CALDWELL COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

CALDWELL COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Caldwell County Water District
Princeton, Kentucky

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

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

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Caldwell County Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Caldwell 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 Caldwell 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 budgetary comparison information, schedule of pension contributions, schedule of other postemployment benefits contributions, schedule of proportionate share of net pension liability, and schedule of proportionate share of other postemployment benefits liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Management is responsible for the other information included in the annual report. The other information is comprised of the detailed schedule of operating expenses 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 a report dated July 3, 2023, on our consideration of the Caldwell County Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eddyville, Kentucky
July 3, 2023

CALDWELL COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022
(UNAUDITED)

The Caldwell County Water District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the year ended December 31, 2022. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources of the District exceed its total liabilities and deferred inflows of resources at December 31, 2022, by $6,338,565 (Net Position). Of this amount, $326,806 represents the unrestricted net position.
- The District's net position decreased by 8,336.
- The District's 2022 operating revenues of $1,497,928 increased $112,040, and operating expenses for 2022 of $1,466,508 increased $232,974. Non-operating income for 2022 consisted of interest income of $1,175 and grant income of $25,805. Capital contributions consisted of tap on fees totaling $27,890.
- The District's unrestricted cash available for operating expenses was $871,612 at December 31, 2022.
- The District's investment in capital assets was $7,652,014 net of depreciation at December 31, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

Caldwell Count Water District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements.

The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

Statement of net position. The statement of net position presents the financial position of the District. It presents information on the District'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 District is improving or deteriorating. The statement of net position can be found on page 9 of this report.

Statement of revenues, expenses and changes in net position. The statement of revenues, expenses and changes in net position presents information showing how the District'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. Revenues are recognized when they are earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The statement of revenues, expenses and changes in net position is on page 10 of this report.

Statement of cash flows. The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year and can be found on page 11 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 District's financial statements. The notes to the financial statements can be found on pages 12-32 of this report.

Supplementary Information. In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on page 33-41.

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $6,338,565 as of December 31, 2022.

The District's overall financial position and operations for the past two years are summarized as follows:

CALDWELL COUNTY WATER DISTRICT'S NET POSITION

	2022	2021
Assets		
Current and other assets	$ 2,020,721	$ 1,861,432
Capital assets	7,652,014	7,853,354
Total Assets	9,672,735	9,714,786
Deferred Outflows of Resources	237,020	279,045
Liabilities		
Other liabilities	174,468	156,689
Current portion of long-term debt	114,000	75,000
Long-term liabilities	3,078,378	3,034,601
Total Liabilities	3,366,846	3,266,290
Deferred Inflows of Resources	204,344	380,638
Net Position		
Net investment in capital assets	5,200,123	5,319,133
Restricted	811,636	772,277
Unrestricted	326,806	255,491
Total Net Position	$ 6,338,565	$ 6,346,901

The largest portion of the District's net position (82%) reflects its investments in capital assets (e.g., land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies, mapping, and infrastructure), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (13%) represents resources that are subject to external restriction (debt service) on how they may be used. The unrestricted net position is $326,806.

Analysis of the District's Operations – Overall the District had a decrease in net position of $8,336.

The following table provides a summary of the District's operations for the year ended December 31, 2022 and 2021.

CALDWELL COUNTY WATER DISTRICT
CHANGES IN NET POSITION

	2022	2021
Revenues		
Operating revenues	$ 1,497,928	$ 1,385,888
Investment income	1,175	1,201
Grant income	25,805	-
Capital contributions	27,890	31,083
Total Revenues	1,552,798	1,418,172
Expenses		
Source of supply purchases	409,378	342,648
Administrative and general expenses	392,599	335,153
Depreciation and amortization	237,318	236,158
Transmission and distribution expenses	381,656	262,860
Interest on debt and other	94,626	104,922
Payroll and other taxes	19,248	23,250
Customer accounts expenses	19,629	17,437
Water treatment	7,069	5,812
Bad debts (recovery)	(389)	(78)
Total Expenses	1,561,134	1,328,162
Change in Net Position	(8,336)	90,010
Net Position - January 1	6,346,901	6,256,891
Net Position - December 31	$ 6,338,565	$ 6,346,901

FINANCIAL ANALYSIS OF THE DISTRICT'S OPERATIONS

Overall, the District's financial position is consistent with the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final budget passed by the board anticipated a decrease in the fund balance of $68,000. The actual operating revenue received exceeded the final budgeted revenue by $26,765. Final budgeted expenditures exceeded actual expenditures by $84,846. The budgetary figures and actual amounts are reported in the supplementary information on page 33.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for business-type activities as of December 31, 2022, amounts to $7,652,014 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants and facilities, machinery and equipment, and infrastructure.

	2022	2021
Business-type activities		
Capital assets, not being depreciated		
Land	$ 9,000	$ 9,000
Total capital assets, not being depreciated	9,000	9,000
Capital assets, being depreciated		
Transmission and distribution mains	6,671,649	6,841,139
Meters and installation	337,264	312,061
Office furniture and equipment	9,742	12,227
Vehicles and equipment	86,577	109,415
Hydrants	35,487	36,871
Structures and improvements	166,676	175,406
Distribution and reservoirs	192,162	200,173
Water treatment equipment	77,520	81,044
Shop and garage equipment	13,004	14,237
Pumping equipment	53,113	61,781
Total capital assets, being depreciated	7,643,194	7,844,354
Business-type activities capital assets, net	$ 7,652,194	$ 7,853,354

During the year ended December 31, 2022, the District acquired assets totaling $36,158.

