

BULLOCK PEN WATER DISTRICT
FINANCIAL STATEMENTS

For the Years Ending December 31, 2022 and 2021

BULLOCK PEN WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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BULLOCK PEN WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2022 and 2021

Charles Given, Chair

Bobby Burgess, Vice-Chair

Rodger Bingham, Treasurer

William Wethington, Secretary

Andrea Walton, Commissioner

Of Counsel

Thomas R. Nienaber, Esq.

Administration

Paul Harp, Superintendent

Independent Auditor's Report

**To the Board of Commissioners
Bullock Pen Water District
Crittenden, Kentucky**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bullock Pen Water District (District), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Bullock Pen 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 Bullock Pen Water District as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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 Bullock Pen 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 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 Bullock Pen 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 Bullock Pen 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 Bullock Pen 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 *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB* 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 Bullock Pen Water District's basic financial statements. The accompanying Schedules of Operations, Maintenance, and Administrative Expenses 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 accompanying Schedules of Operations, Maintenance, and Administrative Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023, on our consideration of the Bullock Pen 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 Bullock Pen 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 Bullock Pen Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
May 25, 2023

BULLOCK PEN WATER DISTRICT

1 Farrell Drive
Crittenden, Kentucky 41030

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, 2022. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent year by \$15,520,734 (net position). This was a decrease of \$15,189 in comparison to the prior year's increase of \$201,948. During 2022, the District's operating revenues decreased 1.01% or \$46,786 while operating expenses increased 5.58% or \$248,242.
- At the end of the current year, unrestricted net position was \$903,438.

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.

Basis of Accounting

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

Statements of Net Position and Revenues, Expenses and Changes in Net Position

In the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position, we report the District's activities.

- The District charges rates for water usage based on the water consumption of its customers to cover all or most of the cost of certain services the District provides.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2022, 2021, and 2020.

	Table 1 Net Position		
	2022	2021	2020
Current assets	\$ 3,288,645	\$ 3,779,118	\$ 3,799,575
Restricted assets	1,976,860	1,748,024	1,518,010
Capital assets, net	16,430,596	16,622,510	17,016,029
Deferred outflows of resources - pension & OPEB contribution	376,006	573,614	714,404
Total Assets and Deferred Outflows of Resources	<u>22,072,107</u>	<u>22,723,266</u>	<u>23,048,018</u>
Current liabilities	518,715	522,797	484,815
Liabilities payable from restricted assets	551,613	577,599	637,879
Long-term liabilities	5,149,194	5,430,645	6,395,236
Deferred inflows of resources - pension & OPEB	331,851	656,302	196,113
Total Liabilities and Deferred Inflows of Resources	<u>6,551,373</u>	<u>7,187,343</u>	<u>7,714,043</u>
Net Position:			
Net investment in capital assets	13,558,709	13,321,775	13,291,166
Restricted	1,058,587	1,071,710	1,031,621
Unrestricted	903,438	1,142,438	1,011,188
Total Net Position	<u>\$ 15,520,734</u>	<u>\$ 15,535,923</u>	<u>\$ 15,333,975</u>

The District's net position for 2022 decreased .098% or \$15,189, as compared to a 1.3% or \$201,948 increase in the previous year.

The largest portion of the District's net position (87.4%) 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.

An additional portion of the District's net position (6.8%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position may be used to meet the District's ongoing obligations to customers and creditors.

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

The District's operating revenues decreased by \$46,786 or 1.01%. Water sales decreased slightly even though there was an overall increase in the number of bills that were sent out. There was also an increase in the management fee charged to the sewer district as a result of renegotiating the contract due to increased wages and supply costs.

Operating Expenses

The District's operating expenses increased \$248,242 or 5.58%. There was a decrease in water costs in the amount of \$66,316. This corresponds to the decrease in water revenue and the fact that the customers used less water so the District purchased less water. Operation and maintenance expenses increased by \$312,220 due to various factors. The District had an increase in salary and benefits in order to maintain their competitiveness in the current employment market. The District also saw large increases in the categories of repairs and maintenance, supplies, chemicals and transportation expenses. Many of these increases represent the current inflationary environment in which the District is operating.

Net Effect On Change Of Pension and OPEB Expense

The District is required to report its proportionate share of the estimated unfunded pension and OPEB liability associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as a non-operating income, \$10,986, is the result of booking the change in the liability and the related deferred inflows and outflows less any amortization of those inflows and outflows between June 30, 2021 and June 30, 2022. This expense decreased \$79,880 from the amount reported in 2021. See Note 9 to the financial statements for a more complete explanation of this unfunded liability and the related deferred inflows and outflows.

Capital Contributions

Capital contributions increased \$28,000 and surcharge collections decreased \$45,930 during 2022. This is primarily due to a higher number of new customers tapping into the District's lines in 2022 than in the previous calendar year. The surcharge collections decreased due to the fact that the amount being charged on Phase 8 and Phase 10 had reached its maximum. The District issued refunds on Phase 10. The District also received a \$5,000 grant that is included in the capital contributions for 2022.

The following schedule compares the revenues and expenses for the current year and the previous two years.

