Consultant may adjust the Net Revenues of the System for the relevant period or periods in order to reflect (i) any revision in the schedule of rates, rentals, and charges being imposed and billed or otherwise authorized by the Commission with respect to the System at the time such Senior Long-Term Obligation is issued or incurred; (ii) the Consultant's estimate of the additional Revenues that will be realized by the System by virtue of the Project being financed with the proceeds of such Senior Long-Term Obligation during the first twelve months after such Project is placed in service, less the Consultant's estimate of any additional Operation and Maintenance Costs that will be incurred by the Commission in connection with the System during such twelve month period; or (iii) any additional income or revenues of the System that will be generated by virtue of any contractual relationships between the Commission and other municipal corporations or other entities, either governmental or private, so long as such contracts extend for the life of such Senior Long-Term Obligation and the income and revenues to be generated thereby are historically determinable, for the period being tested in clauses (1) or (2) above;

(B) Senior Subordinate Long-Term Obligations. Any Senior Subordinate Long-Term Obligation, if the Commission obtains a Consultant's Certificate demonstrating that either:

(1) the Debt Service Coverage Ratio for all Outstanding Senior Obligations and all Outstanding Senior Subordinate Obligations, computed by taking into account the issuance or incurrence of such Senior Subordinate Long-Term Obligation and the application of the proceeds thereof, for the immediately preceding Fiscal Year is not less than 1.10; or

(2) the Debt Service Coverage Ratio for all Outstanding Senior Obligations and all Outstanding Senior Subordinate Obligations, computed by taking into account the issuance or incurrence of such Senior Subordinate Long-Term Obligation and the application of the proceeds

thereof, for twelve consecutive months of the last eighteen consecutive months ending on the Issue Date or the Incurrence Date of such Senior Subordinate Long-Term Obligation, is not less than 1.10;

provided, however, that when performing the above calculations, the Consultant may adjust the Net Revenues of the System for the relevant period or periods in order to reflect (i) any revision in the schedule of rates, rentals, and charges being imposed and billed or otherwise authorized by the Commission with respect to the System at the time such Senior Subordinate Long-Term Obligation is issued or incurred; (ii) the Consultant's estimate of the additional Revenues that will be realized by the System by virtue of the Project being financed with the proceeds of such Senior Subordinate Long-Term Obligation during the first twelve months after such Project is placed in service, less the Consultant's estimate of any additional Operation and Maintenance Costs to be incurred by the Commission in connection with the System during such twelve month period; or (iii) any additional income or revenues of the System that will be generated by virtue of any contractual relationships between the Commission and other municipal corporations or other entities, either governmental or private, so long as such contracts extend for the life of such Senior Subordinate Long-Term Obligation and the income and revenues to be generated thereby are historically determinable, for the period being tested in clauses (1) or (2) above;

(C) Subordinate Long-Term Obligations. Any Subordinate Long-Term Obligation, if the Commission obtains a Consultant's Certificate demonstrating that either:

(1) the Debt Service Coverage Ratio for all of the Outstanding Obligations, computed by taking into account the issuance or incurrence of such Subordinate Long-Term Obligation and the application of the proceeds thereof, for the immediately preceding Fiscal Year is not less than 1; or

(2) the Debt Service Coverage Ratio for all Outstanding Senior Obligations, Outstanding Senior Subordinate Obligations, and Outstanding Subordinate Obligations, computed by taking into account the issuance or incurrence of such Subordinate Long-Term Obligation and the application of the proceeds thereof, for twelve consecutive months of the last eighteen consecutive months ending on the Issue Date or Incurrence Date of such Subordinate Long-Term Obligation, is not less than 1;

provided, however, that when performing the above calculations, the Consultant may adjust the Net Revenues of the System for the relevant period or periods in order to reflect (i) any revision in the schedule of rates, rentals, and charges being imposed and billed or otherwise authorized by the Commission with respect to the System at the time such Subordinate Long-Term Obligation is issued or incurred; (ii) the Consultant's estimate of the additional Revenues that will be realized by the System by virtue of the Project being financed with the proceeds of such Subordinate Long-Term Obligation during the first twelve months after such Project is placed in service, less the Consultant's estimate of any additional Operation and Maintenance Costs that will be incurred by the Commission in connection with the System during such twelve month period; or (iii) any additional income or revenues of the System that will be generated by virtue of any contractual relationships between the Commission and any municipal corporations or other entities, either governmental or private, so long as such contracts extend for the life of such Subordinate Long-Term Obligation and the income and revenues to be generated thereby are historically determinable, for the period being tested in clauses (1) or (2) above;

(ii) Short-Term Obligations.

(A) Senior Short-Term Obligations. Any Senior Short-Term Obligation, if the Commission either:

(1) obtains a Consultant's Certificate demonstrating that such Senior Short-Term Obligation could be issued or incurred under the test set forth in Section 7.03(b)(i)(A) of the General Resolution (as determined by treating such Senior Short-Term Obligation as if it were a Senior Long-Term Obligation); or

(2) executes an Officer's Certificate certifying that the aggregate principal amount of such Senior Short-Term Obligation, together with the aggregate principal amount of all other Short-Term Obligations issued or incurred under Section 7.03(b)(ii) of the General Resolution and then Outstanding, does not exceed 20% of the Net Revenues of the System, as reflected in the Financial Statements of the System for the immediately preceding Fiscal Year;

provided, however, that for purposes of the above calculations, any Senior Short-Term Obligation subject to a revolving maximum principal balance shall be treated as Outstanding in an amount equal to its maximum permitted outstanding principal balance;

(B) Senior Subordinate Short-Term Obligations. Any Senior Subordinate Short-Term Obligation, if the Commission either:

(1) obtains a Consultant's Certificate evidencing that such Senior Subordinate Short-Term Obligation could be issued or incurred under the test set forth in Section 7.03(b)(i)(B) of the General Resolution (as determined by treating such Senior Subordinate Short-Term Obligation as if it were a Senior Subordinate Long-Term Obligation); or

(2) executes an Officer's Certificate certifying that the aggregate principal amount of such Senior Subordinate Short-Term Obligation, together with the aggregate principal amount of all other Short-Term Obligations issued or incurred under Section 7.03(b)(ii) of the General Resolution and then Outstanding, does not exceed 20% of the Net Revenues of the System, as reflected in the Financial Statements of the System for the immediately preceding Fiscal Year;

provided, however, that for purposes of the above calculations, any Senior Subordinate Short-Term Obligation subject to a revolving maximum principal balance shall be treated as Outstanding in an amount equal to its maximum permitted outstanding principal balance;

(C) Subordinate Short-Term Obligations. Any Subordinate Short-Term Obligation, if the Commission either:

(1) obtains a Consultant's Certificate evidencing that such Subordinate Short-Term Obligation could be issued or incurred under the test set forth in Section 7.03(b)(i)(C) of the General Resolution (as determined by treating such Subordinate Short-Term Obligation as if it were a Subordinate Long-Term Obligation); or

(2) executes an Officer's Certificate certifying that the aggregate principal amount of such Subordinate Short-Term Obligation, together with the aggregate principal amount of all other Short-Term Obligations issued or incurred under Section 7.03(b)(ii) of the General Resolution and then Outstanding, does not exceed 20% of the Net Revenues of the System, as reflected in the Financial Statements of the System for the immediately preceding Fiscal Year;

provided, however, that for purposes of the above calculations, any Subordinate Short-Term Obligation subject to a revolving maximum principal balance shall be treated as Outstanding in an amount equal to its maximum permitted outstanding principal balance;

(iii) Completion Obligations. Any Obligation to finance the completion of any Project for which an Obligation has previously been issued or incurred under the General Resolution, if the Commission executes an Officer's Certificate stating (A) that the amount of such additional Obligation does not exceed the amount necessary to provide a completed and equipped facility of the type and scope contemplated at the time such prior Obligation was originally issued or incurred, and (B) that such prior Obligation, when issued or incurred, was estimated to be sufficient to provide such a completed and equipped facility;

(iv) Refunding Obligations. Any Obligation to refund, refinance, or defease any Outstanding Obligation, if the Commission executes an Officer's Certificate certifying that the Maximum Debt Service Requirements of the System for any Fiscal Year, as determined after the issuance or incurrence of such refunding, refinancing, or defeasing Obligation will not exceed 105% of the Maximum Debt Service Requirements of the System for any Fiscal Year, as determined before the issuance or incurrence of such Obligation;

(v) De Minimis Obligations. Any Obligation for any purpose authorized in the General Resolution, if the aggregate principal amount thereof is less than \$1,000,000; and

(vi) Basket Obligations. Any Obligation for any purpose authorized in the General Resolution, if the aggregate principal amount thereof, together with the aggregate principal amount of all other Long-Term Obligations or Short-Term Obligations previously issued or incurred by the Commission under Section 7.03(b)(iv) of the General Resolution and then Outstanding, does not exceed 5% of the total Revenues of the System, as reflected in the Financial Statements of the System for the immediately preceding Fiscal Year.

Any Obligation issued or incurred by the Commission under any subsection of Section 7.03(b) of the General Resolution may be reclassified as an Obligation issued or incurred under any other subsection of Section 7.03(b) thereof if, at the time of such reclassification, the tests set forth in the subsection to which such Obligation is to be reclassified are met.

Section 7.04 - Offices for Servicing Obligations

(a) Offices for Servicing Bonds and Notes. The Commission shall, at all times, maintain, or cause to be maintained, an office or agency where the Bonds or Notes issued under the General Resolution may be presented for registration, transfer, or exchange and where any notices, presentations, and demands upon the Commission with respect to the Bonds or Notes or the General Resolution may be served. With respect to any Series of Bonds or Notes for which a Paying Agent or Registrar has been appointed, the Commission has designated the principal office of the applicable Paying Agent or Registrar as the office for the registration, transfer, or exchange of the Bonds or Notes of such Series and for the service of any notices, presentations, and demands upon the Commission with respect to such Bonds or Notes or the General Resolution, and has appointed such Paying Agent or Registrar as its agent to maintain such office or agency for the payment of such Bonds or Notes, as may be provided in the Series Resolution authorizing the issuance of such Bonds or Notes. With respect to any Bonds or Notes for which no Paying Agent or Registrar has been appointed, the offices of the Commission have been designated as the office for the payment, registration, transfer, or exchange of the Bonds or Notes of such Series and for the service of any notices, presentations, and demands upon the Commission with respect to such Bonds or Notes or the General Resolution.

(b) Offices for Servicing Program Obligations. The office or agency where each Program Obligation incurred under the General Resolution may be presented for payment, registration, transfer, or exchange and where any notices, presentations, and demands upon the Commission with respect to such Program Obligation may be served shall be as designated in the Program Obligation Resolution authorizing the incurrence of such Program Obligation or the Program Documents governing such Program Obligation.

Section 7.05 - Further Assurance

At any time and all times, the Commission, to the extent it may be authorized by law, shall pass, make, do, execute, acknowledge, and deliver each and every such further resolution, act, deed, conveyance, assignment, transfer, and assurance as may be necessary or desirable for the better assuring, conveying, granting, assigning, and confirming all and singular the rights, assets, and revenues pledged or assigned in the General Resolution, or intended to be so pledged or assigned, or which the Commission may become bound to pledge or assign in the future.

Section 7.06 - Powers With Respect to Obligations and Pledge

The Commission is duly authorized by law (a) to authorize and issue or incur the Obligations, (b) to adopt the General Resolution, and (c) to pledge the Revenues and assets pledged under the General Resolution, in the manner and to the extent provided therein. The Revenues and assets so pledged are and will be free and clear of any pledge, lien, charge, or encumbrance thereon, or with respect thereto, which is senior to or of equal rank with the pledge created under the General Resolution, and all official action on the part of the Commission to that end has been duly and validly taken. The Obligations and the provisions of the General Resolution are and will be the valid, legal, and binding special and limited obligations of the Commission, enforceable in accordance with their respective terms and the terms of the General Resolution. The Commission shall, at all times, to the extent permitted by law, defend, preserve, and protect the pledge of the Revenues and assets under the General Resolution and all of the rights of the Holders of the Obligations thereunder against all claims and demands of all persons whatsoever.