Additional information on the District's capital assets can be found in Note 5 of this report.

Long-term and other debt

At the end of the current year, the Caldwell County Water District had total debt of $2,451,892. Long-term debt at December 31, 2022, was as follows:

	2022	2021
Waterworks revenue series 1999	$ 518,000	$ 518,000
Waterworks revenue series 2004	458,000	458,000
KACO Lease	1,380,000	1,455,000
KACO Lease Premium	95,892	103,221
Total	$ 2,451,892	$ 2,534,221

Interest expense of $94,626 was incurred during the year ended December 31, 2022.

Additional information on the District's long-term debt can be found in Note 6 of this report.

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the Caldwell County Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Jimmy Littlefield, CEO, Caldwell County Water District, 118 West Market Street, Princeton, KY 42445.

Caldwell County Water District
Statement of Net Position
December 31, 2022

Assets	
Current Assets	
Cash equivalents	$ 871,612
Customer accounts receivable (less allowance for uncollectible accounts of $22,096)	143,681
Unbilled revenue	95,164
Inventory	85,219
Prepayments	13,409
Restricted assets	
Cash equivalents	80,484
Investments	731,152
Total Current Assets	2,020,721
Noncurrent Assets	
Capital assets, net of depreciation	7,652,014
Total Noncurrent Assets	7,652,014
Total Assets	9,672,735
Deferred Outflows of Resources	
Related pensions	136,129
Related other postemployment benefits	100,891
Total Deferred Outflows of Resources	237,020
Total Assets and Deferred Outflows of Resources	9,909,755
Liabilities	
Current Liabilities	
Trade accounts payable	49,679
Accrued liabilities	21,590
Accrued interest on debt	22,715
Customers' deposits	80,484
Long-term debt due in one year	114,000
Total Current Liabilities	288,468
Noncurrent Liabilities	
Long-term debt due after one year	2,242,000
Net pension liability	657,045
Net other postemployment benefits liability	179,333
Total Noncurrent Liabilities	3,078,378
Total Liabilities	3,366,846
Deferred Inflows of Resources	
Related to pensions	11,406
Related to other post-employment benefits	97,047
Related to debt	95,891
Total Deferred Inflows of Resources	204,344
Total Liabilities Deferred Inflows of Resources	3,571,190
Net Position	
Net investment in capital assets	5,200,123
Restricted for	
Debt service	731,152
Customer deposits	80,484
Unrestricted	326,806
Total Net Position	$ 6,338,565

See accompanying notes and accountant's report.

Caldwell County Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2022

Operating Revenue	
Water revenues	$ 1,457,618
Other	40,310
Total Operating Revenues	1,497,928
Operating Expenses	
Source of supply purchases	409,378
Administrative and general expenses	392,599
Depreciation	237,318
Transmission and distribution expenses	381,656
Payroll and other taxes	19,248
Customer accounts expenses	19,629
Water treatment	7,069
Bad debts (recovery)	(389)
Total Operating Expenses	1,466,508
Operating Income (Loss)	31,420
Nonoperating Revenues (Expenses)	
Investment income	1,175
Grant income	25,805
Interest on debt	(94,626)
Total Nonoperating Revenue (Expenses)	(67,646)
Net Income Before Capital Contributions	(36,226)
Capital Contributions	27,890
Change in Net Position	(8,336)
Net Position-Beginning of Year	6,346,901
Net Position-End of Year	$ 6,338,565

See accompanying notes and accountant's report.

Caldwell County Water District
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities	
Cash received from customers	$ 1,454,735
Cash payments to suppliers for goods and services	(867,565)
Cash payments to employees for services	(355,305)
Net Cash Provided By Operating Activities	231,865
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(75,000)
Contributed capital	27,890
Acquisition of property, plant, and equipment	(35,978)
Proceeds from grants	25,805
Interest paid on debt	(77,075)
Net Cash Used By Capital and Related Financing Activities	(134,358)
Cash Flows From Investing Activities	
Income received on investments	518
Sale of investment securities	209,840
Purchase of investment securities	(241,074)
Net Cash Used By Investing Activities	(30,716)
Net Increase (Decrease) in Cash Equivalents	66,791
Cash Equivalents-Beginning of Year	885,305
Cash Equivalents-End of Year	$ 952,096
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income (Loss)	$ 31,420
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	237,318
Change in assets and liabilities	
Accounts receivable	(43,193)
Inventory	(16,162)
Prepayments	(1,253)
Deferred outflows of resources	42,025
Accounts payable	(294)
Customer deposits	7,468
Accrued liabilities	(6,947)
Deferred pension and OPEB liabilities	157,777
Deferred inflows of resources	(176,294)
Net Cash Provided By Operating Activities	$ 231,865
Reconciliation of Total Cash	
Current Assets - Cash	$ 871,612
Restricted Assets - Cash	80,484
Total Cash	$ 952,096

Non-cash Investing, Capital and Related Financing Activities - None

See accompanying notes and accountant's report.

Caldwell County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Caldwell County Water District, (the District), is a county water district supported by funds derived from the sale of water and is operated by a District Board. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. The District is located in Princeton, Kentucky and primarily serves rural Caldwell County.