**Table 2
Changes in Net Position**

	2022	2021	2020
Operating revenues:			
Water sales	\$ 4,254,842	\$ 4,302,012	\$ 4,285,449
Forfeited discounts	73,293	84,087	13,730
Miscellaneous services revenues	32,381	32,055	19,164
Management fee	210,457	199,605	173,514
Total operating revenues	<u>4,570,973</u>	<u>4,617,759</u>	<u>4,491,857</u>
Operating expenses:			
Water purchased	1,790,082	1,856,398	1,515,102
Operation and maintenance expense	2,288,737	1,976,517	2,038,385
Depreciation	617,173	614,835	603,916
Total operating expenses	<u>4,695,992</u>	<u>4,447,750</u>	<u>4,157,403</u>
Net operating (loss) profit	<u>(125,019)</u>	<u>170,009</u>	<u>334,454</u>
Non-operating income (expenses)			
Investment income	12,200	13,821	18,842
Gain on disposal of assets	250	425	-
Net effect on change in pension expense	10,986	(68,894)	(269,360)
Interest on long-term debt	(86,639)	(99,376)	(113,651)
Amortization of bond premium	(831)	(831)	(911)
Net non-operating expenses	<u>(64,034)</u>	<u>(154,855)</u>	<u>(365,080)</u>
(Loss) income before capital contributions	(189,053)	15,154	(30,626)
Capital grants and contributions	173,864	186,794	177,042
Change in net position	<u>(15,189)</u>	<u>201,948</u>	<u>146,416</u>
Net position, January 1	<u>15,535,923</u>	<u>15,333,975</u>	<u>15,187,559</u>
Net position, December 31	<u>\$ 15,520,734</u>	<u>\$ 15,535,923</u>	<u>\$ 15,333,975</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2022, the District had \$16,430,596 invested in capital assets including land, buildings, water treatment, transmission and distribution system, equipment, and vehicles, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of \$191,914. This decrease is mainly due to the fact that depreciation expense of \$615,540 was more than the cost of new assets purchased during 2022.

Table 3 Summarizes the District's capital assets at the end of 2022 as compared to 2021 and 2020.

**Table 3
Capital Assets at Year End**

	2022	2021	2020
Land	\$ 230,314	\$ 230,314	\$ 200,283
Buildings and improvements	1,926,241	1,698,724	1,698,724
Construction in progress	93,408	72,499	42,934
Other plant and miscellaneous equipment	791,431	770,262	747,928
Transportation equipment	332,232	320,435	315,340
Transportation and distribution system	26,248,934	26,108,503	26,001,805
Furniture and fixtures	76,346	76,346	71,509
Subtotal	29,698,906	29,277,083	29,078,523
Accumulated depreciation	(13,268,310)	(12,654,573)	(12,062,494)
Capital Assets, net	<u>\$ 16,430,596</u>	<u>\$ 16,622,510</u>	<u>\$ 17,016,029</u>

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2022 compared to 2021 and 2020.

**Table 4
Outstanding Debt at Year End**

	2022	2021	2020
Bond payable obligations	\$ 386,000	\$ 419,000	\$ 509,000
Notes payable	2,446,055	2,755,920	3,057,463
Capitalized leases	72,686	157,792	240,519
Total	<u>\$ 2,904,741</u>	<u>\$ 3,332,712</u>	<u>\$ 3,806,982</u>

At year-end, the District had \$2,904,741 in outstanding long-term debt compared to \$3,332,712 in 2021 and \$3,806,982 in 2020. This is a decrease of \$427,971 which is the amount of principal paid on the District's debt during 2022.

All of the required payments were made on the District's outstanding debt during 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2023 projects a year very similar to 2022. Water revenues are projected to increase over the 2022 year due to a rate increase. Operation expenses are also expected to increase primarily due to increases in employee wages and benefits. The District did project that there would be an increase in the cost of supplies and chemicals due to higher prices being charged by vendors. The increase in operating income is expected to be offset by the increase in the operating expenses so that there may be a decrease in net position at the end of 2023 similar to the decrease in 2022.

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 1 Farrell Drive, Crittenden, Kentucky 41030.

Paul Harp

Paul Harp, Superintendent
Bullock Pen Water District

BULLOCK PEN WATER DISTRICT STATEMENTS OF NET POSITION December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,407,294	\$ 2,635,312
Certificates of deposit	-	214,225
Accounts receivable		
Customers, net of allowance	609,703	621,805
Other	28,900	24,951
Inventories	194,851	242,750
Prepays	45,499	36,518
Accrued interest receivable	-	1,093
Unamortized expenses	2,398	2,464
Total current assets	<u>3,288,645</u>	<u>3,779,118</u>
Restricted assets		
Current reserve fund - USDA Rural Development	152,916	152,687
Debt payment account	600,748	486,441
Accounts receivable - surcharges	7,946	10,574
FSA account	6,915	5,196
Customer deposits	379,877	327,456
Maintenance and replacement reserve	828,458	765,670
Total restricted assets	<u>1,976,860</u>	<u>1,748,024</u>
Capital assets		
Land, building, transmission system, equipment, and vehicles	29,605,498	29,204,584
Construction in progress	93,408	72,499
Total utility plant in service	29,698,906	29,277,083
Less: accumulated depreciation	<u>(13,268,310)</u>	<u>(12,654,573)</u>
Total capital assets, net of depreciation	<u>16,430,596</u>	<u>16,622,510</u>
Total assets	<u>21,696,101</u>	<u>22,149,652</u>
Deferred outflow of resources		
Unamortized debt discounts	3,091	3,856
Unamortized tap-in expense	28,984	30,617
Deferred outflows related to pensions and OPEB	343,931	539,141
Total deferred outflow of resources	<u>376,006</u>	<u>573,614</u>
Total assets and deferred outflow of resources	<u>22,072,107</u>	<u>22,723,266</u>