Section 7.07 - Tax Covenant

If the Commission issues or incurs an Obligation that is intended to be excludable from the gross income of the Holder thereof for federal income tax purposes, the Commission shall, at all times, do and perform all acts and things permitted by law and necessary or desirable to assure such exclusion. Any further covenants of the Commission with respect to the federal tax requirements relating to a particular Obligation shall be set forth in the Supplemental Resolution authorizing the issuance or incurrence, as the case may be, of such Obligation.

Section 7.08 - Accounts and Reports

The Commission shall, at all times, keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the System and to all Funds and Accounts established and created under the General Resolution, which books of record and account shall be subject, at all reasonable times, to inspection by the Holders of not less than 5% in aggregate principal amount of Obligations then Outstanding, or their representatives duly authorized in writing.

Section 7.09 - General Compliance With All Duties

The Commission shall faithfully and punctually perform all duties with respect to the System required by the General Resolution, the Act, and the Constitution and laws of the Commonwealth.

Section 7.10 - Operation and Maintenance

The Commission shall, at all times, lawfully maintain and operate the System and all extensions thereto on a revenue producing basis. From and after the issuance or incurrence of any Obligations under the General Resolution, the Commission will not initiate or commence service to any Person without charging such Person in full for the services rendered in accordance with the prescribed and current schedule of rates, rentals, and charges with respect to the System. Further, the Commission shall also (a) maintain the System in good condition through the application of the Revenues of the System accumulated and set aside for operation and maintenance of the System, as provided in the General Resolution, and (b) as required, make any unusual or extraordinary repairs, renewals, and replacements relating to the System through the application of the Net Revenues of the System accumulated and set aside for such purposes.

Section 7.11 - System Not to Be Disposed Of

The Commission has covenanted and agreed that so long as any Obligations are Outstanding under the General Resolution, it will not sell, mortgage, surrender control of, or otherwise dispose of any of the facilities comprising the System, or any part thereof, that are material to the operation of the System, unless the Commission executes an Officer's Certificate stating that the requirements set forth in Section 7.12 of the General Resolution will be satisfied after such sale, mortgage, surrender of control of, or other disposition of any such facilities or portion thereof; provided, however, that the Commission may retire and sell, if appropriate, any obsolete or worn out facilities and deposit any moneys received from such sale to the Depreciation Fund. The Commission has further covenanted and agreed that except as provided for in the General Resolution, it will not create or permit to be created any charge or lien on the Net Revenues of the System ranking equal to or senior to the charge or lien of the Senior Obligations under the General Resolution.

Section 7.12 - Rates and Charges; Coverage; Annual Budget

In accordance with Section 7.12 of the General Resolution, the Commission has covenanted that it will, at all times, establish, enforce, and collect rates, rentals, and charges for the services rendered and the facilities afforded by the Commission in connection with the System. The rates, rentals, and charges shall be reasonable and just, taking into account and consideration (a) the cost and value of the System, (b) the costs of operating the System and maintaining the System in good working order, (c) proper and necessary allowances for depreciation and any additions and extensions to the System, (d) the amounts necessary for the orderly retirement of all Outstanding Obligations and all accrued interest thereon, and (e) the accumulation and maintenance of reserves as provided in the General Resolution. Further, the rates, rentals, and charges shall be adequate (i) to provide, after the accumulation and maintenance of all reserves required under the terms of the General Resolution and the payment of all Operation and Maintenance Costs provided in the Annual Budget for the System, (A) 1.10 times coverage of the Debt Service Requirements, any Sinking Fund Installments, and any other required payments with respect to all Outstanding Senior Obligations due in each Fiscal Year, (B) 1.05 times coverage of the Debt Service Requirements, any Sinking Fund Installments, and any other required payments with respect to all Outstanding Senior Obligations and Outstanding Senior Subordinate Obligations due in each Fiscal Year, and (C) 1 times coverage of the Debt Service Requirements, any Sinking Fund Installments, and any other required payments with respect to all Outstanding Obligations due in each Fiscal Year, and

(ii) to meet all other applicable requirements set forth in the General Resolution. If necessary, the Commission shall adjust the rates, rentals, and charges from time to time in order to comply with such requirements, subject to any regulatory approvals as may be required by law.

On or before the first day of each Fiscal Year, so long as any Obligations are Outstanding under the General Resolution, the Commission will adopt an Annual Budget of Current Expenses and projected Revenues for the System for the ensuing Fiscal Year, and will promptly file a copy of each Annual Budget, and any amendments thereto, in the office of the Secretary of the Commission, and will furnish copies of the Annual Budget to any Holder of any Obligations, upon request therefor. In addition, the Commission has also covenanted that the Current Expenses incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for the operation, maintenance, and repair of the System in excess of the total amount provided for Current Expenses in the Annual Budget, except upon the adoption by the Board of Commissioners of the Commission of a resolution determining that such additional expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the Commission has also agreed that it will prepare an estimate of Revenues to be derived from the operation of the System for such calendar year, and to the extent that the aggregate Revenues are insufficient to meet all applicable requirements contained in the General Resolution, and the Commission has further covenanted and agreed that it will immediately (subject to any regulatory approvals as may be required by law) revise its rates, rentals, and charges for services rendered by the System, so that the same will be adequate to meet all such requirements.

Article VIII - Supplemental Resolutions

Section 8.01 - Supplemental Resolutions Effective Without the Consent of the Holders

Notwithstanding any provision of Article VIII or Article IX of the General Resolution to the contrary, the Commission may adopt, at any time, without the Consent of the Holders of the Obligations, (a) Series Resolutions for any of the purposes authorized by Section 2.04(a)(iv) of the General Resolution, (b) Program Obligation Resolutions for any of the purposes authorized by Section 2.04(b)(iv) of the General Resolution, and (c) other Supplemental Resolutions for any one or more of the following purposes:

- (i) To add additional covenants and agreements of the Commission for the purpose of further securing the payment of the Obligations, provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Commission contained in the General Resolution;
- (ii) To prescribe any additional limitations and restrictions upon the issuance or incurrence of any Obligations by the Commission that are not contrary to or otherwise inconsistent with the limitations and restrictions on the issuance or incurrence of Obligations by the Commission theretofore in effect;
- (iii) To surrender any right, power, or privilege reserved to or conferred upon the Commission by the terms of the General Resolution, provided that the surrender of such right, power, or privilege is not contrary to or inconsistent with the covenants and agreements of the Commission contained in the General Resolution;
- (iv) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim, or pledge created or to be created by the provisions of, the General Resolution;
- (v) To modify any provisions of the General Resolution, any Series Resolution, or any Program Obligation Resolution in any other respects, provided that such modifications shall not become effective until all of the Obligations affected by such modification which are Outstanding as of the date of execution of such Supplemental Resolution shall cease to be Outstanding, and that all Obligations thereafter issued or incurred under the Series Resolution or the Program Obligation Resolution so modified shall contain a specific reference to the modifications contained in such subsequent Series Resolution or Program Obligation Resolution;
- (vi) To cure any ambiguity, defect, or inconsistent provision in the General Resolution or to insert any provisions to clarify any matters or questions arising under the General Resolution or any Supplemental Resolution as may be necessary or desirable, provided that any such modifications are not contrary to or otherwise inconsistent with the General Resolution or any Supplemental Resolution theretofore in effect;
- (vii) To conform the General Resolution to the requirements of a Securities Depository; or

(viii) To effectuate any other purpose, provided that any such modification or other amendment does not materially and adversely affect the rights of any of the Holders of the Obligations affected thereby.

Any Supplemental Resolution executed by the Commission for any purpose described above shall become effective in accordance with its terms, without the Consent of the Holders of the Obligations, upon the adoption of such Supplemental Resolution by the Board of Commissioners of the Commission, the publication of a summary thereof, as provided by law, and the filing thereof in the official records of the Commission, as certified by an Authorized Officer of the Commission.

Section 8.02 - Supplemental Resolutions Effective With Consent of the Holders

The Commission may modify or amend the General Resolution for any purpose at any time, subject to the Consent of the requisite percentages of the Holders of the appropriate Obligations provided by Section 9.01 of the General Resolution, by the adoption of a Supplemental Resolution, and any such Supplemental Resolution shall become effective in accordance with its respective terms upon (a) the adoption thereof by the Board of Commissioners of the Commission, (b) the publication of a summary thereof, as provided by law, (c) the filing thereof in the official records of the Commission, as certified by the Secretary of the Commission, (d) the obtaining of the Consent from the requisite percentages of the Holders of the appropriate Obligations under and in accordance with the provisions of Article IX of the General Resolution, and (e) the filing of a copy of such Consent, certified by the Secretary of the Commission, in the official records of the Commission.

Section 8.03 - General Provisions Relating to Supplemental Resolutions

The General Resolution shall not be modified or amended except in accordance with and subject to the provisions of Article VIII and Article IX thereof. Nothing contained in Article VIII or Article IX of the General Resolution shall affect or limit (a) the rights or obligations of the Commission to adopt, make, do, execute, or deliver any Resolution, resolution, act, or other instrument under Section 7.05 thereof, or (b) the right or obligation of the Commission to execute and deliver any instrument to any Fiduciary permitted or required to be delivered to any such Fiduciary under the General Resolution.

Every Supplemental Resolution adopted by the Commission, when filed in the official records of the Commission, shall be accompanied by a Bond Counsel Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Commission under and in accordance with the General Resolution and is valid and binding upon the Commission and enforceable in accordance with its terms, which opinions may be included in the Bond Counsel Opinion as to the enforceability of such Supplemental Resolution and the related Obligation authorized thereby, if applicable.

Article IX - Modification or Amendment of the General Revenue Bond Resolution

Section 9.01 - Modification or Amendment

Any modification or amendment of the General Resolution and the rights and obligations of the Commission and the Holders of the Obligations thereunder in any manner not contemplated by Section 8.01 thereof may be made by virtue of the adoption of a Supplemental Resolution, with the Consent, to be given as provided in Section 9.02 of the General Resolution, of (a) the Holders of at least a majority in principal amount of all of the Obligations Outstanding at the time such Consent is given, or (b) in cases where less than all of the Obligations then Outstanding will be affected by such modification or amendment, the Holders of at least a majority in principal amount of all of the Obligations to be affected and Outstanding at the time such Consent is given, or (c) in cases where such modification or amendment will change the amount or the due date of any Sinking Fund Installment, the Holders of at least a majority in principal amount of the Bonds or Notes of the particular Series, Stated Maturities, and interest rates entitled to such Sinking Fund Installment and Outstanding at the time such Consent is given; provided, however, that if any such modification or amendment will, by its terms, not take effect so long as any specified Obligations remain Outstanding, then the Consent of the Holders of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of the Outstanding Obligations under Section 9.01 of the General Resolution; and provided, further, that no such modification or amendment shall (i) permit a change in the terms of the redemption, prepayment, or Maturity of the principal of any Outstanding Obligation or any installment of interest thereon or a reduction in the principal amount, Redemption Price, or Prepayment Price thereof or in the rate of interest thereon, in any case, without the Consent of the Holder of such Obligation, (ii) modify any of the rights or obligations of any Fiduciary under the General Resolution without the written consent of such Fiduciary, or (iii) reduce the percentages or otherwise change the classes of Obligations the Consent of the Holders of which is required by Section 9.01 of the General Resolution to effect any such modification or amendment without the Consent of all of the Holders of the Obligations Outstanding at the time such Consent is given. For purposes of Section 9.01 of the General Resolution, an Obligation shall be deemed to be affected by a modification or amendment of the General Resolution if such modification or amendment adversely affects or diminishes the rights of the Holders of such Obligations. The Commission may, in its sole discretion, determine whether or not, in accordance

with the foregoing provisions, a particular Obligation would be adversely affected by any modification or amendment of the General Resolution, and any such determination shall be binding and conclusive upon the Commission and all of the Holders of such Obligations. The Commission may receive a Counsel Opinion or a Bond Counsel Opinion as conclusive evidence as to whether a particular Obligation would be so affected by any such modification or amendment of the General Resolution.

