

CHRISTIAN COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

**CHRISTIAN COUNTY WATER DISTRICT
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INDEPENDENT AUDITORS' REPORT

Commissioners
Christian County Water District
Hopkinsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Christian County Water District as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christian County Water District as of December 31, 2019 and 2018, and the results of its operations and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended December 31, 2018, as discussed in Note 11 to the financial statements, Christian County Water District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and postemployment benefit schedules on pages 4-14 and 50-55 be presented to supplement the basic financial statements. Such information, 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

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Christian County Water District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of Christian County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to solely 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 Christian County Water District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

June 29, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The management of Christian County Water 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, 2019. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statements provided in this document.

Financial Highlights

- The District's net position increased by \$86,035 or 0.88% from \$9,732,365 to \$9,818,400 when compared to the previous year.
- Operating revenues increased by \$57,607 or 1.58% from \$3,635,941 to \$3,693,548 when compared to the previous year.
- Operating expenses (excluding depreciation) increased by \$79,224 or 2.78% from \$2,847,443 to \$2,929,667 when compared to the previous year.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: (1) basic financial statements and (2) notes to basic financial statements. The basic financial statements and notes to these statements reflect the accounts and activities of the District.

Required Financial Statements

The financial statements of the District report information utilizing the full accrual basis of accounting. This method of accounting recognizes revenues when earned instead of when received and recognizes expenses when incurred rather than when paid. The financial statements conform to accounting principles which are generally accepted in the United States of America.

Statement of Net Position

The Statement of Net Position includes information on the District's assets and deferred outflows and the District's liabilities and deferred inflows with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes in Net Position presents the results of the District's operations over the course of the operating cycle. This statement can be used to determine whether the District has successfully recovered all of its actual costs including depreciation through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the time of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and delayed payment of current year expenses.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

Statement of Cash Flows

The Statement of Cash Flows provides information on the District's cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash balance for the operating cycle.

Financial Analysis of the Year Ended December 31, 2019

Over the past year, total assets and deferred outflows of the District decreased by \$214,059 while total liabilities and deferred inflows decreased by \$300,094. And, for the current period, the operating income of the District totaled \$180,306.

Condensed Statements of Net Position

The Statement of Net Position, shown in tabular format below, represents information on all of the District's assets and deferred outflows and the District's liabilities and deferred inflows with the difference between them reported as net position. The District's total net position increased in the current year by \$86,035 or 0.88%.

Our analysis that follows focuses on the District's net position (shown in Table 1) and the changes in components of net position (shown in Table 2) during the year.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

**TABLE 1
Condensed Statements of Net Position**

Analysis of Net Position

To better understand the District's actual financial positions and its ability to deliver services in future periods, the reader will need to review the various components of the net position category and obtain an understanding of how each related specifically to the business activities that we perform. For example, \$7,195,821 or 73.29% of net position represents investment in plant assets which is the lifeblood to the provision of water services. Another portion of net position, \$3,081,452 or 31.38% represents funds set aside for payment of debt, refunding of customer deposits and capital purchases.

	2019	2018	Change in FY 2018 to FY 2019	
			Amount	Percent
Current and other assets	\$ 4,666,243	\$ 4,623,051	\$ 43,192	0.93%
Capital assets, net	16,359,748	16,617,680	(257,932)	-1.55%
Total assets	21,025,991	21,240,731	(214,740)	-1.01%
Deferred outflows of resources	431,426	430,745	681	0.16%
Long-term debt	10,998,612	11,260,186	(261,574)	-2.32%
Current and other liabilities	419,991	456,761	(36,770)	-8.05%
Total liabilities	11,418,603	11,716,947	(298,344)	-2.55%
Deferred inflows of resources	220,414	222,164	(1,750)	-0.79%
Net investment in capital assets	7,195,821	7,040,772	155,049	2.20%
Restricted	3,081,452	3,047,038	34,414	1.13%
Unrestricted	(458,873)	(355,445)	(103,428)	-29.10%
Total net position	\$ 9,818,400	\$ 9,732,365	\$ 86,035	0.88%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