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

(Continued on Page 12)

BULLOCK PEN WATER DISTRICT STATEMENTS OF NET POSITION (Continued from Page 11) December 31, 2022 and 2021
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	<u>2022</u>	<u>2021</u>
Liabilities		
Current liabilities		
Accounts payable	219,262	171,452
Accrued and withheld liabilities	299,453	351,345
Total current liabilities	<u>518,715</u>	<u>522,797</u>
Current liabilities payable from restricted assets		
Revenue bonds - current portion	34,000	33,000
Notes payable - current portion	293,017	309,865
Lease obligations - current portion	72,686	85,103
Customer deposits	139,723	136,146
Accrued interest payable	12,187	13,485
Total current liabilities payable from restricted assets	<u>551,613</u>	<u>577,599</u>
Long-term obligations		
Bonds	352,000	386,000
Notes payable	2,153,038	2,446,055
Capital lease obligations	-	72,689
Net unfunded pension and OPEB liability	2,644,156	2,525,901
Total long-term obligations	<u>5,149,194</u>	<u>5,430,645</u>
Total liabilities	6,219,522	6,531,041
Deferred inflow of resources		
Deferred inflows related to pensions and OPEB	<u>331,851</u>	<u>656,302</u>
Total liabilities and deferred inflow of resources	<u>6,551,373</u>	<u>7,187,343</u>
Net position		
Net investment in capital assets	13,558,709	13,321,775
Restricted	1,058,587	1,071,710
Unrestricted	903,438	1,142,438
Total net position	<u>\$ 15,520,734</u>	<u>\$ 15,535,923</u>

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

BULLOCK PEN WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Years Ending December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Water revenue	\$ 4,360,516	\$ 4,418,154
Management fees	<u>210,457</u>	<u>199,605</u>
Total operating revenues	<u>4,570,973</u>	<u>4,617,759</u>
Operating expenses		
Water purchased	1,790,082	1,856,398
Operations, maintenance, and administrative expenses	2,288,737	1,976,517
Depreciation and amortization	<u>617,173</u>	<u>614,835</u>
Total operating expenses	<u>4,695,992</u>	<u>4,447,750</u>
Operating (loss) income	<u>(125,019)</u>	<u>170,009</u>
Non-operating income (expense)		
Investment income	12,200	13,821
Gain on sale of capital assets	250	425
Net effect on change of pension and OPEB expense	10,986	(68,894)
Interest on long-term obligations	(86,639)	(99,376)
Amortization of bond discounts	<u>(831)</u>	<u>(831)</u>
Net non-operating expenses	<u>(64,034)</u>	<u>(154,855)</u>
Net (loss) gain	(189,053)	15,154
Capital contributions	<u>173,864</u>	<u>186,794</u>
Change in net position	(15,189)	201,948
Net position, January 1	<u>15,535,923</u>	<u>15,333,975</u>
Net position, December 31	<u><u>\$ 15,520,734</u></u>	<u><u>\$ 15,535,923</u></u>

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

BULLOCK PEN WATER DISTRICT STATEMENTS OF CASH FLOWS For the Years Ending December 31, 2022 and 2021
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	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Received from customers	\$ 4,579,126	\$ 4,617,344
Paid to suppliers for goods and services	(2,606,894)	(2,618,041)
Paid to or on behalf of employees for services	<u>(1,437,089)</u>	<u>(1,246,313)</u>
Net change in cash for operating activities	<u>535,143</u>	<u>752,990</u>
Cash flows from investing activities		
Acquisition and construction of capital assets	(423,626)	(219,682)
Interest on investments	13,293	18,411
Proceeds from sale of capital assets	<u>250</u>	<u>425</u>
Net change in cash for investing activities	<u>(410,083)</u>	<u>(200,846)</u>
Cash flows from capital and related financing activities		
Contributed capital received	173,864	186,794
(Decrease) increase in customer deposits	3,577	(18,466)
Interest paid on long term debt	(87,937)	(101,890)
Principal paid on long term debt	(427,971)	(474,271)
Decrease (increase) in restricted assets	<u>(228,836)</u>	<u>(230,014)</u>
Net change in cash for capital and related financing activities	<u>(567,303)</u>	<u>(637,847)</u>
Change in cash and cash equivalents	(442,243)	(85,703)
Cash and cash equivalents-beginning of year	<u>2,849,537</u>	<u>2,935,240</u>
Cash and cash equivalents-end of year	<u>\$ 2,407,294</u>	<u>\$ 2,849,537</u>
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income	\$ (125,019)	\$ 170,009
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	617,173	614,835
Change in operating assets and liabilities		
(Increase) decrease in receivables	8,153	(415)
(Increase) decrease in inventories	47,899	(64,572)
(Increase) Decrease in prepaid assets	(8,981)	(4,849)
Decrease in accounts payable	47,810	(17,187)
Increase in other accrued liabilities	<u>(51,892)</u>	<u>55,169</u>
Net cash provided by operating activities	<u>\$ 535,143</u>	<u>\$ 752,990</u>
Supplemental information		
Interest paid	<u>\$ 87,937</u>	<u>\$ 101,890</u>
Non-cash contribution to fixed assets	<u>\$ -</u>	<u>\$ -</u>