Section 9.02 - Consent of the Holders

The Commission may, at any time, adopt a Supplemental Resolution to make any modification or amendment permitted by Section 8.02 or Section 9.01 of the General Resolution, which modification or amendment shall take effect when and as provided in Section 9.02 of the General Resolution. After the adoption of any such Supplemental Resolution by the Board of Commissioners of the Commission, the Commission shall promptly mail a copy of such Supplemental Resolution (or a brief summary thereof or reference thereto), together with a request to the Holders of the appropriate Obligations for their Consent to such Supplemental Resolution; provided, however, that any failure to mail such a copy and request shall not affect the validity of such Supplemental Resolution so long as the Consent of the Holders of the requisite percentages of the appropriate Obligations is otherwise obtained in accordance with Section 9.02 of the General Resolution. Any such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Commission (a) the Consent of the Holders of the requisite percentages of the appropriate Obligations set forth in Section 9.01 of the General Resolution, and (b) a Bond Counsel Opinion to the effect that such Supplemental Resolution has been duly and lawfully adopted by the Commission in accordance with the provisions of the General Resolution, is authorized or permitted thereunder, and is valid and binding upon the Commission and enforceable in accordance with its terms, which opinions may be included in the Bond Counsel Opinion as to the enforceability of such Supplemental Resolution and the related Obligation authorized thereby, if applicable. The Consent of any Holder shall be effective only if accompanied by proof, in the form provided by Section 1.02(c) of the General Resolution, that such Holder actually holds, as of the date of such Consent, the Obligations with respect to which such Consent is given. Any Consent shall be binding upon the Holder of the Obligation giving such Consent and, notwithstanding anything in Section 1.02(d) of the General Resolution to the contrary, upon any subsequent Holder of such Obligation and any Holder of any Obligation issued or incurred in exchange therefor (whether or not such subsequent Holder has notice of such Consent), unless the Holder of the Obligation giving any such Consent or any subsequent Holder of such Obligation revokes such Consent by filing a written revocation thereof with the Commission and, if the Obligations with respect to which such Consent is given are transferable by delivery, accompanied by proof, in the form provided by Section 1.02 of the General Resolution, that such Obligations are actually held by the signer of such revocation. The fact that a Consent has not been revoked may also be proved by an Officer's Certificate of the Commission stating that no revocation of such Consent is on file with the Commission.

At any time after the Holders of the requisite percentages of the appropriate Obligations shall have filed their Consents to a Supplemental Resolution, the Commission shall file such Consents in the official records of the Commission, accompanied by a Counsel Opinion regarding the quality of such Consents, and shall file an Officer's Certificate with each Fiduciary certifying that the Holders of the requisite percentages of the appropriate Obligations have filed such Consents with the Commission, and such Officer's Certificate shall be conclusive evidence that such Consents have been so filed. Within ninety days after the required Consents have been duly filed with the Commission and an Officer's Certificate has been filed with each Fiduciary as provided in Section 9.02 of the General Resolution, the Commission shall mail, or cause to be mailed, to each Holder of the Obligations, notice to the effect that a Supplemental Resolution (which may be referred to therein as a Supplemental Resolution adopted by the Commission on a stated date) has been consented to by the Holders of the requisite percentages of the appropriate Obligations and will be effective as provided in Section 9.02 of the General Resolution; provided, however, that any failure to mail such notice shall not prevent any such Supplemental Resolution from becoming effective and binding as provided in the General Resolution. The Supplemental Resolution with respect to which such notice is given shall be deemed conclusively binding upon the Commission, each Fiduciary, and the Holders of the Obligations thirty days after the day the Commission files proof of the mailing of such notice with each Fiduciary, unless a court of competent jurisdiction issues a final decree setting aside such Supplemental Resolution in any legal action or equitable proceeding for such purpose commenced within such thirty day period; provided, however, that during such thirty day period and any such further period during which any such action or proceeding may be pending, the Commission shall be entitled, in its reasonable discretion, to take, or to refrain from taking, such action with respect to such Supplemental Resolution as it may deem expedient.

Article X - Defaults and Remedies

Section 10.01 - Events of Default

Each of the following events is hereby declared as an "Event of Default" under the General Resolution:

(a) failure by the Commission to pay any Principal Installment or any Redemption Price or Prepayment Price, as applicable, with respect to any of the Obligations as and when the same shall become due, whether at the Stated Maturity, upon call for redemption or notice of prepayment, or otherwise;

(b) failure by the Commission to pay any installment of interest on any of the Obligations as and when the same become due; or

(c) failure or refusal by the Commission to comply with the provisions of the Act or any other applicable law, or to perform or observe any other covenants, agreements, or conditions to be performed or observed by the Commission under the General Resolution, any Supplemental Resolution, or the Obligations, which failure or refusal shall continue for a period of sixty days after receipt by the Commission of written notice of such Default from the Holders of not less than 10% in aggregate principal amount of the Obligations then Outstanding.

Section 10.02 - Remedies

(a) Upon the happening and continuance of any Event of Default set forth in Section 10.01 of the General Resolution, the Holders of not less than 25% in aggregate principal amount of the Outstanding Obligations may proceed, in their own name, subject to the provisions of Section 10.02 of the General Resolution, to protect and enforce the rights of the Holders of the Obligations under the General Resolution by any of the following remedies as such Holders of the Obligations, with the advice of their counsel, shall deem most effectual to protect and enforce such rights:

(i) by mandamus or other action, suit, or proceeding at law or in equity, enforce all of the rights of the Holders of the Obligations, including (subject to any regulatory requirements) the right of the Holders to require the Commission (A) to adopt, enforce, collect, and receive rates, rentals, and charges in connection with the System in an amount adequate to carry out the covenants and agreements of the Commission regarding the production of minimum Revenues set forth in Section 7.12 of the General Resolution, (B) to carry out any other covenants or agreements set forth in the General Resolution, any Supplemental Resolution, or any of the Obligations, and (C) to perform its duties under the Act or any other applicable law;

(ii) by bringing suit upon the Obligations;

(iii) by action or suit in equity, require the Commission to account as if it were the trustee of an express trust for the Holders of the Obligations;

(iv) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Obligations;

(v) by action or suit in equity, seek the appointment of a receiver who shall take charge of and administer the affairs of the Commission;

(vi) by declaring all of the Obligations due and payable, and if all Defaults shall be made good (except any Default resulting from such acceleration), then, with the written Consent of the Holders of not less than 25% in aggregate principal amount of the Obligations then Outstanding, by annulling such declaration and its consequences; or

(vii) if all of the Obligations are declared due and payable and a receiver has been appointed, by selling Investment Obligations and other assets of the Commission (to the extent such assets were not previously set aside for the redemption or prepayment of any Obligations for which call for redemption or notice of prepayment, as the case may be, has been made), and by such receiver taking over the System and operating the same as an adequate revenue-generating operation to the fullest legal extent in the name of the Commission for the use and benefit of the Holders of the Obligations.

(b) In the enforcement of any of the rights or remedies under the General Resolution, the Holders of the Obligations shall be entitled to sue for, to enforce payment on, and to receive any and all amounts then or, during any Default, becoming, and at any time remaining, due and unpaid from the Commission for any Principal Installment, interest, Redemption Price, Prepayment Price, or any other amount required to be paid under and in accordance with the General Resolution, any Supplemental Resolution, or any Obligation, together with interest on overdue payments at the rate or rates of interest specified in the applicable Obligations and any and all costs and expenses incurred by the Holders of the Obligations in the collection of

such amounts and the undertaking of any of the proceedings set forth in Section 10.02 of the General Resolution or in the Obligations. In addition, the Holders of the Obligations shall also be entitled to recover and enforce a judgment or decree against the Commission for any portion of such unpaid amounts, together with interest, costs, and expenses with respect to such amounts, and to collect, from any moneys available for such purposes, in any manner provided by law, the moneys so adjudged or decreed to be payable.

(c) Notwithstanding anything in Section 10.02 of the General Resolution to the contrary, no remedial action provided by Section 10.02 thereof may be taken (i) by the Holders of the Senior Subordinate Obligations, unless (A) no Senior Obligations are Outstanding at the time that such remedial action is to be taken, or (B) a Consent to such remedial action has been obtained from the Holders of a majority in principal amount of all Senior Obligations then Outstanding in accordance with Section 9.02 of the General Resolution, or (ii) by the Holders of the Subordinate Obligations, unless (A) no Senior Obligations or Senior Subordinate Obligations are Outstanding at the time that such remedial action is to be taken, or (B) a Consent to such remedial action has been obtained from the Holders of a majority in principal amount of all Senior Obligations then Outstanding and the Holders of a majority in principal amount of all Senior Subordinate Obligations then Outstanding in accordance with Section 9.02 of the General Resolution.

Section 10.03 - Priority of Payments After Default

If, upon the happening and continuance of any Event of Default under the General Resolution, the moneys on deposit in the Funds and Accounts established and created under the General Resolution and in any funds and accounts established, created, and utilized by any Program Trustee under the Program Documents with respect to any Outstanding Program Obligation, shall be insufficient to pay the principal, interest, and any Redemption Price or Prepayment Price then due on the Outstanding Obligations, then such moneys (other than any moneys held for the payment, redemption, or prepayment of particular Obligations which have theretofore become due, whether at the Stated Maturity, upon call for redemption or notice of prepayment, or otherwise), together with any other moneys received or collected by the Commission acting in accordance with the Act or other applicable law and Article X of the General Resolution, after making provision for the payment of any expenses necessary, in the sole opinion of the Commission, to protect the interests of the Holders of the Obligations and the payment of any charges, expenses, or liabilities incurred or advances made by any Paying Agent, Registrar, or other party acting in a similar capacity with respect to any of the Obligations in the performance of their respective duties under the General Resolution, shall be applied as follows:

(a) Unless the principal amount of all of the Obligations shall have become or shall have been declared due and payable:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on Senior Obligations, in the order of the Stated Maturity of such installments, and if the amount available shall not be sufficient to pay all of such installments in full, then to the payment thereof ratably, according to the amounts due on such installments, to the Persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Redemption Price, or Prepayment Price of any Senior Obligations which shall have become due, whether at Stated Maturity, upon any call for redemption or notice of prepayment, or otherwise, in the order of their due dates, and if the amount available shall not be sufficient to pay all of the Senior Obligations due on any date in full, then to the payment thereof ratably, according to the amounts of principal, Redemption Price, or Prepayment Price, if any, due on such date, to the Persons entitled thereto, without any discrimination or preference.

THIRD: To the payment to the Persons entitled thereto of all installments of interest then due on Senior Subordinate Obligations, in the order of the Stated Maturity of such installments, and if the amount available shall not be sufficient to pay all of such installments in full, then to the payment thereof ratably, according to the amounts due on such installments, to the Persons entitled thereto, without any discrimination or preference; and

FOURTH: To the payment to the Persons entitled thereto of the unpaid principal, Redemption Price, or Prepayment Price of any Senior Subordinate Obligations which shall have become due, whether at Stated Maturity, upon any call for redemption or notice of prepayment, or otherwise, in the order of their due dates, and if the amount available shall not be sufficient to pay all of the Senior Subordinate Obligations due on any date in full, then to the payment thereof ratably, according to the amounts of principal,

Redemption Price, or Prepayment Price, if any, due on such date, to the Persons entitled thereto, without any discrimination or preference.

FIFTH: To the payment to the Persons entitled thereto of all installments of interest then due on Subordinate Obligations, in the order of the Stated Maturity of such installments, and if the amount available shall not be sufficient to pay all of such installments in full, then to the payment thereof ratably, according to the amounts due on such installments, to the Persons entitled thereto, without any discrimination or preference; and

SIXTH: To the payment to the Persons entitled thereto of the unpaid principal, Redemption Price, or Prepayment Price of any Subordinate Obligations which shall have become due, whether at Stated Maturity, upon any call for redemption or notice of prepayment, or otherwise, in the order of their due dates, and if the amount available shall not be sufficient to pay all of the Subordinate Obligations due on any date in full, then to the payment thereof ratably, according to the amounts of principal, Redemption Price, or Prepayment Price, if any, due on such date, to the Persons entitled thereto, without any discrimination or preference.

SEVENTH: To the payment of the remainder, if any, to the Commission or to any other Person who may be lawfully entitled to receive such moneys or as a court of competent jurisdiction may direct.

(b) If the principal amount of all of the Obligations shall have become or shall have been declared due and payable and such declaration shall not have been annulled:

FIRST: To the payment of the principal and interest then due and unpaid on the Senior Obligations, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Obligation over any other Senior Obligation, ratably, according to the respective amounts due for principal and interest, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Obligations.