**TABLE 2
Components of Net Position**

	2019	2018	Change in FY 2018 to FY 2019	
			Amount	Percent
Net investment in capital assets	\$ 7,195,821	\$ 7,040,772	\$ 155,049	2.20%
Restricted for debt service	1,185,879	1,087,566	98,313	9.04%
Restricted for capital projects	1,895,573	1,959,472	(63,899)	-3.26%
Unrestricted	<u>(458,873)</u>	<u>(355,445)</u>	<u>(103,428)</u>	-29.10%
	<u>\$ 9,818,400</u>	<u>\$ 9,732,365</u>	<u>\$ 86,035</u>	0.88%

For the year ended December 31, 2019, *Net Position Invested in Capital Assets, Net of Related Debt* increased by \$155,049 or 2.20% compared to the previous year. The amount of this category is calculated by taking the depreciated value of our capital assets and subtracting the associated bond debt. This increase is primarily due to a decrease in debt of \$412,981, purchases and construction of property and equipment of \$279,020 and additions to accumulated depreciation of \$554,887.

In comparing the total amount to the prior year's balance of *Net Position Restricted for Debt Service*, there was an increase of \$98,313 or 9.04%. *Net Position Restricted for Capital Projects* decreased \$63,899 or (3.26%).

Compared to the previous year's balance, there was a decrease in *Unrestricted Net Position* of (\$103,428) or (29.10%). Various factors were involved in this decrease, including management's desire to cushion against fluctuations where funding sources become limited.

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

Analysis of Current Assets

The textbook definition of "current assets" is balance sheet items which equal the sum of cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expense and other assets that could be converted to cash in less than one year. Current assets are important to any financial analysis because it is from current assets that a business funds its ongoing, day-to-day operations. A comparison of the December 31, 2019 and 2018 balances by asset classification is shown in the table below.

**TABLE 3
Comparison of Current Assets**

	2019	2018	Change in FY 2018 to FY 2019	
			Amount	Percent
Cash and cash equivalents	\$ 626,704	\$ 652,350	\$ (25,646)	-3.93%
Accounts receivable and unbilled revenues	757,965	750,810	7,155	0.95%
Allowance for uncollectible accounts	(232,389)	(222,681)	(9,708)	4.36%
Inventory	211,101	165,326	45,775	27.69%
Prepaid expenses	6,645	7,599	(954)	-12.55%
	<u>\$ 1,370,026</u>	<u>\$ 1,353,404</u>	<u>\$ 16,622</u>	1.23%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

Analysis of Noncurrent Assets

Noncurrent assets represent assets that are not reasonably expected to be realized in cash or sold or consumed during the next fiscal year. When making the distinction between whether an asset should be considered current or noncurrent, liquidity or nearness to cash is not the proper basis for determining the classification. In making this determination, any encumbrances on the use of the asset must be considered. Thus, cash investments intended for liquidation or liabilities due beyond the one-year period are noncurrent assets, as would assets segregated or restricted for the liquidation of long-term debts (including amounts due within the next operating cycle). Assets designated to be used to acquire, construct or improve capital assets would also be noncurrent. In the following table, the Noncurrent Assets of the District at December 31, 2019 and 2018 are compared by major classification. As indicated by the tabular information below, total noncurrent assets increased by \$37,711 or 1.21% compared to the previous year.

**TABLE 4
Comparison of Noncurrent Assets**

	2019	2018	Change in FY 2018 to FY 2019	
			Amount	Percent
Cash - customers' deposits	\$ 67,337	\$ 64,040	\$ 3,297	5.15%
Cash - bond and interest redemption	1,033,473	940,552	92,921	9.88%
Cash - depreciation reserve	1,034,396	1,158,492	(124,096)	-10.71%
Cash - bond reserve	152,406	147,014	5,392	3.67%
Investments - depreciation reserve	861,177	800,980	60,197	7.52%
	<u>\$ 3,148,789</u>	<u>\$ 3,111,078</u>	<u>\$ 37,711</u>	1.21%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

Analysis of Liabilities

In financial accounting, the term "liability" is defined as an obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future. To put it in more simplistic terms, this section analyzes the various claims that creditors have against the District's assets.

**TABLE 5
Comparison of Current Liabilities from Unrestricted Net Position**

	<u>2019</u>	<u>2018</u>	Change in FY 2018 to FY 2019	
			<u>Amount</u>	<u>Percent</u>
Accounts payable and accrued expenses	<u>\$ 186,149</u>	<u>\$ 226,361</u>	<u>\$ (40,212)</u>	-17.76%
	<u><u>\$ 186,149</u></u>	<u><u>\$ 226,361</u></u>	<u><u>\$ (40,212)</u></u>	-17.76%

Current Liabilities Payable from Unrestricted Assets decreased by \$40,212 when compared to the previous year's balance.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

Condensed Statements of Revenues, Expenses and Changes in Net Position

As indicated in Table 6, the change in net position for the fiscal year ended December 31, 2019 was \$86,035.