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

BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021
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NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Bullock Pen Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Boone, Kenton, Pendleton, and Gallatin Counties in Kentucky. The District was created by the Grant County Fiscal Court under the provisions of chapter 74 of the Kentucky Revised Statutes (KRS) in 1957.

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. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

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.

Cash Equivalents

For purposes of the balance sheets and the statements 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 to the Kentucky Department of Local Government website by 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.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

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 asset under construction is ready for use, related costs are transferred to the asset account. The Construction in Progress account was \$93,408 and \$72,499 at December 31, 2022 and 2021, respectively.

Miscellaneous Deferred Charges

Bond premiums and discounts are deferred and amortized over the life of the bond. The District amortizes expenses related to tapping into the Northern Kentucky Water District. The District also amortizes costs associated with the preparation, filing, and completion of its rate case proceedings.

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 other contributions to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors.

During 2022 and 2021 these contributions consisted of the following:

<u>Source</u>	<u>2022</u>	<u>2021</u>
Tap in fees and construction costs paid by new customers	\$ 137,000	\$ 109,000
Grants	5,000	-
Surcharges - Phases 5, 6, 8, and 10	31,864	77,794
Total income received in aid of construction	173,864	186,794
Waterlines and related infrastructure received without cost	-	-
Total capital contributions	<u>\$ 173,864</u>	<u>\$ 186,794</u>

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, sales of fixed assets and interest income.

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits consist of checking accounts and 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,” “Certificates of Deposit,” and “Restricted Assets”. The balances for “Cash and Cash Equivalents” were \$2,407,294 and \$2,635,312 at December 31, 2022 and 2021, respectively. The balances for “Certificates of Deposit” were \$0 and \$214,225 at December 31, 2022 and 2021, respectively. The balances for “Restricted Assets,” net of accounts receivable - surcharges were \$1,968,915 and \$1,737,450 at December 31, 2022 and 2021, respectively. The District has amounts on deposit with two banks in excess of FDIC insured amounts. The banks have pledged collateral agreements to cover such excess amounts. At December 31, 2022, all amounts held on deposit by the District were sufficiently collateralized.

Investments are reported at fair value which is determined using the selected basis. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair market value.

The District’s investments are categorized to give an indication of the level of risk assumed by the District at December 31, 2022 and 2021. The categories are described as follows:

Category 1 – Insured and registered, with securities held by the entity or its agent in the entity’s name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the entity’s name;

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity’s name.

The District’s investments at December 31, 2022 are as follows:

At December, 31, 2022	Category 1	Category 2	Category 3	Fair Value/ Carrying Cost	Cost
Operation and maintenance	\$ 2,414,209	\$ -	\$ -	\$ 2,414,209	\$ 2,414,209
Customer deposits	379,877	-	-	379,877	379,877
Debt payment accounts	548,390	-	52,359	600,749	600,749
Current and replacement reserve	981,374	-	-	981,374	981,374
Total	\$ 4,323,850	\$ -	\$ 52,359	\$ 4,376,209	\$ 4,376,209

The District’s investments at December 31, 2021 are as follows:

At December, 31, 2021	Category 1	Category 2	Category 3	Fair Value/ Carrying Cost	Cost
Operation and maintenance	\$ 2,854,733	\$ -	\$ -	\$ 2,854,733	\$ 2,854,733
Customer deposits	327,456	-	-	327,456	327,456
Debt payment accounts	434,818	-	51,623	486,441	486,441
Current and replacement reserve	918,357	-	-	918,357	918,357
Total	\$ 4,535,364	\$ -	\$ 51,623	\$ 4,586,987	\$ 4,586,987

BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021
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NOTE 3 – RESTRICTED NET POSITION

Net position is comprised of 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 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 are attributable to the acquisition, construction and improvement of those assets. The restricted portion of net position consists of assets, net of related liabilities, 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, net of related liabilities, not included in the above categories.