SECOND: To the payment of the principal and interest then due and unpaid on the Senior Subordinate Obligations, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Subordinate Obligation over any other Senior Subordinate Obligation, ratably, according to the respective amounts due for principal and interest, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Subordinate Obligations.

THIRD: To the payment of the principal and interest then due and unpaid on the Subordinate Obligations, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Obligation over any other Subordinate Obligation, ratably, according to the respective amounts due for principal and interest, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Obligations.

FOURTH: To the payment of the remainder, if any, to the Commission or to any other Person who may be lawfully entitled to receive such moneys or as a court of competent jurisdiction may direct.

Whenever moneys are to be applied by the Commission in accordance with the provisions of Section 10.03 of the General Resolution, such moneys shall be applied at any time, and from time to time, having due regard to the amount of moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. The deposit of any such moneys with the Fiduciaries, or otherwise setting aside any such moneys in trust for the proper purposes, shall constitute proper application, and the representative Holders or receiver shall incur no liability whatsoever, to any other Holder of the Obligations or to any other person, for any delay in applying any such moneys, so long as the representative Holders or receivers act with reasonable diligence, having due regard for the circumstances, and ultimately apply such moneys in accordance with such provisions of the General Resolution as may be applicable at the time of application. Whenever the representative Holders or the receiver shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date, unless it shall deem another date to be more suitable) upon which such application is to be made, and upon such date, interest on the amounts of principal to be paid on such date shall cease to accrue. The

representative Holders or the receiver shall give such notice as it shall deem appropriate for the fixing of any such date. The representative Holders or the receiver shall not be required to make payment to the Holder of any Obligation unless such Obligation shall be presented to the appropriate Fiduciary, or, in the case of Program Obligations, to the Commission, for any required endorsement or for cancellation if fully paid.

Notwithstanding anything in Section 10.03 of the General Resolution to the contrary, upon the occurrence and continuance of an Event of Default under the General Resolution, the moneys on deposit in the Debt Service Reserve Fund shall only be used to pay the Debt Service or any other amounts owed with respect to the Debt Service Reserve Fund Obligations.

Section 10.05 - Holders' Direction of Proceedings

Notwithstanding anything in the General Resolution to the contrary, the Holders of a majority in principal amount of the Obligations then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Commission, to direct the method of conducting all remedial proceedings to be taken thereunder; provided, however, that any such direction shall not be otherwise than in accordance with applicable law and the provisions of the General Resolution.

Section 10.06 - Rights of Bond Insurer

Notwithstanding anything in the General Resolution to the contrary, and to the extent permitted by the Act and any other applicable law, for each Bond or Note insured by a municipal bond insurance policy issued by a Bond Insurer, the exercise by the Holder of such Bond or Note of any rights, powers, or privileges granted to such Holder in Article X of the General Resolution shall require the written consent of the applicable Bond Insurer, if such Bond Insurer is not then in breach or default of its obligations under the applicable municipal bond insurance policy.

Article XII - Miscellaneous

Section 12.01 - Defeasance

(a) Any Obligation may be defeased under and in accordance with the provisions of the General Resolution, the applicable Supplemental Resolution, and, with respect to any Program Obligation, the applicable Program Documents. Upon the defeasance of any Obligation under and in accordance with Section 12.01 of the General Resolution, (i) the General Resolution, the applicable Supplemental Resolution, and, with respect to any Program Obligation, the applicable Program Documents, shall cease, determine, and become null and void with respect to such Obligation; (ii) the covenants, agreements, and other obligations of the Commission under the General Resolution, the applicable Supplemental Resolution, and, with respect to any Program Obligation, the applicable Program Documents shall be satisfied and discharged with respect to such Obligation; (iii) the Commission shall execute and deliver all instruments as may be desirable to evidence such discharge and satisfaction; and (iv) the applicable Fiduciaries shall pay over or deliver to the Commission all moneys or securities held by such Fiduciaries under the General Resolution, the applicable Supplemental Resolution, or, with respect to any Program Obligation, the applicable Program Documents, that are not required for the defeasance of any other Obligations.

(b) Any Bonds and Notes, or any installments of interest thereon, for the payment or redemption of which moneys shall have been set aside and held in trust by a Fiduciary (through the deposit by the Commission of moneys for such payment or redemption, or otherwise) shall, at the Stated Maturity, the applicable Redemption Date, or the immediately succeeding Interest Payment Date of such Bonds or Notes, be deemed to have been paid and defeased within the meaning and with the effect expressed in Section 12.01(a) of the General Resolution. All of the Outstanding Bonds and Notes shall, before the Stated Maturity or Redemption Date thereof, be deemed to have been paid and defeased within the meaning and with the effect expressed in Section 12.01(a) of the General Resolution if (i) with respect to any Bonds or Notes to be redeemed on any date before their Stated Maturity, the Commission shall have given notice of the redemption of such Bonds or Notes in accordance with Section 6.01(d) of the General Resolution or shall have provided for the giving of such notice at the appropriate time, and (ii) there shall have been deposited with the appropriate Fiduciary either (A) moneys in an amount which shall be sufficient, or (B) Defeasance Obligations, the principal of and interest on which, when due, will provide moneys in an amount which, together with any moneys deposited with such Fiduciary at the same time, shall be sufficient, in either case, to pay, when due, the principal or Redemption Price, if any, and interest due and to become due on such Bonds or Notes on and before the Stated Maturity, the applicable Redemption Date, or the immediately succeeding Interest Payment Date thereof, as the case may be. Neither any Defeasance Obligations, nor any moneys deposited with any Fiduciary in accordance with Section 12.01

of the General Resolution, nor any principal or interest payments received from any Defeasance Obligations shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of any of the Bonds or Notes, and any interest thereon; provided, however, that any cash received from such principal or interest payments on such Defeasance Obligations and deposited with the applicable Fiduciary under Section 12.01 of the General Resolution, if not then needed for such purposes, shall, to the extent practicable, (1) be reinvested in Defeasance Obligations maturing at such times and in such amounts as shall be sufficient to pay, when due, the principal or Redemption Price, if any, and interest to become due on any Bonds or Notes on and before the Stated Maturity, applicable Redemption Date, or Interest Payment Date thereof, as the case may be, and (2) be paid over to the Commission, following the full discharge and payment of such Bonds or Notes, free and clear of any trust, lien, or pledge. Each Bond or Note sold and awarded via a Bank Direct Purchase may be subject to defeasance as set forth in the applicable Series Resolution or Purchase Agreement, and each Program Obligation may be subject to defeasance as set forth in the applicable Program Documents.

(c) Notwithstanding anything contained in the General Resolution to the contrary, any moneys held in trust by a Fiduciary for the payment and discharge of any Obligations which remain unclaimed for six years after (i) the date when all of the Obligations shall have become due and payable, either at their Stated Maturities, by call for earlier redemption or notice of prepayment, or otherwise, if such moneys were held by such Fiduciary at such date, or (ii) the date of deposit of such moneys, if such moneys were deposited with the Fiduciary after the date when all of the Obligations became due and payable, shall, in either case, at the written request of the Commission, be repaid by such Fiduciary to the Commission, as its absolute property and free from trust, and thereupon, such Fiduciary shall be released and discharged; provided, however, that before being required to make any such payment to the Commission, such Fiduciary shall, at the expense of the Commission, cause to be published in the Authorized Newspapers, at least twice, at an interval of not less than seven days between each publication, notice that such moneys remain unclaimed and that after the date specified in such notice, which date shall be not less than ten nor more than twenty days after the date of the first publication of such notice, the balance of such moneys remaining unclaimed will be returned to the Commission.

APPENDIX E

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

FORM OF LEGAL APPROVING OPINION OF BOND COUNSEL

[this page intentionally left blank]

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[Date of Delivery]

Re: \$27,505,000* principal amount of its Boone-Florence Water Commission Water Supply Revenue and Refunding Revenue Bonds, Series 2024A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, sale, and issuance by the Boone-Florence Water Commission (the “Commission”), a municipal corporation and political subdivision of the Commonwealth of Kentucky, acting by and through its Board of Commissioners as its duly authorized governing body, of \$27,505,000* principal amount of its Boone-Florence Water Commission Water Supply Revenue and Refunding Revenue Bonds, Series 2024A (the “Bonds”).

The Bonds have been duly authorized and issued under Chapter 74 and Chapter 58 of the Kentucky Revised Statutes (collectively, the “Act”), the General Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (the “General Resolution”), and the Series 2024A Water Supply Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (the “Series 2024A Resolution” and, together with the General Resolution, the “Resolution”). In accordance with the Resolution, the Commission has authorized the issuance of the Bonds for the purposes of (i) financing a portion of the costs of the acquisition, construction, installation, and equipping of capital improvements to the System, including without limitation, (a) a new 15,904 linear foot north-west water main transmission line and related equipment and facilities and (b) a ground storage and re-pump facility and related equipment to be located on Global Way, all to be utilized by the Commission in connection with the System; (ii) refunding in advance of maturity the Commission’s Water Supply System Refunding Revenue Bonds, Series 2010 dated November 2, 2010; (iii) paying the costs of credit enhancement for the Bonds, if any; (iv) funding a debt service reserve; and (v) paying the costs of issuance of the Bonds.

We have examined such portions of the Constitution and laws of the United States, the Constitution and laws of the Commonwealth of Kentucky, and such applicable court decisions, regulations, rulings, and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records, the transcript of proceedings relating to the authorization and issuance of the Bonds, including a specimen Bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the Commission as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Bonds have been duly authorized, executed, and issued by the Commission under and in accordance with the Constitution and laws of the Commonwealth, including the Act, and the Resolution, and constitute valid and binding special and limited obligations of the Commission, payable as to principal, interest, and premium, if any, from, and secured by a pledge of, (a) the proceeds from the sale of the Bonds, (b) any Investment Obligations acquired with the proceeds of any Obligation or by the application of moneys derived from the Revenues of the Commission’s water supply and distribution system (the “System”), (c) the Net Revenues of the System, and (d) the Sinking Fund and the Debt Service Reserve Fund established under the Resolution, including all Accounts within such Funds and all moneys and securities on deposit therein. The Resolution permits the Commission to issue additional Senior Obligations on a first-lien parity basis with the Bonds, upon the satisfaction by the Commission of the requirements for such issuance set out in the Resolution. The Resolution also permits the Commission to issue subordinate obligations subject to the priority lien granted to the Bonds and any other Senior Obligations subsequently issued by the Commission in accordance with the Resolution. All capitalized terms used but not defined in this paragraph shall have the meanings given to such terms in the Resolution.

* Preliminary; subject to change.

2. Neither the full faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof, nor the full faith and credit of the Commission, is pledged to the payment of the principal of or interest on the Bonds or to the payment of premium on the Bonds, if any.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

4. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Further, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the federal alternative minimum tax imposed on individuals. In rendering the opinions set forth in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code.

The Commission has not designated the Bonds as "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265 of the Code.

In rendering the opinions set forth herein, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the Commission and others contained in the transcript of proceedings for the Bonds, which we have not independently verified. It is to be understood that the enforceability of the Resolution, the Bonds, and any agreements relating thereto may be limited by bankruptcy, insolvency, reorganization, moratorium, insolvency, or any other similar laws relating to or affecting the enforcement of creditors' rights or by general equitable principles.

Without having undertaken to independently determine or verify the accuracy or completeness of the statements contained in the Official Statement with respect to the Bonds, and expressing no opinion as to the financial statements or any other financial or statistical data contained therein, nothing has come to our attention in the course of our professional engagement as Bond Counsel which would lead us to believe that the Official Statement contains any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

APPENDIX F

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

BOOK-ENTRY ONLY SYSTEM

[this page intentionally left blank]

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (as DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for any physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, the National Securities Clearing Corporation, and the Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers, dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through the Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (each, a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or in any other name requested by any authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to any of the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an

Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from The Commission or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by the Participants to the Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. The payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or to such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Paying Agent, the disbursement of such payments to Direct Participants will be the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository for the Bonds at any time by giving reasonable notice to the Commission or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Commission may, at any time, decide to discontinue use of the system of book-entry only transfers through DTC (or any successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information contained in this Appendix concerning DTC and its book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof.