The accounting and reporting policies of the District relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State, and Local Governmental Units and by the Financial Accounting Standards board (when applicable). The District follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the District are described below:

Principles Determining Scope of Reporting Entity

The District's financial report includes only the funds of the District. The District has no oversight responsibility for any other governmental entity and is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board pronouncement. The District's Board members are appointed by the County Judge Executive, a publicly elected official, and they have decision making authority: the authority to set rates, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Basis of Presentation

The accounts of the District are organized in accordance with the uniform system of accounts adopted by the Public Service Commission of Kentucky. Those accounts are organized on the basis of a proprietary fund type, specifically an enterprise fund. The operations of each fund are summarized by providing a separate set of self balancing accounts which include its assets, liabilities, net position, revenues and expenses. The following funds are used by the District:

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting and financial statements for a proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Reclassifications
Prior period financial statement amounts have been reclassified to conform to current period presentation. Operating income and net earnings for the prior period were not impacted by the reclassifications.

Budget
The District is required to follow budgetary guidelines established by the Public Service Commission and the Department of Rural Development. Those guidelines require:

1) The District to submit a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

2) The District is required to submit a budget to the Department of Rural Development for each fiscal year as stipulated in the bond agreement.

For the year ended December 31, 2022, the District has complied with budgetary guidelines.

Cash Equivalents/ Investments
Cash and cash equivalents are deposited with First Southern National Bank. District ordinances authorize the District to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, repurchase agreements, and demand deposits. All investments must be purchased through brokers/dealers or deposited with local financial institutions.

For the purpose of the statement of cash flows, the District considers all cash in banks and certificates of deposit with stated maturities of three months or less or available for withdrawal by management to be cash and cash equivalents. Cash equivalents consist of funds held in a sweep account in a financial institution.

Prepaid Items
Payments made to vendors for services that will benefit periods beyond December 31, 2022 are recorded as prepaid items.

Post Employment Benefits
Post employment benefits are those received by employees after termination of employment. The District provides no such benefits.

Capital Assets
Capital assets are stated at original cost as defined for regulatory purposes. The costs of additions to capital assets and replacement of retirement units are capitalized. Replacement of minor items of property is charged to expense as incurred. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant betterments are capitalized.

Contributions from customers for the purpose of purchasing service connections to the utility plant are recorded as income when they are received. Depreciation on contributed assets is recorded as an expense in the statement of revenue and expense. Capital assets are depreciated over the following useful lives:

Transmission and Distribution Equipment	20 to 65 years
Furniture, Machinery, and Equipment	5 to 10 years
Leasehold Improvements	15 to 25 years
Vehicles	3 to 5 years

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts has been provided based on an analysis of receivables outstanding more than 120 days. Based on past experience, management considers the allowance adequate to provide for any losses on collection of the December 31, 2022 accounts receivable.

Unearned Revenue

The District recognizes certain revenue transactions as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available.

Inventory

Inventories are generally used for repair and replacement of infrastructure and connection of new services and are stated at average cost.

Restricted Assets

The restricted assets have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. See Note 4 for information describing restricted assets.

Estimates

The preparation of the District's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the year ended December 31, 2022, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and OPEB liabilities deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and other OPEB information about the fiduciary net position of the County Employees Retirement System in the Kentucky Retirement Systems (KRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the County Employees Retirement System. Investments are reported as fair value.

Net Position

In the financial statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualify for reporting in this category.

Deferred outflows from pensions and other post employment benefits result from Commission contributions made subsequent to the measurement date and various changes resulting from actuarial pension/OPEB measurements. The contribution amount is deferred and will be recognized as a reduction of net position and other post employment liabilities in the year ending December 31, 2023. The various changes resulting from actuarial pension/OPEB measurements are deferred and amortized in future periods as a component of pension/OPEB expense.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category.

A deferred inflow from pensions and other postemployment benefits results from net differences between expected and actual earnings on pension plan investments. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

A deferred inflow from debt is created when a debt premium is given during refinancing. The debt premium is amortized over the remaining life of the debt. The annual amortization is recognized against interest expense.

Recent Accounting Pronouncements

As of December 31, 2022, the GASB has issued the following statements required to be adopted by the District.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was issued October 2021. The requirements of this statement are effective for fiscal years ending after December 15, 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued May 2019. The requirements of this Statement are effective for periods beginning after December 15 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There was no effect on the District's current financial statements.

Recent Accounting Pronouncements

As of December 31, 2022, the GASB has issued the following pronouncements not yet required to be adopted by the District.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. The provisions of this statement is to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs). The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. This Statement defines SBITA, establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The requirements of this Statement are effective for periods beginning after June 15, 2022, and June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, was issued in June 2022. The requirements of this Statement are effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District's management has not yet determined the effect this statement will have on the financial statements.

Subsequent Events
The District has evaluated subsequent events through July 03, 2023, the date which the financial statements were available to be issued.

2. LEGAL COMPLIANCE

Deficit Net Position
There was not a deficit net position for the year ended December 31, 2022.

Budgets
The District passed a budget with a deficit of $68,000. There was sufficient carryover from the prior year to compensate for the deficit.

Excess of Expenditures Over Appropriations
The District has an excess of actual expenditures over budget for the year ended December 31, 2022 of $84,846. This excess was due mainly to increased water purchases and transmission and distribution expenses.

3. DEPOSITS AND INVESTMENTS

1. Net Position
The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	Cash on Hand	Deposits	Total
Cash equivalents	$ 550	$ 871,062	$ 871,612
Restricted assets			
Cash equivalents	-	80,484	80,484
Investments	-	731,152	731,152
Total	$ 550	$ 1,682,698	$ 1,683,248

2. Deposits

At year-end, the carrying amount of the District's deposits in financial institutions were \$1,683,248, and the bank balances were \$1,720,409. Of the bank balances, \$977,000 is held in an Insured Cash Sweep account. \$731,152 are held in Certificates of Deposit. The District's remaining deposits of \$12,257 are covered by federal depository insurance corporation (FDIC).