The following amounts are included in restricted net position at December 31, 2022 and 2021:

	2022	2021
Current reserve fund - USRDA	\$ 143,400	\$ 143,400
Debt payment account	144,200	159,556
Customer deposits - current	155,312	155,312
Account receivable - surcharge	1,320	4,077
Accrued interest payable	(7,185)	(7,775)
Portion of bonds payable	(34,000)	(33,000)
Maintenance and replacement	655,540	650,140
Total restricted net position	<u>\$ 1,058,587</u>	<u>\$ 1,071,710</u>

NOTE 4 – 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. 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	10-50 years
Furniture and fixtures	3-10 years
Machinery and equipment	5-25 years
Transportation equipment	3-13 years
Transmission lines and distribution systems	50 years

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

The capital asset balances at December 31, 2022 and 2021 are as follows:

Asset Type	Balance at December 31, 2021	Additions	Retirements	Balance at December 31, 2022
Land	\$ 230,314	\$ -	\$ -	\$ 230,314
Buildings and improvements	1,698,724	227,517	-	1,926,241
Construction in progress	72,499	20,909	-	93,408
Distribution reservoirs and standpipes	3,926,053	-	-	3,926,053
Furniture and fixtures	76,346	-	-	76,346
Hydrants	1,295,225	-	-	1,295,225
Meter system and installation	4,584,290	140,431	-	4,724,721
Other plant equipment	654,659	20,368	-	675,027
Transmission mains	16,302,935	-	-	16,302,935
Transportation equipment	320,435	13,600	(1,803)	332,232
Water treatment equipment	115,603	801	-	116,404
Subtotal	29,277,083	423,626	(1,803)	29,698,906
Accumulated depreciation	(12,654,573)	(615,540)	1,803	(13,268,310)
Capital Assets, net	\$ 16,622,510	\$ (191,914)	\$ -	\$ 16,430,596

NOTE 5 – BONDED INDEBTEDNESS

Water Works System Revenue Bonds, U.S. Department of Agriculture 1982

On August 6, 1982, the District sold \$125,000 of revenue bonds for the purpose of financing the costs of major water system facilities. All bonds mature on January 1st of each year beginning in 1984 and ending in 2022. Interest is payable on January 1st and July 1st of each year and principal is due in annual installments on January 1st through 2022. Final payment was made in 2021.

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2001C - Refinancing

On July 31, 2002, the District sold \$574,000 of revenue bonds for the purpose of refinancing existing obligations. All bonds mature on February 1st of each year beginning in 2003 and ending in 2021. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2021. Final payment was made in 2021.

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2005B - Phase 8

On October 19, 2005, the District sold \$514,000 of revenue bonds for the purpose of funding its Phase 8 waterline extension project. All bonds mature on February 1st of each year beginning in 2007 and ending in 2031. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2031. The remaining debt service is as follows:

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2023	4.34%	\$ 22,000	\$ 10,557	\$ 32,557
2024	4.34%	23,000	9,581	32,581
2025	4.39%	25,000	8,533	33,533
2026	4.44%	26,000	7,407	33,407
2027	4.465%	28,000	6,205	34,205
2028-2031	4.465-4.590%	123,000	11,572	134,572
Totals		\$ 247,000	\$ 53,855	\$ 300,855

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2005B - Phase 10

On October 19, 2005, the District sold \$290,000 of revenue bonds for the purpose of funding its Phase 10 waterline extension project. All bonds mature on February 1st of each year beginning in 2007 and ending in 2031. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2031. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2023	4.34%	\$ 12,000	\$ 5,949	\$ 17,949
2024	4.34%	14,000	5,384	19,384
2025	4.39%	14,000	4,773	18,773
2026	4.44%	15,000	4,133	19,133
2027	4.465%	15,000	3,465	18,465
2028-2031	4.465-4.590%	69,000	6,459	75,459
Totals		\$ 139,000	\$ 30,163	\$ 169,163

NOTE 6 – NOTES PAYABLE

Kentucky Infrastructure Authority - Drinking Water Supply Project 2002

On February 1, 2002, the District signed a note from the Kentucky Infrastructure Authority for \$350,367 to fund waterline replacement and extension projects. Water system revenues serve as collateral for this loan. The note carries an interest rate of 3.80% and matures on December 1, 2022. Final payment was made in 2022.

Kentucky Infrastructure Authority - Drinking Water Supply Project 2003

On November 1, 2003, the District signed a note from the Kentucky Infrastructure Authority for \$1,210,604 to fund waterline extension projects and the Mt. Zion water tank installation. Water system revenues serve as collateral for this loan. The note carries an interest rate of 3.0% and matures on June 1, 2024. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2023	3.00%	\$ 78,150	\$ 2,961	\$ 81,111
2024	3.00%	39,956	600	40,556
Totals		\$ 118,106	\$ 3,561	\$ 121,667

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

Kentucky Infrastructure Authority – Drinking Water Supply Project 2010

During 2009, the District executed a drawdown loan with the Kentucky Infrastructure Authority for \$2,192,700 to finance the Phase 6 waterline extension project. The final draw on this loan was taken on February 15, 2011. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 3.0% and matures on December 1, 2030. The remaining debt service is as follows:

<u>Year</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2023	3.00%	\$ 116,385	\$ 30,206	\$ 146,591
2024	3.00%	119,903	26,688	146,591
2025	3.00%	123,527	23,064	146,591
2026	3.00%	127,260	19,331	146,591
2027	3.00%	131,107	15,484	146,591
2028-2030	3.00%	417,578	22,197	439,775
Totals		<u>\$ 1,035,760</u>	<u>\$ 136,970</u>	<u>\$ 1,172,730</u>