APPENDIX G-1

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE COMMISSION

[this page intentionally left blank]

CONTINUING DISCLOSURE CERTIFICATE
OF THE
BOONE-FLORENCE WATER COMMISSION

Relating to:

\$27,505,000*
BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A

Dated as of: December 19, 2024

* Preliminary, subject to change.

This CONTINUING DISCLOSURE CERTIFICATE (this “Certificate”) is executed and delivered as of December 19, 2024, by the Boone-Florence Water Commission (the “Obligated Person”), in connection with the issuance of its \$27,505,000* Boone-Florence Water Commission Water Supply Revenue and Refunding Revenue Bonds, Series 2024A (the “Obligations”). The Obligations are issued under and in accordance with a General Revenue Bond Resolution adopted by the Board of Commissioners of the Obligated Person on October 16, 2024, as supplemented by a Series 2024A Water Supply Revenue Bond Resolution adopted by the Board of Commissioners of the Obligated Person on October 16, 2024 (collectively, the “Authorizing Legislation”). The Obligated Person hereby certifies, covenants, and agrees as follows:

Section 1. Purpose of this Certificate.

This Certificate is being executed and delivered by the Obligated Person to provide for the disclosure of certain information concerning the Obligations on an ongoing basis, as set forth herein, for the benefit of the Holders (as hereinafter defined) of the Obligations, in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the “Rule”).

Section 2. Definitions; Scope of this Certificate.

All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Authorizing Legislation and the Obligations. Notwithstanding the foregoing, the term “Disclosure Agent” shall mean the Obligated Person or any disclosure agent appointed or engaged by the Obligated Person, and any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

“Annual Financial Information” means a copy of the audited financial statements of the Obligated Person, including, if prepared, a balance sheet, a statement of revenues and expenditures, and a statement of changes in fund balances, generally consistent with the information set forth in Appendix C-1 and Appendix D-1 of the Offering Document. All Annual Financial Information shall be prepared using generally accepted accounting principles as applied to governmental units; provided, however, that the Obligated Person may change the accounting principles used for the preparation of the Annual Financial Information so long as the Obligated Person includes, as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for the change, and explaining how to compare the Annual Financial Information provided by the differing financial accounting principles. Any of the items listed above may be set forth in other documents that have been transmitted to the MSRB, including Offering Documents of any debt issues of the Obligated Person or of any related public entities, or may be included by specific reference to any documents available to the public on the MSRB’s Electronic Municipal Market Access (EMMA) system or filed with the SEC. The Obligated Person shall clearly identify each such other document so incorporated by reference.

“Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Obligations (including any persons holding the Obligations through nominees, depositories, or other intermediaries).

“Event,” with respect to the Obligations, means any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on any debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on any credit enhancements, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of any proposed or final determinations of taxability, any Notices of Proposed Issue (IRS Form 5701-TEB), or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;

* Preliminary, subject to change.

- (x) Release, substitution, or sale of any property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or any other similar event of the Obligated Person (Note – This event is considered to occur upon the occurrence of any of the following events: The appointment of a receiver, fiscal agent, or other similar officer for the Obligated Person in any proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over all or substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Obligated Person in possession of the assets or business of the Obligated Person but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over all or substantially all of the assets or business of the Obligated Person);
- (xiii) The consummation of any merger, consolidation, or other acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into any definitive agreement to undertake any of such actions, or the termination of any definitive agreement relating to any such actions, other than in accordance with its terms, if material;
- (xiv) Appointment of any successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of any Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or any other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- (xvi) Default, acceleration event, termination event, modification of terms, or any other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi), although some of such events may not be applicable to the Obligations.

“Financial Obligation” means (a) any debt obligation; (b) any derivative instrument entered into in connection with, or pledged as the security or a source of payment for, any existing or planned debt obligation; or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include any municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holders” means any holder or Beneficial Owner of the Obligations.

“MSRB” means the Municipal Securities Rulemaking Board.

“Offering Document” means the Official Statement dated December 3, 2024 regarding the Obligations.

“Operating Data” means an update of the operating data of the Obligated Person contained in Appendix C-1 and Appendix D-1 of the Offering Document.

“Participating Underwriter” means any of the original underwriters of the Obligations required to comply with the Rule in connection with the offering of the Obligations.

“SEC” means the Securities and Exchange Commission.

Section 3. Disclosure of Information.

(A) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Obligated Person shall make, or shall cause the Disclosure Agent to make, public the information set forth in subsections (i), (ii), and (iii) below:

(i) Annual Financial Information and Operating Data. The Annual Financial Information and Operating Data of the Obligated Person, at least annually, on or before the January 31 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2024, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person other than the Obligated Person, then the Obligated Person shall provide the Annual Financial Information and Operating Data to the Disclosure Agent no later than fifteen Business Days before the disclosure date set forth above. The Annual Financial Information and Operating Data may

be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Obligated Person may be submitted separately from the other Annual Financial Information.

(ii) Event Notices. Notice of the occurrence of an Event, in a timely manner, not in excess of ten business days after the occurrence of the Event.

(iii) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of the Obligated Person to provide the Annual Financial Information or Operating Data by the disclosure date required by subsection (A)(ii) of this Section.

(B) Dates Information is to be Provided to the Public. The Annual Financial Information and Operating Data of the Obligated Person and, subject to the timing requirement set forth in subsection (A)(ii) of this Section, notices of Event occurrences shall be made public on the same day as notice thereof is given to the Holders of the outstanding Obligations, if such notice is required in accordance with the terms of the Authorizing Legislation or the Obligations, and such information shall not be made public before the date of any such notice.

(C) Means of Making Information Public.

(i) Information shall be deemed to have been made public by either the Obligated Person or the Disclosure Agent under this Certificate if such information is transmitted as provided in subsection (C)(ii) of this Section, by the following means:

(a) to all of the Holders of the outstanding Obligations, by first class mail, postage prepaid;

(b) to the MSRB, in an electronic format prescribed by the MSRB, and accompanied by the identifying information prescribed by the MSRB; or

(c) to the SEC, by (1) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (2) first class mail, postage prepaid; provided, however, that the Obligated Person and the Disclosure Agent are authorized to transmit information to the SEC by any means that are mutually acceptable to the Obligated Person or the Disclosure Agent, as the case may be, and the SEC.

(ii) The following information shall be transmitted to the following parties:

(a) All information required to be provided to the public in accordance with subsection (A) of this Section shall also be transmitted to the MSRB.

(b) All information required to be provided to the public in accordance with subsection (A) of this Section shall also be made available, upon request therefor, to any Holders of the Obligations, but need not be transmitted to the Holders of the Obligations who do not so request.

(iii) To the extent the Obligated Person is obligated to file any Annual Financial Information and Operating Data with the MSRB under this Certificate, such Annual Financial Information and Operating Data may be set forth in a document or a set of documents transmitted to the MSRB or may be included by specific reference to any documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system or filed with the SEC.

(iv) The Obligated Person or the Disclosure Agent may require payment from the Holders of the Obligations in connection with any request from a Holder for any periodic information regarding the finances or operational data of the Obligated Person or for any information regarding the occurrence of an Event, as provided by subsection (C)(ii)(b) of this Section, by charging any Holder which makes such a request for (1) the reasonable costs incurred by the Obligated Person or the Disclosure Agent in duplicating and transmitting the requested information to such Holder, and (2) the reasonable administrative expenses incurred by the Obligated Person or the Disclosure Agent in providing the requested information to such Holder.

Section 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate to the contrary, the Obligated Person may amend this Certificate and waive any provision hereof, so long as such amendment or waiver is supported by an opinion of nationally recognized bond counsel with expertise in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause any of the undertakings set forth herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in the Rule or in the official interpretation thereof, as well as any change in circumstance.

Section 5. Miscellaneous.

(A) Termination of Certificate. The obligations of the Obligated Person and the Disclosure Agent, if any, under this Certificate shall terminate when all of the Obligations are, or are deemed to be, no longer outstanding by reason of the redemption or legal defeasance of the Obligations or upon the maturity thereof.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the Obligated Person from (i) disseminating any other information using the means of dissemination set forth herein or by any other means of communication, or (ii) including any other information, in addition to the information that is required by this Certificate, in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided hereunder. If the Obligated Person chooses to include any other information in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event in addition to that which is specifically required under this Certificate, the Obligated Person shall have no obligation hereunder to update any such additional information or to include it in any future Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided under this Certificate.

(C) Defaults; Remedies. If the Obligated Person or the Disclosure Agent fails to comply with any of the provisions of this Certificate, any Holder of the Obligations may take any such action as may be necessary and appropriate, including seeking an action in mandamus or for specific performance, to cause the Obligated Person or the Disclosure Agent, as the case may be, to comply with its respective obligations hereunder. Any default under this Certificate shall not constitute a default on the Obligations, and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely and only to the benefit of the Obligated Person, the Disclosure Agent, if any, the Participating Underwriter, and the Holders or Beneficial Owners of the Obligations and shall create no rights in any other person or entity.

Section 6. Additional Disclosure Obligations.

The Obligated Person hereby acknowledges and understands that other state and federal laws, including, but not limited to, the Securities Act of 1933, the Securities Exchange Act of 1934, and Rule 10b 5 promulgated thereunder, may apply to the Obligated Person and that, under some circumstances, compliance with this Certificate, without additional disclosures or other action, may not fully discharge all of the duties and obligations of the Obligated Person under such laws.

Section 7. Notices.

Any notices or communications to the Obligated Person may be given as follows:

To the Obligated Person:	Boone-Florence Water Commission 2475 Burlington Pike Burlington, Kentucky 41005 Attention: General Manager Telephone: (859) 586-5190
--------------------------	--

[Signature page to follow]

SIGNATURE PAGE TO CONTINUING DISCLOSURE CERTIFICATE

IN WITNESS WHEREOF, the Obligated Person has caused its duly authorized officer to execute this Certificate as of the day and year first above written.

BOONE-FLORENCE WATER COMMISSION

By: _____
Chair

APPENDIX G-2

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

[this page intentionally left blank]

CONTINUING DISCLOSURE CERTIFICATE
OF THE
CITY OF FLORENCE, KENTUCKY

Relating to:

\$27,505,000*
BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A

Dated as of: December 19, 2024

* Preliminary, subject to change.

This CONTINUING DISCLOSURE CERTIFICATE (this “Certificate”) is executed and delivered as of December 19, 2024, by the City of Florence, Kentucky (the “Obligated Person”), in connection with the issuance of the \$27,505,000* Boone-Florence Water Commission Water Supply Revenue and Refunding Revenue Bonds, Series 2024A (the “Obligations”). The Obligations are issued under and in accordance with a General Revenue Bond Resolution adopted by the Board of Commissioners of the Boone-Florence Water Commission (the “Commission”) on October 16, 2024, as supplemented by a Series 2024A Water Supply Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (collectively, the “Authorizing Legislation”). The Obligated Person hereby certifies, covenants, and agrees as follows:

Section 1. Purpose of this Certificate.

This Certificate is being executed and delivered by the Obligated Person to provide for the disclosure of certain information concerning the Obligations on an ongoing basis, as set forth herein, for the benefit of the Holders (as hereinafter defined) of the Obligations, in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the “Rule”). For purposes of clarity, the Obligated Person and the Commission are parties to a water supply contract that commits the Obligated Person to support payment of part of the Obligations, which thus subjects the Obligated Person to the disclosure requirements of the Rule with respect to the Obligations.

Section 2. Definitions; Scope of this Certificate.

All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Authorizing Legislation and the Obligations. Notwithstanding the foregoing, the term “Disclosure Agent” shall mean the Obligated Person or any disclosure agent appointed or engaged by the Obligated Person, and any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

“Annual Financial Information” means a copy of the Annual Comprehensive Financial Report of the Obligated Person, including, if prepared, a balance sheet, a statement of revenues and expenditures, and a statement of changes in fund balances, generally consistent with the information set forth in Appendix C-2 and Appendix D-2 of the Offering Document. All Annual Financial Information shall be prepared using generally accepted accounting principles as applied to governmental units; provided, however, that the Obligated Person may change the accounting principles used for the preparation of the Annual Financial Information so long as the Obligated Person includes, as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for the change, and explaining how to compare the Annual Financial Information provided by the differing financial accounting principles. Any of the items listed above may be set forth in other documents that have been transmitted to the MSRB, including Offering Documents of any debt issues of the Obligated Person or of any related public entities, or may be included by specific reference to any documents available to the public on the MSRB’s Electronic Municipal Market Access (EMMA) system or filed with the SEC. The Obligated Person shall clearly identify each such other document so incorporated by reference.

“Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Obligations (including any persons holding the Obligations through nominees, depositories, or other intermediaries).

“Event,” with respect to the Obligations, means any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on any debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on any credit enhancements, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of any proposed or final determinations of taxability, any Notices of Proposed Issue (IRS Form 5701-TEB), or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;

* Preliminary, subject to change.

- (viii) Bond calls, if material, and tender offers (except for any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution, or sale of any property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or any other similar event of the Obligated Person (Note – This event is considered to occur upon the occurrence of any of the following events: The appointment of a receiver, fiscal agent, or other similar officer for the Obligated Person in any proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over all or substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Obligated Person in possession of the assets or business of the Obligated Person but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over all or substantially all of the assets or business of the Obligated Person);
- (xiii) The consummation of any merger, consolidation, or other acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into any definitive agreement to undertake any of such actions, or the termination of any definitive agreement relating to any such actions, other than in accordance with its terms, if material;
- (xiv) Appointment of any successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of any Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or any other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- (xvi) Default, acceleration event, termination event, modification of terms, or any other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi), although some of such events may not be applicable to the Obligations.

“Financial Obligation” means (a) any debt obligation; (b) any derivative instrument entered into in connection with, or pledged as the security or a source of payment for, any existing or planned debt obligation; or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include any municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holders” means any holder or Beneficial Owner of the Obligations.

“MSRB” means the Municipal Securities Rulemaking Board.

“Offering Document” means the Official Statement dated December 3, 2024 regarding the Obligations.

“Operating Data” means an update of the operating data of the Obligated Person contained in Appendix C-2 and Appendix D-2 of the Offering Document.

“Participating Underwriter” means any of the original underwriters of the Obligations required to comply with the Rule in connection with the offering of the Obligations.

“SEC” means the Securities and Exchange Commission.

Section 3. Disclosure of Information.

(A) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Obligated Person shall make, or shall cause the Disclosure Agent to make, public the information set forth in subsections (i), (ii), and (iii) below:

- (i) Annual Financial Information and Operating Data. The Annual Financial Information and Operating Data of the Obligated Person, at least annually, on or before the January 31 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2024, and continuing with each fiscal year

thereafter. If the Disclosure Agent is an entity or person other than the Obligated Person, then the Obligated Person shall provide the Annual Financial Information and Operating Data to the Disclosure Agent no later than fifteen Business Days before the disclosure date set forth above. The Annual Financial Information and Operating Data may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the Annual Comprehensive Financial Report of the Obligated Person may be submitted separately from the other Annual Financial Information.

(ii) Event Notices. Notice of the occurrence of an Event, in a timely manner, not in excess of ten business days after the occurrence of the Event.

(iii) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of the Obligated Person to provide the Annual Financial Information or Operating Data by the disclosure date required by subsection (A)(ii) of this Section.

(B) Dates Information is to be Provided to the Public. The Annual Financial Information and Operating Data of the Obligated Person and, subject to the timing requirement set forth in subsection (A)(ii) of this Section, notices of Event occurrences shall be made public on the same day as notice thereof is given to the Holders of the outstanding Obligations, if such notice is required in accordance with the terms of the Authorizing Legislation or the Obligations, and such information shall not be made public before the date of any such notice.

(C) Means of Making Information Public.

(i) Information shall be deemed to have been made public by either the Obligated Person or the Disclosure Agent under this Certificate if such information is transmitted as provided in subsection (C)(ii) of this Section, by the following means:

(a) to all of the Holders of the outstanding Obligations, by first class mail, postage prepaid;

(b) to the MSRB, in an electronic format prescribed by the MSRB, and accompanied by the identifying information prescribed by the MSRB; or

(c) to the SEC, by (1) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (2) first class mail, postage prepaid; provided, however, that the Obligated Person and the Disclosure Agent are authorized to transmit information to the SEC by any means that are mutually acceptable to the Obligated Person or the Disclosure Agent, as the case may be, and the SEC.

(ii) The following information shall be transmitted to the following parties:

(a) All information required to be provided to the public in accordance with subsection (A) of this Section shall also be transmitted to the MSRB.

(b) All information required to be provided to the public in accordance with subsection (A) of this Section shall also be made available, upon request therefor, to any Holders of the Obligations, but need not be transmitted to the Holders of the Obligations who do not so request.

(iii) To the extent the Obligated Person is obligated to file any Annual Financial Information and Operating Data with the MSRB under this Certificate, such Annual Financial Information and Operating Data may be set forth in a document or a set of documents transmitted to the MSRB or may be included by specific reference to any documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system or filed with the SEC.

(iv) The Obligated Person or the Disclosure Agent may require payment from the Holders of the Obligations in connection with any request from a Holder for any periodic information regarding the finances or operational data of the Obligated Person or for any information regarding the occurrence of an Event, as provided by subsection (C)(ii)(b) of this Section, by charging any Holder which makes such a request for (1) the reasonable costs incurred by the Obligated Person or the Disclosure Agent in duplicating and transmitting the requested information to such Holder, and (2) the reasonable administrative expenses incurred by the Obligated Person or the Disclosure Agent in providing the requested information to such Holder.

Section 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate to the contrary, the Obligated Person may amend this Certificate and waive any provision hereof, so long as such amendment or waiver is supported by an opinion of nationally recognized bond counsel with expertise in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause any of the undertakings set forth herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in the Rule or in the official interpretation thereof, as well as any change in circumstance.

Section 5. Miscellaneous.

(A) Termination of Certificate. The obligations of the Obligated Person and the Disclosure Agent, if any, under this Certificate shall terminate when all of the Obligations are, or are deemed to be, no longer outstanding by reason of the redemption or legal defeasance of the Obligations or upon the maturity thereof.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the Obligated Person from (i) disseminating any other information using the means of dissemination set forth herein or by any other means of communication, or (ii) including any other information, in addition to the information that is required by this Certificate, in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided hereunder. If the Obligated Person chooses to include any other information in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event in addition to that which is specifically required under this Certificate, the Obligated Person shall have no obligation hereunder to update any such additional information or to include it in any future Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided under this Certificate.

(C) Defaults; Remedies. If the Obligated Person or the Disclosure Agent fails to comply with any of the provisions of this Certificate, any Holder of the Obligations may take any such action as may be necessary and appropriate, including seeking an action in mandamus or for specific performance, to cause the Obligated Person or the Disclosure Agent, as the case may be, to comply with its respective obligations hereunder. Any default under this Certificate shall not constitute a default on the Obligations, and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely and only to the benefit of the Obligated Person, the Disclosure Agent, if any, the Participating Underwriter, and the Holders or Beneficial Owners of the Obligations and shall create no rights in any other person or entity.

Section 6. Additional Disclosure Obligations.

The Obligated Person hereby acknowledges and understands that other state and federal laws, including, but not limited to, the Securities Act of 1933, the Securities Exchange Act of 1934, and Rule 10b 5 promulgated thereunder, may apply to the Obligated Person and that, under some circumstances, compliance with this Certificate, without additional disclosures or other action, may not fully discharge all of the duties and obligations of the Obligated Person under such laws.

Section 7. Notices.

Any notices or communications to the Obligated Person may be given as follows:

To the Obligated Person:	City of Florence, Kentucky 8100 Ewing Boulevard Florence, Kentucky 41042 Attention: Finance Director Telephone: (859) 371-5491
--------------------------	--

[Signature page to follow]

SIGNATURE PAGE TO CONTINUING DISCLOSURE CERTIFICATE

IN WITNESS WHEREOF, the Obligated Person has caused its duly authorized officer to execute this Certificate as of the day and year first above written.

CITY OF FLORENCE, KENTUCKY

By: _____
Finance Director

APPENDIX G-3

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE DISTRICT

[this page intentionally left blank]

CONTINUING DISCLOSURE CERTIFICATE
OF THE
BOONE COUNTY WATER DISTRICT

Relating to:

\$27,505,000*
BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A

Dated as of: December 19, 2024

* Preliminary, subject to change.

This CONTINUING DISCLOSURE CERTIFICATE (this “Certificate”) is executed and delivered as of December 19, 2024, by the Boone County Water District (the “Obligated Person”), in connection with the issuance of the \$27,505,000* Boone-Florence Water Commission Water Supply Revenue and Refunding Revenue Bonds, Series 2024A (the “Obligations”). The Obligations are issued under and in accordance with a General Revenue Bond Resolution adopted by the Board of Commissioners of the Boone-Florence Water Commission (the “Commission”) on October 16, 2024, as supplemented by a Series 2024A Water Supply Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (collectively, the “Authorizing Legislation”). The Obligated Person hereby certifies, covenants, and agrees as follows:

Section 1. Purpose of this Certificate.

This Certificate is being executed and delivered by the Obligated Person to provide for the disclosure of certain information concerning the Obligations on an ongoing basis, as set forth herein, for the benefit of the Holders (as hereinafter defined) of the Obligations, in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the “Rule”). For purposes of clarity, the Obligated Person and the Commission are parties to a water supply contract that commits the Obligated Person to support payment of part of the Obligations, which thus subjects the Obligated Person to the disclosure requirements of the Rule with respect to the Obligations.

Section 2. Definitions; Scope of this Certificate.

All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Authorizing Legislation and the Obligations. Notwithstanding the foregoing, the term “Disclosure Agent” shall mean the Obligated Person or any disclosure agent appointed or engaged by the Obligated Person, and any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

“Annual Financial Information” means a copy of the audited financial statements of the Obligated Person, including, if prepared, a balance sheet, a statement of revenues and expenditures, and a statement of changes in fund balances, generally consistent with the information set forth in Appendix C-3 and Appendix D-3 of the Offering Document. All Annual Financial Information shall be prepared using generally accepted accounting principles as applied to governmental units; provided, however, that the Obligated Person may change the accounting principles used for the preparation of the Annual Financial Information so long as the Obligated Person includes, as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for the change, and explaining how to compare the Annual Financial Information provided by the differing financial accounting principles. Any of the items listed above may be set forth in other documents that have been transmitted to the MSRB, including Offering Documents of any debt issues of the Obligated Person or of any related public entities, or may be included by specific reference to any documents available to the public on the MSRB’s Electronic Municipal Market Access (EMMA) system or filed with the SEC. The Obligated Person shall clearly identify each such other document so incorporated by reference.

“Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Obligations (including any persons holding the Obligations through nominees, depositories, or other intermediaries).

“Event,” with respect to the Obligations, means any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on any debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on any credit enhancements, reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of any proposed or final determinations of taxability, any Notices of Proposed Issue (IRS Form 5701-TEB), or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;

* Preliminary, subject to change.

- (viii) Bond calls, if material, and tender offers (except for any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution, or sale of any property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or any other similar event of the Obligated Person (Note – This event is considered to occur upon the occurrence of any of the following events: The appointment of a receiver, fiscal agent, or other similar officer for the Obligated Person in any proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over all or substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Obligated Person in possession of the assets or business of the Obligated Person but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over all or substantially all of the assets or business of the Obligated Person);
- (xiii) The consummation of any merger, consolidation, or other acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into any definitive agreement to undertake any of such actions, or the termination of any definitive agreement relating to any such actions, other than in accordance with its terms, if material;
- (xiv) Appointment of any successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of any Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or any other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- (xvi) Default, acceleration event, termination event, modification of terms, or any other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi), although some of such events may not be applicable to the Obligations.

“Financial Obligation” means (a) any debt obligation; (b) any derivative instrument entered into in connection with, or pledged as the security or a source of payment for, any existing or planned debt obligation; or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include any municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holders” means any holder or Beneficial Owner of the Obligations.

“MSRB” means the Municipal Securities Rulemaking Board.

“Offering Document” means the Official Statement dated December 3, 2024 regarding the Obligations.

“Operating Data” means an update of the operating data of the Obligated Person contained in Appendix C-3 and Appendix D-3 of the Offering Document.

“Participating Underwriter” means any of the original underwriters of the Obligations required to comply with the Rule in connection with the offering of the Obligations.