3. Investments

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not place any limit on the amount that may be invested with one issuer. At December 31, 2022, the District had 100% of its investments in fully collateralized certificates of deposit.

Identification

At December 31, 2022, the District had the following investments:

Investment	Maturities	Fair Value
Certificates of Deposit:		
First Southern National Bank	07/05/2023	$ 443,173
First Southern National Bank	07/05/2023	287,979
Total Investments		$ 731,152

4. RESTRICTED NET POSITION

Restricted Net Assets

	Debt Retirement			
	Depreciation Fund	Sinking Fund	Customer Deposits	Total
Cash equivalents	$ -	$ -	$ 80,484	$ 80,484
Investments				
Certificates of deposit	443,173	287,979	-	731,152
Totals	$ 443,173	$ 287,979	$ 80,484	$ 811,636

Restricted Cash for Debt Retirement
The Caldwell County Water District Bonds (All Series) require the District establish a Sinking Reserve in an amount not less than the maximum amount of principal and interest requirements falling due in any twelve month period on all of the outstanding bonds. The District has been making the required monthly deposits of $18,028.50 to service the outstanding debt. At December 31, 2022, the balance of the Sinking Reserve was $287,979.

The Bonds also required that a Depreciation Account be funded monthly. The 1999 Series Bonds require that amounts be deposited over the life of the Bonds. The remaining series require the Depreciation Fund be funded until the balance reaches certain amounts with the maximum amount being $79,800. The District is funding the Depreciation Fund monthly as required, depositing $2,061 per month. At December 31, 2022, the balance of the Depreciation Fund was $443,173.

5. CAPITAL ASSETS

A summary of proprietary fund property, plant, and equipment at December 31, 2022 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 9,000	$ -	$ -	$ 9,000
Total capital assets, not being depreciated	9,000	-	-	9,000
Capital assets, being depreciated:				
Transmission and distribution mains	12,646,732	-	-	12,646,732
Meters and installation	490,406	34,958	-	525,364
Office furniture and equipment	70,782	-	-	70,782
Communication equipment	16,380	-	-	16,380
Vehicles and equipment	284,451	1,200	-	285,651
Hydrants	83,083	-	-	83,083
Power operated equipment	131,918	-	-	131,918
Structures and improvements	337,534	-	-	337,534
Distributions and reservoirs	482,758	-	-	482,758
Water treatment equipment	123,328	-	-	123,328
Shop and garage equipment	34,970	-	-	34,970
Pumping equipment	177,177	-	-	177,177
Total capital assets, being depreciated	14,879,519	36,158	-	14,915,677
Less accumulated depreciation for:				
Transmission and distribution mains	(5,805,594)	(169,490)	-	(5,975,084)
Meters and installation	(178,345)	(9,755)	-	(188,100)
Office furniture and equipment	(58,553)	(2,486)	-	(61,039)
Communication equipment	(16,380)	-	-	(16,380)
Vehicles and equipment	(175,036)	(24,036)	-	(199,072)
Hydrants	(46,212)	(1,385)	-	(47,597)
Power operated equipment	(131,918)	-	-	(131,918)
Structures and improvements	(162,129)	(8,730)	-	(170,859)
Distributions and reservoirs	(282,582)	(8,011)	-	(290,593)
Water treatment equipment	(42,286)	(3,524)	-	(45,810)
Shop and garage equipment	(20,734)	(1,233)	-	(21,967)
Pumping equipment	(115,396)	(8,668)	-	(124,064)
Total accumulated depreciation	(7,035,165)	(237,318)	-	(7,272,483)
Total capital assets, being depreciated, net	7,844,354	(201,160)	-	7,643,194
Business-type activities capital assets, net	$ 7,853,354	$ (201,160)	$ -	$ 7,652,194

Depreciation charged to income was $237,318.

Caldwell County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2022

6. DEBT OBLIGATIONS

Revenue Bonds Payable

Description	Interest Rate	Maturity Date	Balance 12/31/2022	Due in One Year
Revenue Bonds Payable				
USDA: Series 1999	3.25%	2039	$ 518,000	$ 21,000
USDA: Series 2004	4.125%	2044	458,000	13,000
KACO: Series 2019E	2.738%	2036	1,380,000	80,000
Total			2,356,000	$ 114,000
Less current portion			(114,000)	
Long-term portion			$ 2,242,000	

Principal and interest requirements of the revenue bonds payable as of December 31, 2022 are:

Year Ending December 31,	Principal	Interest & Fees	Total
2023	$ 114,000	$ 106,165	$ 220,165
2024	120,000	100,440	220,440
2025	122,000	94,390	216,390
2026	128,000	88,265	216,265
2027	135,000	81,815	216,815
2028-2032	784,000	303,376	1,087,376
2033-2037	675,500	135,084	810,584
2038-2042	215,500	36,938	252,438
2043-2044	62,000	3,150	65,150
Total	$ 2,356,000	$ 949,623	$ 3,305,623

Information on individual debt instruments follows:

Series 1999
During 1999, Caldwell County Water District adopted a resolution to issue $800,000 principal of Caldwell County Water District Water Revenue Bonds, Series 1999 dated December 30, 1999 for the purpose of line construction in Caldwell County.

Bond covenants require that a depreciation account be funded in the amount of $370 per month until the bonds are paid in full. The Sinking Fund is to be funded monthly with 1/6th of the next succeeding six-month interest payment and 1/12th of the principal of any bonds maturing on the next succeeding January 1st.