Kentucky Infrastructure Authority – Drinking Water State Revolving Loan Fund 2012

During 2012, the District executed a drawdown loan with the Kentucky Infrastructure Authority for \$1,796,300 to finance the Phase 12 500,000 gallon water tower storage tank. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 2.0% and matures on June 1, 2034. The final draw on this loan was deposited on October 23, 2014. The remaining debt service is as follows:

<u>Year</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2023	2.00%	\$ 87,468	\$ 21,947	\$ 109,415
2024	2.00%	89,226	20,189	109,415
2025	2.00%	91,020	18,395	109,415
2026	2.00%	92,849	16,566	109,415
2027	2.00%	94,716	14,699	109,415
2028-2032	2.00%	502,912	44,163	547,075
2033-2034	2.00%	160,894	3,226	164,120
Totals		<u>\$ 1,119,085</u>	<u>\$ 139,185</u>	<u>\$ 1,258,270</u>

Kentucky Infrastructure Authority - Drinking Water State Revolving Loan Fund 2015

On September 10, 2015, the District executed a drawdown loan with the Kentucky Infrastructure Authority in order to finance its Phase 14 looped lines. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 1.75% and matures on June 1, 2036. The final draw on this loan was deposited on August 25, 2016. The remaining debt service is as follows:

BULLOCK PEN WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2023	1.75%	\$ 11,013	\$ 2,982	\$ 13,995
2024	1.75%	11,207	2,788	13,995
2025	1.75%	11,404	2,591	13,995
2026	1.75%	11,605	2,390	13,995
2027	1.75%	11,808	2,187	13,995
2028-2032	1.75%	62,229	7,745	69,974
2033-2036	1.75%	53,838	2,140	55,978
Totals		<u>\$ 173,104</u>	<u>\$ 22,823</u>	<u>\$ 195,927</u>

NOTE 7 – CAPITAL LEASES

BB&T - 2013

On October 29, 2013, the District signed a capital lease agreement with BB&T for \$769,465, which served to relinquish the District's obligations on its December 28, 1978 bond debt through the U.S. Department of Agriculture and its May 15, 2002 Series 2001C – Surcharge and Series 2001C – Phase V bond debt through the Kentucky Rural Water Finance Corporation. The interest rate is fixed at 2.80%. Principal and interest payments are due on the twenty-ninth day of each month beginning November 29, 2013 and ending October 29, 2023.

Future minimum lease payments are as follows:

Year	Interest Rate	Principal Amount	Interest Amount	Total Lease Payment
2023	2.80%	\$ 72,686	\$ 1,049	\$ 73,735
Totals		<u>\$ 72,686</u>	<u>\$ 1,049</u>	<u>\$ 73,735</u>

NOTE 8 – INDEBTEDNESS SUMMARY

The changes in long-term indebtedness for 2022 are as follows:

Debt Instrument	Balance at December 31, 2021	Additions	Retirements	Balance at December 31, 2022
KRW series 2005B bonds - Phase 8	\$ 268,000	\$ -	\$ (21,000)	\$ 247,000
KRW series 2005B bonds - Phase 10	151,000	-	(12,000)	139,000
Note payable - KIA 2002	24,469	-	(24,469)	-
Note payable - KIA 2003	193,964	-	(75,857)	118,107
Construction loan - KIA	1,148,730	-	(112,971)	1,035,759
Construction loan -Phase 12 - KIA	1,204,830	-	(85,745)	1,119,085
Note payable - KIA 2015	183,927	-	(10,823)	173,104
Capital lease - BB&T	157,792	-	(85,106)	72,686
Subtotal	<u>3,332,712</u>	<u>\$ -</u>	<u>\$ (427,971)</u>	<u>2,904,741</u>
Less: current portion of long-term debt	<u>(427,968)</u>			<u>(399,703)</u>
Total Long-Term Indebtedness	<u>\$ 2,904,744</u>			<u>\$ 2,505,038</u>

BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021
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NOTE 9 - 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, 2021:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	77,367	76,946
Inactive Plan Members	100,738	28,719
Retired Members	67,206	37,584
	<u>245,311</u>	<u>143,249</u>
Number of participating employers		<u>1,141</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

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

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:

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

Contributions

The District contributed 26.95% of covered-employee's compensation (from January – June 2022) of which 21.17% was for the pension fund and 5.78% was for the health insurance fund and contributed 26.79% of covered-employee's compensation (from July – December 2022), of which 23.40% was for the pension fund and 3.39% 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 \$216,890, of which \$179,653 was for the pension fund and \$37,238 was for the health insurance fund.

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

At December 31, 2022, the District reported a liability of \$2,077,185 as its proportionate share of the net pension liability. The 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 District's proportion of the net pension liability 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, 2022 measurement year, the District's non-hazardous employer allocation proportion was 0.02873% of the total CERS non-hazardous duty employees. For the year ended December 31, 2022, the District recognized a pension benefit of \$47,612 in addition to its \$179,653 pension contribution.