“SEC” means the Securities and Exchange Commission.

Section 3. Disclosure of Information.

(A) Information Provided to the Public. Except to the extent this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Obligated Person shall make, or shall cause the Disclosure Agent to make, public the information set forth in subsections (i), (ii), and (iii) below:

(i) Annual Financial Information and Operating Data. The Annual Financial Information and Operating Data of the Obligated Person, at least annually, on or before the October 1 following the fiscal year ending on the preceding December 31, commencing with the fiscal year ended December 31, 2024, and continuing with each

fiscal year thereafter. If the Disclosure Agent is an entity or person other than the Obligated Person, then the Obligated Person shall provide the Annual Financial Information and Operating Data to the Disclosure Agent no later than fifteen Business Days before the disclosure date set forth above. The Annual Financial Information and Operating Data may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Obligated Person may be submitted separately from the other Annual Financial Information.

(ii) Event Notices. Notice of the occurrence of an Event, in a timely manner, not in excess of ten business days after the occurrence of the Event.

(iii) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of the Obligated Person to provide the Annual Financial Information or Operating Data by the disclosure date required by subsection (A)(ii) of this Section.

(B) Dates Information is to be Provided to the Public. The Annual Financial Information and Operating Data of the Obligated Person and, subject to the timing requirement set forth in subsection (A)(ii) of this Section, notices of Event occurrences shall be made public on the same day as notice thereof is given to the Holders of the outstanding Obligations, if such notice is required in accordance with the terms of the Authorizing Legislation or the Obligations, and such information shall not be made public before the date of any such notice.

(C) Means of Making Information Public.

(i) Information shall be deemed to have been made public by either the Obligated Person or the Disclosure Agent under this Certificate if such information is transmitted as provided in subsection (C)(ii) of this Section, by the following means:

(a) to all of the Holders of the outstanding Obligations, by first class mail, postage prepaid;

(b) to the MSRB, in an electronic format prescribed by the MSRB, and accompanied by the identifying information prescribed by the MSRB; or

(c) to the SEC, by (1) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (2) first class mail, postage prepaid; provided, however, that the Obligated Person and the Disclosure Agent are authorized to transmit information to the SEC by any means that are mutually acceptable to the Obligated Person or the Disclosure Agent, as the case may be, and the SEC.

(ii) The following information shall be transmitted to the following parties:

(a) All information required to be provided to the public in accordance with subsection (A) of this Section shall also be transmitted to the MSRB.

(b) All information required to be provided to the public in accordance with subsection (A) of this Section shall also be made available, upon request therefor, to any Holders of the Obligations, but need not be transmitted to the Holders of the Obligations who do not so request.

(iii) To the extent the Obligated Person is obligated to file any Annual Financial Information and Operating Data with the MSRB under this Certificate, such Annual Financial Information and Operating Data may be set forth in a document or a set of documents transmitted to the MSRB or may be included by specific reference to any documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system or filed with the SEC.

(iv) The Obligated Person or the Disclosure Agent may require payment from the Holders of the Obligations in connection with any request from a Holder for any periodic information regarding the finances or operational data of the Obligated Person or for any information regarding the occurrence of an Event, as provided by subsection (C)(ii)(b) of this Section, by charging any Holder which makes such a request for (1) the reasonable costs incurred by the Obligated Person or the Disclosure Agent in duplicating and transmitting the requested information to such Holder, and (2) the reasonable administrative expenses incurred by the Obligated Person or the Disclosure Agent in providing the requested information to such Holder.

Section 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate to the contrary, the Obligated Person may amend this Certificate and waive any provision hereof, so long as such amendment or waiver is supported by an opinion of nationally recognized bond counsel with expertise in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause any of the undertakings set forth herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in the Rule or in the official interpretation thereof, as well as any change in circumstance.

Section 5. Miscellaneous.

(A) Termination of Certificate. The obligations of the Obligated Person and the Disclosure Agent, if any, under this Certificate shall terminate when all of the Obligations are, or are deemed to be, no longer outstanding by reason of the redemption or legal defeasance of the Obligations or upon the maturity thereof.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the Obligated Person from (i) disseminating any other information using the means of dissemination set forth herein or by any other means of communication, or (ii) including any other information, in addition to the information that is required by this Certificate, in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided hereunder. If the Obligated Person chooses to include any other information in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event in addition to that which is specifically required under this Certificate, the Obligated Person shall have no obligation hereunder to update any such additional information or to include it in any future Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided under this Certificate.

(C) Defaults; Remedies. If the Obligated Person or the Disclosure Agent fails to comply with any of the provisions of this Certificate, any Holder of the Obligations may take any such action as may be necessary and appropriate, including seeking an action in mandamus or for specific performance, to cause the Obligated Person or the Disclosure Agent, as the case may be, to comply with its respective obligations hereunder. Any default under this Certificate shall not constitute a default on the Obligations, and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely and only to the benefit of the Obligated Person, the Disclosure Agent, if any, the Participating Underwriter, and the Holders or Beneficial Owners of the Obligations and shall create no rights in any other person or entity.

Section 6. Additional Disclosure Obligations.

The Obligated Person hereby acknowledges and understands that other state and federal laws, including, but not limited to, the Securities Act of 1933, the Securities Exchange Act of 1934, and Rule 10b 5 promulgated thereunder, may apply to the Obligated Person and that, under some circumstances, compliance with this Certificate, without additional disclosures or other action, may not fully discharge all of the duties and obligations of the Obligated Person under such laws.

Section 7. Notices.

Any notices or communications to the Obligated Person may be given as follows:

To the Obligated Person:	Boone County Water District 2475 Burlington Pike Burlington, Kentucky 41005-0018 Attention: Chair Telephone: (859) 586-6155
--------------------------	---

[Signature page to follow]

SIGNATURE PAGE TO CONTINUING DISCLOSURE CERTIFICATE

IN WITNESS WHEREOF, the Obligated Person has caused its duly authorized officer to execute this Certificate as of the day and year first above written.

BOONE COUNTY WATER DISTRICT

By: _____
Chair

APPENDIX H

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

[this page intentionally left blank]

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$27,505,000*

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

Notice is hereby given that electronic bids will be received by the Boone-Florence Water Commission (the “Commission”), until 12:00 p.m., E.S.T. on December 3, 2024 (or at such later time and date announced at least 48 hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of \$27,505,000* Water Supply Revenue and Refunding Revenue Bonds, Series 2024A (the “Bonds”). Electronic bids must be submitted through BiDCOMP™/PARITY™ as described herein and no other provider of electronic bidding services will be accepted.

STATUTORY AUTHORITY, PURPOSE OF ISSUE, AND SECURITY

The Bonds are authorized by virtue of Chapter 74 and Chapter 58 of the Kentucky Revised Statutes and are being issued in accordance with a General Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (the “General Resolution”) and a Series 2024A Water Supply Revenue Bond Resolution adopted by the Board of Commissioners of the Commission on October 16, 2024 (the “Series Resolution” and, together with the General Resolution, the “Resolution”).

The Bonds are being issued for the purposes of financing (i) a portion of the costs of the acquisition, construction, installation, and equipping of capital improvements to the System, including without limitation, (a) a new 15,904 linear foot north-west water main transmission line and related equipment and facilities and (b) a ground storage and re-pump facility and related equipment to be located on Global Way, all to be utilized by the Commission in connection with the System; (ii) refunding in advance of maturity the Commission’s Water Supply System Refunding Revenue Bonds, Series 2010 dated November 2, 2010; (iii) paying the costs of credit enhancement for the Bonds, if any; (iv) funding a debt service reserve; and (v) paying the costs of issuance of the Bonds.

The Bonds constitute Senior Obligations under the General Resolution and are thereby secured by the pledges and liens set forth therein on a parity with all other Senior Obligations to be issued or incurred thereunder and on a basis superior to all Senior Subordinate Obligations and all Subordinate Obligations to be issued or incurred thereunder. The Commission reserves the right to issue or incur additional Obligations on a parity with or subordinate to the Bonds, subject to the satisfaction of the conditions set forth in the Resolution. In accordance with the Resolution, the Bonds are payable solely and only from, and are secured by a pledge of, (i) the proceeds of the sale of the Bonds, (ii) any Investment Obligations acquired with the proceeds of any Obligation or by the application of moneys derived from the Revenues of the Commission’s water supply and distribution system (the “System”), (iii) the Net Revenues of the System, and (iv) the Sinking Fund and the Debt Service Reserve Fund established under the Resolution, including all Accounts within such Funds and all moneys and securities on deposit therein.

The Bonds are special and limited obligations of the Commission and do not constitute a debt, liability, or general obligation of the Commission within the meaning of the Constitution or laws of the Commonwealth of Kentucky, nor a pledge of the full faith, credit, and taxing power of the Commission.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS, AND PAYING AGENT

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest at the rates set forth on the inside cover of this Official Statement, payable semiannually on June 1 and December 1 of each year, beginning June 1, 2025.

[Continued on the following page]

* Preliminary, subject to change.

The Bonds are scheduled to mature on December 1, in each of the years as follows:

Maturity	Amount*	Maturity	Amount*
December 1, 2025	\$710,000	December 1, 2040	\$ 795,000
December 1, 2026	740,000	December 1, 2041	825,000
December 1, 2027	765,000	December 1, 2042	860,000
December 1, 2028	800,000	December 1, 2043	895,000
December 1, 2029	830,000	December 1, 2044	930,000
December 1, 2030	865,000	December 1, 2045	970,000
December 1, 2031	900,000	December 1, 2046	1,010,000
December 1, 2032	735,000	December 1, 2047	1,050,000
December 1, 2033	760,000	December 1, 2048	1,095,000
December 1, 2034	795,000	December 1, 2049	1,140,000
December 1, 2035	650,000	December 1, 2050	1,185,000
December 1, 2036	675,000	December 1, 2051	1,240,000
December 1, 2037	705,000	December 1, 2052	1,300,000
December 1, 2038	735,000	December 1, 2053	1,360,000
December 1, 2039	765,000	December 1, 2054	1,420,000

The Bonds maturing on and after December 1, 2033 are subject to optional redemption on any date on and after December 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the Commission and by lot within a maturity, at the election of the Commission upon thirty-five days' written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Registrar for the Bonds (the "Paying Agent and Registrar") at a redemption price equal to the par amount thereof, plus accrued interest to the date of redemption.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all Holders of the Bonds to be redeemed, at their addresses as they appear on the registration books maintained by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of any Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of the Bonds to be redeemed.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(A) Separate electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The County will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Commission. The Commission shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders.

(B) Bidders are required to bid for the entire issue of the Bonds at a minimum price of not less than \$26,954,900 (98% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) Interest rates for the Bonds must be in multiples of one-eighth of one percent (0.125%) and/or one-twentieth of one percent (0.05%). The rate on the Bonds in any maturity may *not* be less than the rate on the Bonds for any preceding

maturity. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity. The maximum stated rate of interest that may apply to any maturity of the Bonds is 5.00% per annum.

(D) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly \$27,505,000 principal amount of Bonds offered for sale hereunder; but the Commission may adjust the principal amount of Bonds which may be awarded to such best bidder downward by any amount in increments of \$5,000 (the “Permitted Adjustment”). The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the Bonds bid. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter’s Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter’s Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

Although it is the Commission’s intention to sell and issue the approximate par amounts of the Bonds as is set forth herein, there is no guarantee that any adjustments or revisions may not be necessary in order to properly size the Bonds. Accordingly, the Commission reserves the right, in its sole discretion, to adjust up or down the original par amount of the Bonds per maturity, even if the issue size of the Bonds does not change from \$1. In sizing the par amounts and the individual maturities of the Bonds, the Commission may (but shall be under no obligation to) consider, among other factors, the size of the individual maturities or sinking fund installments, assuring aggregate level debt service, and/or any other preferences of the Commission.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid on the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be notified by no later than 5:30 p.m., E.S.T., on the sale date of the exact revisions and/or adjustment required, if any.

(E) Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.

(F) CUSIP identification numbers will be printed on the Bonds at the expense of the Commission. Any improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(G) The Commission will provide the successful purchaser with a Final Official Statement, in accordance with SEC Rule 15c2-12. The Final Official Statement will be provided in Electronic Form to the successful bidders, in sufficient time to meet the delivery requirements of the SEC and the Municipal Securities Rulemaking Board. The successful bidders will be required to pay for the printing of Final Official Statements.