The bond covenants require that the rates for all utility services rendered by the District must be reasonable, must be audited annually, and must maintain adequate employee bonding and property insurance. The net revenues of the District must be equal to 120% of the maximum annual debt service that will be due each calendar year for both principal and interest on the bonds. Interest, at 3.25% is paid each January 1 and July 1.

Series 2004
During 2005, Caldwell County Water District adopted a resolution to issue $600,000 principal of Caldwell County Water District Water Revenue Bonds, Series 2004 dated September 27, 2005 for the purpose of line construction in Caldwell County.

Bond covenants require that a depreciation account be funded in the amount of $280 per month until there is accumulated in the Depreciation Fund the sum of at least $33,600. These deposits are in addition to those required under the Prior Second Lien Bond Resolution. The Sinking Fund is to be funded monthly with 1/6th of the next succeeding six-month interest payment and 1/12th of the principal of any bonds maturing on the next succeeding January 1st.

The bond covenants require that the rates for all utility services rendered by the District must be reasonable, must be audited annually, and must maintain adequate employee bonding and property insurance. The net revenues of the District must be equal to 120% of the maximum annual debt service that will be due each calendar year for both principal and interest on the bonds. Interest, at 4.125% is paid each January 1 and July 1.

KACO Lease Payable

On December 5, 2019, the District entered into a lease agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds 2019 First Series E. The proceeds were used to refinance the 1993, 1996, 2000, and 2002 USDA Refunding Bonds. The original bonds were issued for the purpose of new line construction. The new bonds were issued for $1,690,000, carry an interest rate range of 3.00% - 5.00%, and mature February 1, 2036. The bonds were issued with a lease premium of $118,490, which will be recognized over the life of the bond.

Changes in Business-Type Activities Debt

A summary of changes in the business-type activities debt for the year ended December 31, 2022 follows:

	Balance 12/31/2021	Proceeds	Principal Payments	Balance 12/31/2022	Due Within One Year
Business-Type Activities:					
Revenue Bonds Payable	$ 976,000	$ -	$ -	$ 976,000	$ 34,000
Lease Payable	1,455,000	-	75,000	1,380,000	80,000
Lease Premium	103,220	-	7,329	95,891	-
Total Business-Type Activities	$ 2,534,220	$ -	$ 82,329	$ 2,451,891	$ 114,000

Total interest paid for the year ended December 31, 2022 was $94,626.

7. EMPLOYEES' RETIREMENT PLAN

County Employees' Retirement System

Plan description. The District is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA). The CERS pension plan has two categories: Hazardous for sworn police and fire employees and Nonhazardous for general employees. The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute ("KRS") Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial containing CERS information that can be obtained from https://kyret.ky.gov.

Benefits provided. CERS provides retirement, health insurance, and death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years service. For retirement purposes, nonhazardous employees are grouped into three tiers, based on hire date.

Nonhazardous members

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
		Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
		Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After January 1, 2014
	Unreduced retirement	Minimum 5 years of service and 65 years old
		Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Plan Funding. State statute requires active members to contribute a percentage of creditable compensation based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers are required by state statute (KRS 78.545(33)) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the Board of Trustees annually based upon actuarial valuations. For the year ended December 31, 2022, the employer contribution rate was 22.78% for the period January 1, 2022 to June 30, 2022; and 23.40% for the period July 1, 2022 to December 31, 2022, respectively of members' nonhazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution requirements and the amounts contributed to CERS for the year ending December 31, 2022, were $57,815. Of this amount, $48,063 is considered contributed to the pension requirement and $9,752 is considered contributed to the health insurance requirement.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. *Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions*. At December 31, 2022, the District reported a liability of $657,045 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. There have been no actuarial assumptions 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, 2021. The proportionate share of the Collective Pension Amounts for employers that participate in KERS Nonhazardous plan is based upon their allocation of the amortization cost, as specified under the revised statutes. It is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2022. The final proportionate share calculation, which represents an employer's share of the long-term contribution effort assumes the amortization cost is approximately 90% of the aggregate required contribution for the fund. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions. At June 30, 2022, the District's proportion was .009089%.

Pension expense. As a result of its requirement to contribute to CERS, the District recognized pension expenses of $76,250 for the year ended December 31, 2022. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	$ 702	$ 5,851
Net differences between projected and actual investment earnings	16,844	-
Change of assumption	-	-
Changes in proportion and differences between employer contributions and share of contributions	93,140	5,555
Contributions subsequent to the measurement date	25,443	-
Totals	$ 136,129	$ 11,406

Deferred Outflows of Resources. The $1,683,248 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date 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:

Years Ending	Amortization/ (Accretion)
December 31, 2023	$ 62,364
December 31, 2024	23,773
December 31, 2025	(5,521)
December 31, 2026	18,664
Total	$ 99,280

Actuarial assumptions. 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.

The actuarial assumptions used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

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. 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.

The actuarial assumptions are:

Inflation	2.30%
Payroll growth rate	2.00% for CERS nonhazardous
Salary increases	3.30% to 10.30%, varies by service for CERS nonhazardous
Investment rate of return	6.25% for CERS nonhazardous

The mortality table used for active members was Pub-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for non-disabled 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.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the nonhazardous and hazardous plan.

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Growth	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	**100.00%**	
Expected real return		**4.28%**
Long-term inflation assumption		**2.30%**
Expected nominal return for portfolio		**6.58%**

Discount Rate. The projection of cash flows used to determine the discount rate of 6.25% for CERS nonhazardous and CERS 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 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

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

The District's proportionate share of the net pension liability	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
	$ 821,225	$ 657,045	$ 521,255

Payables to the pension plan. At December 31, 2022, the financial statements include $6,105 in contractually required employee and employer contributions primarily for the month ended December 31, 2022. The obligation was paid within prescribed time limits.