**TABLE 6
Condensed Statements of Revenues, Expenses and Changes in Net Position**

	2019	2018	Change in FY 2018 to FY 2019	
			Amount	Percent
Operating revenues	\$ 3,693,548	\$ 3,635,941	\$ 57,607	1.58%
Non-operating revenues	46,876	51,312	(4,436)	-8.65%
Total revenues	<u>3,740,424</u>	<u>3,687,253</u>	<u>53,171</u>	1.44%
Depreciation expense	586,575	580,969	5,606	0.96%
Operating expenses	2,926,667	2,847,443	79,224	2.78%
Non-operating expenses	<u>304,056</u>	<u>358,848</u>	<u>(54,792)</u>	-15.27%
Total expenses	<u>3,817,298</u>	<u>3,787,260</u>	<u>30,038</u>	0.79%
Income (loss) before grants and capital contributions	(76,874)	(100,007)	23,133	23.13%
Grants and capital contributions	<u>162,909</u>	<u>534,620</u>	<u>(371,711)</u>	-69.53%
Changes in net position	<u>86,035</u>	<u>434,613</u>	<u>(348,578)</u>	-80.20%
Beginning net position	9,732,365	9,701,489	30,876	0.32%
Implementation of GASB 75 (Note 11)	<u>-</u>	<u>(403,737)</u>	<u>403,737</u>	-100.00%
Beginning net position, restated	<u>9,732,365</u>	<u>9,297,752</u>	<u>434,613</u>	4.67%
Ending net position	<u>\$ 9,818,400</u>	<u>\$ 9,732,365</u>	<u>\$ 86,035</u>	0.88%

Analysis of Revenue

For the 2019 fiscal year, the *Operating Revenues* of the system were \$3,693,548. This amount represented an increase of \$57,607 or 1.58% compared with the previous year's total.

Included in *Non-Operating Revenues* is interest income of \$46,876.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

Analysis of Expenses

The Total *Operating Expenses* for FY 2019 were \$3,513,242. The amount represents an increase of \$84,830 or 2.47% more than the prior fiscal year of \$3,428,412. The major categories of *Operating Expenses* are shown in the chart below.

**TABLE 7
Comparison of Operating Expenses**

	2019	2018	Change in FY 2018 to FY 2019	
			Amount	Percent
Water purchased	\$ 1,342,740	\$ 1,272,092	\$ 70,648	5.55%
Depreciation	586,575	580,969	5,606	0.96%
Salaries	510,423	593,025	(82,602)	-13.93%
Maintenance and repairs	151,264	128,480	22,784	17.73%
Insurance	196,158	178,753	17,405	9.74%
Rental expense	726	444	282	63.51%
Electricity for pumping	92,272	93,443	(1,171)	-1.25%
Professional services	35,953	44,988	(9,035)	-20.08%
Office supplies and expense	174,679	162,469	12,210	7.52%
Operating materials and supplies	68,743	88,360	(19,617)	-22.20%
Payroll taxes and fringe benefits	323,296	221,975	101,321	45.65%
Transportation expenses	30,413	63,414	(33,001)	-52.04%
	<u>\$ 3,513,242</u>	<u>\$ 3,428,412</u>	<u>\$ 84,830</u>	2.47%

As indicated by the comparative information presented above, water purchases increased by \$70,648 or 5.55% compared to the prior year. This increase can be contributed to the continuation of the Phase VIII project. Increases in water cost for construction and restoration periods are to be expected.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

Capital Assets

Christian County Water District's investment in capital assets as of December 31, 2019 was \$16,359,748 (net of accumulated depreciation), as shown in the following table.