(H) Bids need not be accompanied by a certified or bank cashier’s good faith check, but the successful bidder will be required to wire transfer to the order of the Commission an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.

(I) The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the “Direct Participants”), which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the “Indirect Participants”). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic

statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Financial Advisor within twenty-four hours of the award that standard bond certificates be issued. In the event that certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

(J) The Commission reserves the right to reject any and all bids, to waive any informality in any bid or, upon 24 hours advance notice before the sale date given through the BiDCOMP™/PARITY™ system, to postpone the sale date of the Bonds. The Commission reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal of and interest on the Bonds not being subject to federal income taxation nor being subject to Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidders, all in accordance with the final approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, as Bond Counsel for the Bonds, which approving legal opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(K) Bidders are advised that RSA Advisors, LLC has been employed as Financial Advisor to the Commission in connection with the issuance of the Bonds (the “Financial Advisor”). The Financial Advisor’s fee for its services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

(L) The purchasers of the Bonds will be required to certify to the Commission as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices, which information shall also be made available to the Financial Advisor immediately after the sale of the Bonds.

(M) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest rate to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the applicable series of Bonds (compounded semiannually from the date of the applicable series of Bonds), produces an amount equal to the purchase price of the applicable series of Bonds. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Bonds. In the event that two or more bidders offer to purchase Bonds at the same lowest true interest cost, the Finance Director or Commission Manager, upon the advice of the Financial Advisor, shall determine (in his sole discretion) which of the bidders shall be awarded such Bonds.

(N) Additional information regarding the Bonds, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale, and the Official Bid Form for the Bonds, may be obtained from the Commission’s Financial Advisor, RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795. Further information regarding the BiDCOMP™/PARITY™ system may be obtained from BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, New York 10018, Telephone: (800) 850-7422.

(O) The winning bidder for the Bonds shall assist the Commission in establishing the issue price of the Bonds and shall execute and deliver to the Commission at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Commission and Bond Counsel. All actions to be taken by the Commission under these Official Terms and Conditions of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the Commission by the Financial Advisor to the Commission and any notice or report to be provided to the Commission shall be provided to the Commission’s Financial Advisor.

The Commission intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the Commission shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;

(3) the Commission may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the Commission anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted pursuant to this these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(P) If the competitive sale requirements are not satisfied, the Commission shall so advise the applicable winning bidder. The Commission will treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation in the event that the Commission determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Bonds shall assist the Commission in establishing the issue price of the Bonds and shall execute and deliver to the Commission at closing an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) substantially in the form attached hereto as Exhibit A-2, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Commission, and Bond Counsel.

(Q) The Commission acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Commission further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(R) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding, the Commission, the City, and the District (each, an “Obligated Person” and, collectively, the “Obligated Persons”), will agree, to execute a continuing disclosure undertaking to be dated as of the date of the issuance and delivery of the Bonds (each, a “Disclosure Undertaking” and, collectively, the “Disclosure Undertakings”), in substantially the respective forms set forth in “APPENDIX H-1 - Form of Continuing Disclosure Certificate of the Commission,” “APPENDIX H-2 -

Form of Continuing Disclosure Certificate of the City,” and “APPENDIX H-3 - Form of Continuing Disclosure Certificate of the District” attached hereto.

Each Disclosure Undertaking provides Holders of the Bonds, including the beneficial owners of the Bonds, with certain enforcement rights upon any failure by the respective Obligated Person to comply with any of the terms thereof; provided, however, that a default under such Disclosure Undertaking does not constitute an Event of Default under the Resolution. Each Disclosure Undertaking may also be amended or terminated under certain circumstances, in accordance with the Rule, as more fully described therein.

Each Obligated Person intends to file all future Annual Financial Information within the time requirements specified in the Prior Disclosure Undertakings and in the Disclosure Undertaking relating to the Bonds, and each Obligated Person has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax imposed on individuals. Further, Bond Counsel is of the opinion that interest on the Bonds is exempt from income taxation and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Commission has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Code.

A copy of the opinion of Bond Counsel for the Bonds is set forth in Appendix F to the Official Statement.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on obligations such as the Bonds from gross income for federal income tax purposes. The Commission has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and any other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a bondholder’s federal, state, or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the bondholder or the bondholder’s other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each bondholder or potential bondholder is urged to consult with tax counsel regarding the effects of purchasing, holding, or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code, and (v) limiting

the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

/s/ James E. Parsons
Chair, Boone-Florence Water Commission

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated December 19, 2024

Re: \$[Final Par] Boone-Florence Water Commission Water Supply Revenue and Refunding Revenue Bonds, Series 2024A, dated December 19, 2024

The undersigned, on behalf of [Underwriter Name] (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule I attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. A true and correct copy of the bid provided by the Underwriter to purchase the Bonds is attached hereto as Schedule II.

(b) The Underwriter was not given the opportunity to review any other bids before submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

4. Defined Terms.

(a) “Issuer” means the Boone-Florence Water Commission.

(b) “Maturity” means any Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) “Public” means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 3, 2024.

(e) “Underwriter” means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph, to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Underwriter's interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder. The Underwriter understands that the information set forth in this certificate will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds.

[UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES

(See attachment)

SCHEDULE II
TO
ISSUE PRICE CERTIFICATE

COPY OF BID

(See attachment)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated December 19, 2024

Re: \$[Final Par] Boone-Florence Water Commission Water Supply Revenue and Refunding Revenue
 Bonds, Series 2024A, dated December 19, 2024

The undersigned, [Underwriter Name] (the “Transaction Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned bonds (the “Bonds”).

1. Issue Price.

(a) As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule I attached hereto (the “Sale Price,” as applicable to each Maturity of the General Rule Maturities).

(b) The Transaction Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I attached hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule II.

(c) As set forth in the Official Terms and Conditions of Bond Sale, the Transaction Underwriter has agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Under the Official Terms and Conditions of Bond Sale or any selling group agreement or any third-party distribution agreement, no Underwriter (as defined herein) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(d) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is \$[Issue Price] (the “Issue Price”).

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Issue Price, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Sale Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Sale Price of the Bonds as of the date hereof.

4. Defined Terms.

(a) “General Rule Maturities” means those Maturities of the Bonds listed as the “General Rule Maturities” in Schedule I attached hereto.

(b) “Hold-the-Offering-Price Maturities” means those Maturities of the Bonds listed as the “Hold-the-Offering Price Maturities” in Schedule I attached hereto.

(c) “Holding Period” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day following the Sale Date, or (ii) the date on which the Transaction Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “Issuer” means the Boone-Florence Water Commission.

(e) “Maturity” means any Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or any Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) “Official Terms and Conditions of Bond Sale” means the Official Terms and Conditions of Bond Sale prepared for distribution to potential bidders before the Sale Date of the Bonds.

(g) “Public” means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(h) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is December 3, 2024.

(i) “Underwriter” means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph, to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Transaction Underwriter’s interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations issued thereunder. The Transaction Underwriter understands that the foregoing information will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

[TRANSACTION UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE BONDS

General Rule Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Actual Sale Price</u> <u>of</u> <u>First 10%</u>	<u>Issue Price</u>	<u>CUSIP</u>
----------------------	-------------------------	----------------------	---	--------------------	--------------

Hold-the-Offering-Price Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial</u> <u>Offering Price</u>	<u>Issue Price</u>	<u>CUSIP</u>
----------------------	-------------------------	----------------------	---	--------------------	--------------

APPENDIX I

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

OFFICIAL BID FORM

[this page intentionally left blank]

OFFICIAL BID FORM

**BOONE-FLORENCE WATER COMMISSION
WATER SUPPLY REVENUE AND REFUNDING REVENUE BONDS, SERIES 2024A**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$27,505,000* of Water Supply Revenue and Refunding Revenue Bonds, Series 2024A (the “Bonds”), dated their date of initial issuance and delivery offered for sale by the Boone-Florence Water Commission (the “Commission”) in accordance with the Preliminary Official Statement dated November 26, 2024 and the Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$27,505,000* principal amount of the Bonds, the total sum of \$_____ (not less than \$26,954,900) at the following annual rate(s), payable semiannually (rates of any maturity may be less than any preceding maturity, number of interest rates unlimited):

MATURITY	AMOUNT*	INTEREST RATE	MATURITY	AMOUNT*	INTEREST RATE
December 1, 2025	\$710,000	_____ %	December 1, 2040	\$ 795,000	_____ %
December 1, 2026	740,000	_____ %	December 1, 2041	825,000	_____ %
December 1, 2027	765,000	_____ %	December 1, 2042	860,000	_____ %
December 1, 2028	800,000	_____ %	December 1, 2043	895,000	_____ %
December 1, 2029	830,000	_____ %	December 1, 2044	930,000	_____ %
December 1, 2030	865,000	_____ %	December 1, 2045	970,000	_____ %
December 1, 2031	900,000	_____ %	December 1, 2046	1,010,000	_____ %
December 1, 2032	735,000	_____ %	December 1, 2047	1,050,000	_____ %
December 1, 2033	760,000	_____ %	December 1, 2048	1,095,000	_____ %
December 1, 2034	795,000	_____ %	December 1, 2049	1,140,000	_____ %
December 1, 2035	650,000	_____ %	December 1, 2050	1,185,000	_____ %
December 1, 2036	675,000	_____ %	December 1, 2051	1,240,000	_____ %
December 1, 2037	705,000	_____ %	December 1, 2052	1,300,000	_____ %
December 1, 2038	735,000	_____ %	December 1, 2053	1,360,000	_____ %
December 1, 2039	765,000	_____ %	December 1, 2054	1,420,000	_____ %

The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____. The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

Bids may be submitted electronically via BiDCOMP™/PARITY™ in accordance with this Notice until the appointed date and time, but no bid will be received after such time. Neither the Commission nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 of Bonds, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the Commission at the time of acceptance of the best bid.

It is understood that the Commission will furnish the final, approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky.

No certified or bank cashier’s check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

* Preliminary, subject to change.

If we are the successful bidder, we agree to accept and make payment for the Bonds in federal funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost: Date of Delivery (estimated to be December 19, 2024) to Final Maturity \$ _____
 (Less Premium) or Plus Discount, if any \$ _____
 Aggregate interest cost \$ _____
 True interest cost (i.e. TIC) _____%

The above computation of true interest cost is submitted for information only and is not a part of this Bid.

Accepted by the Chair of the Boone-Florence Water Commission for \$ _____ principal amount of Bonds at the price of \$ _____ as follows:

MATURITY	AMOUNT	INTEREST RATE	MATURITY	AMOUNT	INTEREST RATE
December 1, 2025	\$ _____	_____ %	December 1, 2040	\$ _____	_____ %
December 1, 2026	\$ _____	_____ %	December 1, 2041	\$ _____	_____ %
December 1, 2027	\$ _____	_____ %	December 1, 2042	\$ _____	_____ %
December 1, 2028	\$ _____	_____ %	December 1, 2043	\$ _____	_____ %
December 1, 2029	\$ _____	_____ %	December 1, 2044	\$ _____	_____ %
December 1, 2030	\$ _____	_____ %	December 1, 2045	\$ _____	_____ %
December 1, 2031	\$ _____	_____ %	December 1, 2046	\$ _____	_____ %
December 1, 2032	\$ _____	_____ %	December 1, 2047	\$ _____	_____ %
December 1, 2033	\$ _____	_____ %	December 1, 2048	\$ _____	_____ %
December 1, 2034	\$ _____	_____ %	December 1, 2049	\$ _____	_____ %
December 1, 2035	\$ _____	_____ %	December 1, 2050	\$ _____	_____ %
December 1, 2036	\$ _____	_____ %	December 1, 2051	\$ _____	_____ %
December 1, 2037	\$ _____	_____ %	December 1, 2052	\$ _____	_____ %
December 1, 2038	\$ _____	_____ %	December 1, 2053	\$ _____	_____ %
December 1, 2039	\$ _____	_____ %	December 1, 2054	\$ _____	_____ %

Chair
Boone-Florence Water Commission

Dated: December __, 2024