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Public Pensions Authority and can be found at https://kyret.ky.gov.

Other Postemployment Benefit Plan (OPEB)

CERS Medical Insurance Plan

*Plan descriptio*n. The District is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit postemployment benefit plan (OPEB) administered by the Kentucky Public Pensions Authority (KPPA). The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute ("KRS") Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial containing CERS information that can be obtained from https://kyret.ky.gov.

Benefits provided. The CERS Nonhazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Contributions. Per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District's required contribution rate for non-hazardous employees was 4.17% for the period January 1, 2022 to June 30, 2022; and 3.39% for the period July 1, 2022 to December 31, 2022.

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to 401(h) account is non-refundable.

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. At December 31, 2022, the District reported a net OPEB liability of $179,333 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022. At June 30, 2022, the District's proportion was .009087% for nonhazardous classified employees.

For the year ended December 31, 2022, the District recognized OPEB expense of $11,976. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Caldwell County Water District
Notes to the Financial Statements
For the Year Ended December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected & actual earnings on pension plan investments	$ 18,051	$ 41,125
Changes of assumptions	28,363	23,371
Net difference between projected and actual earnings on plan investments	7,279	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,075	32,551
Contributions subsequent to the measurement date, including implicit subsidy	11,123	-
Totals	$ 100,891	$ 97,047

The $11,123 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and the December 31, 2022, implicit subsidy 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 related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amortization/ (Accretion)
2024	$ (8,418)
2054	(1,850)
205	(785)
2027	3,774
	$ (7,279)

Actuarial Assumptions 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.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Inflation	2.30%
Payroll Growth Rate	2.00% CERS nonhazardous
Salary Increase	3.30% - 10.30%, varies by service for CERS nonhazardous
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, and 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 Plans, 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 form 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 increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumptions is 2.30% per annum for both the nonhazardous and hazardous plan.

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	**11.50%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	**100.00%**	
Expected real return		**4.28%**
Long-term inflation assumption		**2.30%**
Expected nominal return for portfolio		**6.58%**

Discount Rate. The single discount rate of 5.70% for CERS nonhazardous plans were used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. 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 actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Implicit Subsidy. The fully-insured premiums paid for Kentucky Employee's Health Plan are blended rates based on the combined experience of the active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. GASB Statement No. 75 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability. The District's implicit subsidy for the year ended December, 31, 2022, was $6,466.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of present, as well as what the plan's 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 (5.70%):

	1% Decrease 4.70%	Current Discount Rate 5.70%	1% Increase 6.70%
The District's proportionate share of the net OPEB liability	$ 239,740	$ 179,333	$ 129,397

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the Board's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as, what the Service's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The District's proportionate share of the net OPEB liability	$ 133,330	$ 179,333	$ 234,574

Payables to the OPEB plan. At December 31, 2022, the financial statements include $912 in contractually required employee and employer OPEB contributions primarily for the month ended December 31, 2022. The obligation was paid within prescribed time limits.

8. COMMITMENTS

Purchase Contracts

South Hopkins Water District

On March 3, 2004, the District entered into a long-term contract with South Hopkins Water District for the purchase of treated water. The contract for water is for a period of 40 years and calls for water sales not to exceed 250,000 gallons per month and not to exceed 15,000 gallons in any 24-hour period unless an emergency exists. The original rate calculation was equal to the cost of water from Dawson Springs, plus amortization of supply facilities ($0.12 per 1,000 gallons), plus additional plumbing costs, plus 25%. Effective July 12, 2019 the rate changed to $3.16 per 1,000 gallons. Payment is due by the 20th of each month. The District purchased $2,821 from South Hopkins Water District during the year ended December 31, 2022.

Princeton Water & Wastewater

On October 11, 2002, the District entered into a long-term contract with Princeton Water & Wastewater for the purchase of treated water. The contract for water is for a period of 45 years and calls for water sales not to exceed 12 million gallons per month. The rate increased on July 22, 2020 to $2.44 per 200 cubic feet. Payment is due by the 15th of each month. The District purchased $399,896 from Princeton Water & Wastewater during the year ended December 31, 2021.

Caldwell County Fiscal Court

On April 8, 2010, the District entered into a lease agreement with the Caldwell County Fiscal Court to lease the premises located at 118 W. Market Street. The term of this lease is for ten (10) years, ending on March 31, 2020, subject however to continuation of four (4) ten (10) year consecutive terms at the mutual agreement of both parties. There are no monetary terms associated with the lease; however, the District is responsible for taxes and insurance on the property.

9. PUBLIC SERVICE COMMISSION REGULATIONS

The District is required to file with the Public Service Commission (PSC) a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District has satisfied this requirement. The District has also filed the 2021 annual PSC Report as required. Further, the PSC requires that all customer deposit refunds be paid with interest. This requirement has been fulfilled.

10. ECONOMIC DEPENDENCIES

The majority of the District's revenue consists of charges for water-related services to customers in Caldwell County, Kentucky. For the year ended December 31, 2022, the revenues from these sources totaled $1,457,618. The District also receives monies from the United States Department of Agriculture and the Kentucky Infrastructure Authority whenever funds are available.

11. COMPENSATED ABSENCES

The District grants employees vacation time based on years of service. Full-time employees, with one (1) year continuous service, are entitled to vacation pay according to the following schedule:

1 to 3 years	1 week
3 to 10 years	2 weeks
10+ years	3 weeks

Employees must use vacation within the twelve month period after the time is earned. Upon termination of employment, an employee will be paid for all unused vacation leave. The liability for unused vacation time at December 31, 2022 was $7,144.