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 2,221	\$ (18,498)
Net difference between projected actual earnings on plan investments	53,252	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,485	(76,728)
Contributions subsequent to the measurement date	92,173	-
	<u>\$ 156,131</u>	<u>\$ (95,226)</u>

The District's contributions subsequent to the measurement date of \$92,173 will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ (36,574)
2024	(36,248)
2025	(17,455)
2026	59,009
2027	-
Thereafter	-
	<u>\$ (31,268)</u>

Actuarial Methods and Assumptions for Determining the Net Pension Liability

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

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. 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 for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
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 3.55% to 19.05% varies by service for 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 active members was a Pub-2010 General Mortality table, for the Non-Hazardous 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 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was 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.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2021.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year,

BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021
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as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

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%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	<u>100.00%</u>	4.28%
Long-Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		<u>6.58%</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 2,596,223	\$ 2,077,185	\$ 1,647,897
Total	<u>\$ 2,596,223</u>	<u>\$ 2,077,185</u>	<u>\$ 1,647,897</u>

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.

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

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 5.78% of covered-employee's compensation (from January – June 2022) and contributed 3.39% of covered-employee's compensation (from July – December 2022) 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. For the year ended December 31, 2022, the District recognized OPEB expense of \$36,626 in addition to its \$37,238 OPEB contribution.

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

At December 31, 2022, the District reported a liability of \$566,971 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability 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, 2022 measurement year, the District's proportion of the total non-hazardous plan was 0.02873%.

BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021
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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	\$ 57,070	\$(130,020)
Net difference between projected actual earnings on plan investments	23,012	-
Changes of assumptions	89,670	(73,888)
Changes in proportion and differences between contributions and proportionate share of contributions	4,694	(32,717)
Contributions subsequent to the measurement date	13,354	-
	<u>\$ 187,800</u>	<u>\$(236,625)</u>

The District's contributions subsequent to the measurement date, \$13,353 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ (7,609)
2024	(9,376)
2025	(41,677)
2026	(3,516)
2027	-
Thereafter	-
	<u>\$ (62,178)</u>

Actuarial Methods and Assumptions to Determine the Net OPEB Liability

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

<p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021</p>

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
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 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the 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 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

BULLOCK PEN WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 as of June 30, 2022, 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 decreased from 5.20% to 5.70%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 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 5.70% for CERS Nonhazardous, 5.61% for CERS Hazardous, 5.72% for KERS Nonhazardous, and 5.59% for KERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, 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. 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:

BULLOCK PEN WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

Asset Class	CERS Pensions	Long Term
	Non-Hazardous Target Allocation	Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit /high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.70% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.70%	5.70%	6.70%
Net OPEB liability, Non-Haz	\$ 757,949	\$ 566,971	\$ 409,095
Total	\$ 757,949	\$ 566,971	\$ 409,095

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 421,530	\$ 566,971	\$ 741,617
Total	\$ 421,530	\$ 566,971	\$ 741,617

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.

BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2022 and 2021
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NOTE 10 – KENTUCKY PUBLIC EMPLOYEES DEFERRED COMPENSATION AUTHORITY

During 1999, the District approved employee participation in a deferred compensation plan administered by the Kentucky Public Employees' Deferred Compensation Authority (Authority). The Authority is authorized under KRS 18A.230-18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school, and university employees and employees of local political subdivisions that have elected to participate. The District has elected to participate in Plan II, authorized under Section 401(k) of the United States Internal Revenue Code. The plan is funded 100% by payroll deductions from those employees who have elected to participate. The District makes the payroll deduction and then forwards the funds to the Authority.

NOTE 11 – RELATED PARTY TRANSACTIONS

The staff of the Bullock Pen Water District operates the Grant County Sewer District as well. The District receives a management fee from the Grant County Sewer District for these services. This fee was \$210,457 and \$199,605 in 2022 and 2021, respectively. The District has \$22,945 and \$24,439 in accounts receivable from Grant County Sanitary Sewer District at December 31, 2022 and 2021, respectively. The Chairman of the Board of Commissioners and two other commissioners of the District serve on the boards of both the Bullock Pen Water District and the Grant County Sewer District.

NOTE 12 – ECONOMIC DEPENDENCY/CREDIT RISK

Bullock Pen Water District is a government agency operating with one office in Crittenden, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Grant, Boone, Kenton, Pendleton, and Gallatin Counties in Kentucky.

NOTE 13 – CONCENTRATIONS

The District has agreements to purchase water from the cities of Walton and Williamstown, Kentucky, the Northern Kentucky Water District, and the Boone County Water District.

NOTE 14 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022
Statement No. 92 – *Omnibus 2020* – FY 2022
Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022
Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2022
Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2022
Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022
Statement No. 98 – *The Annual Comprehensive Financial Report* – FY 2022

The implementation of these standards had no significant effect on the District.

NOTE 15 – FUTURE ACCOUNTING STANDARDS

Statement No. 91 – *Conduit Debt Obligations* – FY 2023
Statement No. 99 – *Omnibus 2022* – FY 2023

BULLOCK PEN WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 16 – SUBSEQUENT EVENTS

Management has considered subsequent events through May 25, 2023, which represents the date financial statements were available to be issued. The District did not have any events subsequent to December 31, 2022 through May 25, 2023 to disclose.