**TABLE 8
Capital Assets**

	<u>2019</u>	<u>2018</u>
Capital assets not depreciated:		
Land and land rights	\$ 118,491	\$ 118,491
Construction in progress	<u>2,990,290</u>	<u>2,940,667</u>
Total nondepreciable historical cost	<u>3,108,781</u>	<u>3,059,158</u>
Capital assets depreciated:		
Structures and improvements	1,065,122	942,361
Supply mains	33,672	33,672
Pumping equipment	926,702	926,702
Treatment equipment	10,700	10,700
Reservoirs	3,033,988	3,033,988
Transmission mains	15,738,978	15,690,847
Services	247,664	247,664
Meters	1,354,215	1,294,466
Hydrants	822,439	822,439
Office equipment	149,959	150,615
Vehicles	318,527	286,123
Tools and miscellaneous	<u>468,696</u>	<u>483,753</u>
Total depreciable historical cost	<u>24,170,662</u>	<u>23,923,330</u>
Total capital assets	27,279,443	26,982,488
Less accumulated depreciation	<u>(10,919,695)</u>	<u>(10,364,808)</u>
Total capital assets, net	<u>\$ 16,359,748</u>	<u>\$ 16,617,680</u>

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
DECEMBER 31, 2019**

As of December 31, 2019, the District's investment in net capital assets totaled \$16,359,748, which is a decrease of \$257,932 over the net capital asset balance at December 31, 2018. Capital assets had additions of \$279,020 and deletions of \$31,688 and offset by accumulated depreciation of \$554,887.

Long-term Debt

As of December 31, 2019, the District had \$9,163,927 (net of premium and discounts) in outstanding debt compared to \$9,576,908 as of December 31, 2018. Long-term debt activity consisted of a reduction of principal of \$408,000.

Additional information on the District's long-term debt is provided in Note 5 of the financial statements.

Economic Factors and Rates

Management and the District Commissioners review the District's water rates annually. The District experienced a rate increase in June 2017. This was due to a proposed water line replacement project Phase VIII. This project replaces approximately 38 miles of aging infrastructure. The funding sources for this project are Christian County Water District, USDA Rural Development and a Community Development Block Grant (CDBG). Construction began in June 2017 and substantial completion accomplished prior to December 31, 2019. The remaining issue with this line replacement project involves finalizing some lawn restoration work. Once completed, this will allow this project to close.

The proposed rate increase was approved by the Kentucky Public Service Commission (PSC) June 14, 2017. This rate change increased the current flat rate of \$16.00 per meter per month to \$19.95 per meter per month. It also increased the consumption rate from \$6.49 per 1,000 gallons to \$6.54 per 1,000 gallons.

Factors which affected this increase were the recommendations of USDA-Rural Development and a review by the PSC. Following this review and concurrence by these parties, the PSC established a rate which will be paid by the Christian County Water District rate payers.

It is the current opinion of management to look at replacing aging infrastructure as the Water District lowers its debt service, targeting a more controlled and stable debt service ratio. These infrastructure replacement reviews are aimed at lowering our day to day costs as well as extending the life of our utility's infrastructure. Our hopes are to continue to move our utility forward, by eliminating the need for costlier emergency repairs due to failure to observe, review and question infrastructure which has surpassed its useful life. Planned, budgeted and controlled replacement is the only real option for a utility which plans to be a viable utility going forward.

Additional Financial Information

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report, or wish to request additional financial information, please contact the Christian County Water District's General Manager at 1940 Dawson Springs Road, Hopkinsville, KY 42240.

FINANCIAL STATEMENTS

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 626,704	\$ 652,350
Accounts receivable and unbilled revenues	757,965	750,810
Allowance for uncollectible accounts	(232,389)	(222,681)
Inventory	211,101	165,326
Prepaid expenses	<u>6,639</u>	<u>7,599</u>
Total current assets	<u>1,370,020</u>	<u>1,353,404</u>
Restricted assets:		
Cash - customers' deposits	67,337	64,040
Cash - bond and interest redemption account	1,033,473	940,552
Cash - depreciation reserve account	1,034,396	1,158,492
Cash - bond reserve account	152,406	147,014
Investments - depreciation reserve	<u>861,177</u>	<u>800,980</u>
Total restricted assets	<u>3,148,789</u>	<u>3,111,078</u>
Capital assets not being depreciated:		
Land and land rights	118,491	118,491
Construction in progress	2,990,290	2,940,667
Capital assets being depreciated:		
Water supply and distribution system	<u>13,250,967</u>	<u>13,558,522</u>
Total capital assets	<u>16,359,748</u>	<u>16,617,680</u>
Other assets:		
Deposits	<u>115</u>	<u>115</u>
Deferred charges:		
Unamortized bond issuance costs	<u>147,319</u>	<u>158,454</u>
Total assets	<u>21,025,991</u>	<u>21,240,731</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from pension and other postemployment benefits	<u>431,426</u>	<u>430,745</u>