The District’s policy on sick pay states that employees will be granted one sick day per month. During the employee’s probationary period sick leave may be earned but not taken. Sick leave is forfeited upon termination of employment. The District’s policy is to recognize the cost of compensated medical leave when actually paid to employees.

12. LITIGATION

The District is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Caldwell County Water District
Schedule of Revenues, Expenses, and
Changes in Net Position - Budget and Actual
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget Positive
Revenues	Original	Final	Actual	(Negative)
Water revenues	$ 1,439,225	$ 1,439,225	$ 1,457,618	$ 18,393
Other	31,938	31,938	40,310	8,372
Total Operating Revenues	1,471,163	1,471,163	1,497,928	26,765
Operating Expenses				
Source of supply purchases	352,127	352,127	409,378	(57,251)
Administrative and general expenses	401,848	401,848	392,599	9,249
Transmission and distribution expenses	342,802	342,802	381,656	(38,854)
Depreciation	236,200	236,200	237,318	(1,118)
Customer accounts expenses	17,015	17,015	19,629	(2,614)
Payroll and other taxes	23,831	23,831	19,248	4,583
Water treatment	7,839	7,839	7,069	770
Bad debt expense (recovery)	-	-	(389)	389
Total Operating Expenses	1,381,662	1,381,662	1,466,508	(84,846)
Operating Income (Loss)	89,501	89,501	31,420	(58,081)
Nonoperating Revenues (Expenses)				
Investment income	1,312	1,312	1,175	(137)
Grant income	7,000	7,000	25,805	18,805
Interest on debt	(201,004)	(201,004)	(94,626)	106,378
Gain (loss) from disposal of assets	1,000	1,000	-	(1,000)
Total Nonoperating Revenue (Expenses)	(191,692)	(191,692)	(67,646)	124,046
Net Income before Capital Contributions	(102,191)	(102,191)	(36,226)	65,965
Capital Contributions	34,191	34,191	27,890	(6,301)
Change in Net Position	$ (68,000)	$ (68,000)	(8,336)	$ 59,664
Net Position-Beginning of Year			6,346,901	
Net Position-End of Year			$ 6,338,565	

Caldwell County Water District
Schedule of the Proportionate Share of the Net Pension Liability
For the Years Ended December 31
Last Ten Measurement Dates (1)

Year Ended	District's proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability (2)
CERS Nonhazardous					
2022	0.009089%	$ 657,045	$ 215,195	305.32%	52.42%
2021	0.008186%	521,922	260,648	200.24%	57.33%
2020	0.006174%	473,541	188,245	251.56%	47.81%
2019	0.008175%	574,951	196,087	293.21%	50.45%
2018	0.009120%	555,436	226,621	245.09%	53.54%
2017	0.012614%	738,336	246,805	299.16%	53.30%
2016	0.008170%	402,436	271,488	148.23%	55.50%
2015	0.008349%	358,949	193,784	185.23%	59.97%
2014	0.008651%	280,671	204,010	137.58%	66.80%

Note to Schedule:
(1) The amounts presented were determined as of the measurement date June 30. District payroll is reported for its' covered employees on a calendar year ending December 31.

(2) This will be the same percentage for all participant employers in the CERS Plan.

Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Caldwell County Water District
Schedule of Pension Contributions
For the Years Ended December 31
Last Ten Years

Year Ended	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
CERS Nonhazardous					
2022	$ 48,063	$ 48,063	$ -	$ 215,195	22.78% / 23.40%
2021	53,111	53,111	$ -	260,648	19.30% / 22.78%
2020	36,333	36,333	$ -	188,245	19.30% / 19.30%
2019	32,188	32,188	$ -	196,087	16.22% / 19.30%
2018	40,279	40,279	$ -	226,621	14.48% / 16.22%
2017	46,656	46,656	$ -	246,805	13.95% / 14.48%
2016	48,864	48,864	$ -	271,488	12.42% / 13.95%
2015	44,538	44,538	$ -	193,784	12.75% / 12.42%
2014	48,420	48,420	$ -	204,010	13.74% / 12.75%

Note to Schedule:

Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those allocated directly to the CERS pension fund.

Caldwell County Water District
Schedule of Changes in Benefits and Assumptions Pension
For the Year Ended December 31, 2022

Note A - Changes of Assumptions:

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

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.
The assumed rate of inflation was reduced from 3.50% to 3.25%.
The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
Payroll growth assumption was reduced from 4.50% to 4.00%.
The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

2017: The actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25%, net of pension plan investment expense including inflation

2018: There have been no changes in actuarial assumption since June 30, 2017.

2019: Payroll growth rate was reduced to 2.00% from 4.00%.
The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

2020: There have been no changes in actuarial assumptions since June 30, 2019.

2021: The assumed salary increases were decreased to 3.30% to 10.30%, from 3.30% to 11.55%.

2022: There have been no changes in actuarial assumptions since June 30, 2021.

Caldwell County Water District
Schedule of Changes in Benefits and Assumptions Pension
For the Year Ended December 31, 2022

Note B - Method and assumptions used in calculations of actuarially determined contribution

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 of June 30, 2021, to the plan's fiscal year ending June 30, 2022, using the generally accepted actuarial principles. The following actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2020
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30-year closed period at June 30, 2019. *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.*
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service for CERS nonhazardous
Investment rate of return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Note C - Changes in benefits:

2009: A new benefit tier for members who first participate on or after September 1, 2008, was introduced which included the following changes:

1. Tiered structure for benefit accrual rates.
2. New retirement eligibility requirements.
3. Different rules for the computation of final average compensation.