BULLOCK PEN WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.02873%	0.03047%	0.03030%	0.02962%	0.02981%	0.02981%	0.029140%	0.000286%		
Proportionate share of the net pension liability (asset)	\$ 2,077,185	\$ 1,942,702	\$ 2,324,062	\$ 2,083,117	\$ 1,831,050	\$ 1,744,695	\$ 1,434,946	\$ 1,230,260		
Covered payroll in year of measurement (July - June)	\$ 794,244	\$ 774,035	\$ 780,408	\$ 747,119	\$ 745,154	\$ 725,718	\$ 695,170	\$ 657,389		
Share of the net pension liability (asset) as a percentage of its covered payroll	261.53%	250.98%	297.80%	278.82%	245.73%	240.41%	206.42%	187.14%		
Plan fiduciary net position as a percentage of total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	55.50%	59.97%	66.80%		

Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 179,653	\$ 153,285	\$ 152,767	\$ 135,077	\$ 115,310	\$ 101,240	\$ 82,800	\$ 85,431	\$ 89,218	
Actual contribution	\$ 179,653	\$ 153,285	\$ 152,767	\$ 135,077	\$ 115,310	\$ 101,240	\$ 82,800	\$ 85,431	\$ 89,218	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll in District's fiscal year (Jan. - Dec.)	\$ 807,126	\$ 757,304	\$ 791,539	\$ 759,365	\$ 751,353	\$ 738,397	\$ 702,547	\$ 681,485	\$ 658,224	
Contributions as a percentage of covered payroll	22.26%	20.24%	19.30%	17.79%	15.35%	13.71%	11.79%	12.54%	13.55%	

Notes to Required Supplementary Information
for the Year Ended December 31, 2022

The net pension liability as of December 31, 2022, is based on the June 30, 2022, actuarial valuation. The changes to the elements of the pension expense, 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 9 in the Notes to the Financial Statements.

BULLOCK PEN WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.028730%	0.030460%	0.030293%	0.029610%	0.030060%					
Proportionate share of the net OPEB liability (asset)	\$ 566,971	\$ 583,199	\$ 731,460	\$ 498,044	\$ 533,780					
Covered payroll in year of measurement (July - June)	\$ 794,244	\$ 774,035	\$ 780,408	\$ 747,119	\$ 745,154					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	71.38%	75.35%	93.73%	66.66%	71.63%					
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%					

Schedule of the District's OPEB Fund Contributions
County Employees' Retirement System (CERS)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 37,238	\$ 39,934	\$ 37,677	\$ 38,010	\$ 37,410	\$ 36,647				
Actual contribution	\$ (37,238)	\$ (39,934)	\$ (37,677)	\$ (38,010)	\$ (37,410)	(36,647)				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll in District's fiscal year (Jan. - Dec.)	\$ 807,126	\$ 757,304	\$ 791,539	\$ 759,365	\$ 751,353	\$ 738,397				
Contributions as a percentage of covered payroll	4.61%	5.27%	4.76%	5.01%	4.98%	4.96%				

Notes to Required Supplementary Information
for the Year Ended December 31, 2022

The net OPEB liability as of December 31, 2022, is based on the June 30, 2022, actuarial valuation. The changes to the elements of the OPEB expense, 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 9 in the Notes to the Financial Statements.

BULLOCK PEN WATER DISTRICT SCHEDULES OF OPERATIONS, MAINTENANCE AND ADMINISTRATIVE EXPENSES For the Years Ending December 31, 2022 and 2021
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	<u>2022</u>	<u>2021</u>
Operations, maintenance and administrative expenses		
Salaries and wages - employees	\$ 829,425	\$ 798,177
Employee pension and benefits	542,072	490,105
Advertising	1,605	187
Bad debt expense	32,618	31,755
Chemicals	87,327	51,886
Commissioners' fees	13,700	13,200
Contractual services - accounting	56,737	49,262
Contractual services - engineering	6,373	7,508
Contractual services - legal	22,585	28,226
Contractual services - management	1,262	1,541
Contractual services - water test	14,724	9,599
Contractual services - other	147,540	91,588
Insurance - general liability	22,409	22,097
Insurance - other	1,580	2,413
Insurance - vehicle	10,442	7,514
Insurance - workers' compensation	8,427	8,551
Materials and supplies	268,117	171,076
Miscellaneous	1,087	6,275
Payroll taxes	63,374	60,404
Purchased power	107,270	90,546
Rental of property and equipment	4,044	1,780
Transportation	39,125	23,843
Utility regulatory assessment	6,894	8,984
	<u>6,894</u>	<u>8,984</u>
Total operations, maintenance and administrative expenses	<u><u>\$ 2,288,737</u></u>	<u><u>\$ 1,976,517</u></u>

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

**To the Board of Commissioners
Bullock Pen Water District
Crittenden, 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 Bullock Pen Water District, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Bullock Pen Water District's basic financial statements, and have issued our report thereon dated May 25, 2023.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Bullock Pen 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 Bullock Pen Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bullock Pen 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 any deficiencies in internal control that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bullock Pen Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. Noncompliance 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 25, 2023