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014

2018: House Bill 185 was enacted, which updated benefit provisions for active members who die in the line of duty.

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2021: Senate Bill 169 passed during 2021 legislative session increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan.

2022: 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.

Caldwell County Water District
Schedule of the Proportionate Share of the Net OPEB Liability
For the Years Ended December 31
Last Ten Measurement Dates (1)

Year Ended	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability (asset)	District's covered employee payroll	District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (2)
CERS Nonhazardous					
2022	0.009087%	$ 179,333	$ 215,195	83.33%	60.95%
2021	0.008184%	156,679	260,648	60.11%	62.91%
2020	0.006172%	149,035	188,245	79.17%	51.67%
2019	0.008173%	137,466	196,087	70.10%	60.44%
2018	0.009119%	161,906	226,621	71.44%	57.62%
2017	0.012614%	253,585	246,805	102.75%	52.40%

Note to Schedule:
(1) The amounts presented were determined as of the measurement date June 30. District payroll is reported for its' covered employees on calendar year ending December 31.

(2) This will be the same percentage for all participant employers in the CERS Plan.

Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Caldwell County Water District
Schedule of OPEB Contributions
For the Years Ended December 31
Last Ten Years

Year Ended	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
CERS Nonhazardous					
2022	$ 9,752	$ 9,752	$ -	$ 215,195	4.17% / 3.39%
2021	13,938	13,938	$ -	260,648	4.76% / 4.17%
2020	8,959	8,959	$ -	188,245	4.76% / 4.76%
2019	12,040	12,040	$ -	196,087	5.26% / 4.76%
2018	13,054	13,054	$ -	226,621	4.70% / 5.26%
2017	11,641	11,641	$ -	246,805	4.73% / 4.70%

Note to Schedule:
Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those allocated directly to the CERS insurance fund.

Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Caldwell County Water District
Schedule of Changes in Benefits and Assumptions OPEB
For the Year Ended December 31, 2022

Note A - Changes of Assumptions:

2017: The actuarial valuation was performed as of June 30, 2016. Gabriel Roeder Smith Retirement Consulting rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017. Specifically, a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

2018: There have been no changes in actuarial assumptions since June 30, 2017.

2019: The payroll growth rate was reduced to 2.0% from 4.0%.

The inflation rate was reduced to 2.30% from 3.25%.

The investment rate of return was reduced to 6.25% from 7.50%.

2020: There have been no changes in actuarial assumptions since June 30, 2019.

2021: Salary increases were reduced to 3.30% to 10.30%, from 3.30% to 11.55%.

2022: There have been no changes in actuarial assumptions since June 30, 2021.

Note B - Method and assumptions used in calculations of actuarially determined contributions.

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 of June 30, 2021 to the plan's fiscal year ending June 30, 2022 using generally accepted actuarial principles. The actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2020
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30-year closed period at June 30, 2019. *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.*
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 CERS nonhazardous
Payroll growth rate	2.00%
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.300% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Caldwell County Water District
Schedule of Changes in Benefits and Assumptions OPEB
For the Year Ended December 31, 2022

Notes C - Changes of Benefits:

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2021: Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases.

Senate Bill 169 passed during 2021 legislative session increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan.

2022: Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement.

OTHER INFORMATION

Caldwell County Water District
Detail Schedule of Operating Expenses
For the Year Ended December 31, 2022

Water purchases	$ 409,378
General operating expenses	
Retirement	88,226
Salaries & wages	79,816
Other contract services	58,175
Employee insurance	41,680
Legal & professional	35,055
Fuel	25,938
Utilities	24,852
Insurance	20,199
Office supplies	9,860
Dues & subscriptions	4,073
Uniforms	2,819
Miscellaneous	989
License fees	700
Travel	149
Advertising	68
Total general operating expenses	392,599
Depreciation expense	237,318
Transmission and distribution expenses	
Salaries & wages	162,144
Supplies & materials	120,017
Repairs & maintenance	57,367
Contract labor - meter reading	31,285
Tools and equipment	9,866
Equipment rent	977
Total water expenses	381,656
Payroll and other taxes	19,248
Customer accounts expenses	
Postage	11,904
Credit card fees	7,725
Total customer accounts expenses	19,629
Water treatment	
Testing	7,069
Total water treatment	7,069
Bad debt expense (recovery)	(389)
Total operating expenses	$ 1,466,508

JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

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
Caldwell County Water District
Princeton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Caldwell County Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Caldwell County Water District's basic financial statements, and have issued our report thereon dated July 3, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Caldwell County Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2022-1).

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Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Caldwell County 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 with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

Jessica K Dail CPA PSC

Eddyville, Kentucky
July 3, 2023

2022-1 Segregation of Duties

Condition
There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria
A prudent control environment requires various functions of internal control be allocated among various employees.

Effect
Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

Cause
Lack of personnel.

Recommendation
We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Response
We agree with the finding and have put in place certain compensating controls to help alleviate exposure. A third party accounting firm assists in bookkeeping, payroll, and preparing monthly reports for Board review.

Caldwell County Water District
Schedule of Prior Year Findings and Responses
For The Year Ended December 31, 2021

2021-1 Segregation of Duties

Condition

There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria

A prudent control environment requires various functions of internal control be allocated among various employees.

Effect

Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

Cause

Lack of personnel.

Recommendation

We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Response

We agree with the finding and have put in place certain compensating controls to help alleviate exposure. A third party accounting firm assists in bookkeeping, pa