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION, continued
DECEMBER 31, 2019 AND 2018**

LIABILITIES	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable and accrued expenses	<u>186,149</u>	<u>226,361</u>
Total current liabilities	<u>186,149</u>	<u>226,361</u>
Current liabilities payable from restricted assets:		
Customers' deposits	67,337	64,040
Interest payable	158,919	158,774
Notes payable - current	7,500	7,500
Long-term debt - current portion	<u>412,000</u>	<u>400,500</u>
Total payable from restricted assets	<u>645,756</u>	<u>630,814</u>
Noncurrent liabilities:		
Long-term debt (net of unamortized discounts and premiums)	8,429,427	8,846,408
Notes payable	315,000	322,500
Net pension and other postemployment benefit liabilities	1,834,685	1,683,278
Compensated absences	<u>7,586</u>	<u>7,586</u>
Total noncurrent liabilities	<u>10,586,698</u>	<u>10,859,772</u>
Total liabilities	<u>11,418,603</u>	<u>11,716,947</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts from pension and other postemployment benefits	<u>220,414</u>	<u>222,164</u>
NET POSITION		
Net investment in capital assets	7,195,821	7,040,772
Restricted for debt service	1,185,879	1,087,566
Restricted for capital projects	1,895,573	1,959,472
Unrestricted	<u>(458,873)</u>	<u>(355,445)</u>
Total net position	<u>\$ 9,818,400</u>	<u>\$ 9,732,365</u>

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Water sales	\$ 3,601,132	\$ 3,537,593
Other revenues	92,416	98,348
	<u>3,693,548</u>	<u>3,635,941</u>
Operating expenses:		
Water purchased	1,342,740	1,272,092
Depreciation	586,575	580,969
Salaries	510,423	593,025
Maintenance and repairs	151,264	128,480
Insurance	196,158	178,753
Rental expense	726	444
Electricity for pumping	92,272	93,443
Professional services	35,953	44,988
Office supplies and expense	174,679	162,469
Operating materials and supplies	68,743	88,360
Payroll taxes and fringe benefits	323,296	221,975
Transportation expenses	30,413	63,414
	<u>3,513,242</u>	<u>3,428,412</u>
Operating income	<u>180,306</u>	<u>207,529</u>
Nonoperating revenue (expense):		
Interest and dividend income	46,876	51,312
Interest expense	(317,342)	(336,400)
Amortization of bond issuance costs	(11,135)	(11,135)
Unrealized gain (loss) on investments	24,421	(11,313)
	<u>(257,180)</u>	<u>(307,536)</u>
Income (loss) before grants and capital contributions	(76,874)	(100,007)
Grants and capital contributions	<u>162,909</u>	<u>534,620</u>
Change in net position, carried forward	<u>86,035</u>	<u>434,613</u>

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Change in net position, brought forward	86,035	434,613
Net position, beginning of year	9,732,365	9,701,489
Implementation of GASB 75 (Note 11)	-	(403,737)
Net position, beginning of year, restated	9,732,365	9,297,752
Net position, end of year	\$ 9,818,400	\$ 9,732,365

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Receipts from customers and users	\$ 3,696,619	\$ 3,658,191
Cash payments to suppliers for goods and services	(2,176,467)	(1,983,931)
Cash payments to employees	<u>(686,768)</u>	<u>(744,780)</u>
Net cash provided by operating activities	<u>833,384</u>	<u>929,480</u>
Cash flows from capital and related financing activities		
Proceeds from grants	77,783	474,061
Purchases and construction of property and equipment	(328,643)	(1,065,610)
Proceeds from issuance of debt	-	2,197,016
Principal paid on debt	(408,000)	(2,071,966)
Tap-on fees	72,178	54,100
Contributed lines	12,948	6,459
Customer deposits	3,297	1,349
Interest expense	<u>(317,197)</u>	<u>(333,616)</u>
Net cash used in capital and related financing activities	<u>(887,634)</u>	<u>(738,207)</u>
Cash flows from investing activities		
Interest income	<u>6,118</u>	<u>21,331</u>
Net cash used by investing activities	<u>6,118</u>	<u>21,331</u>
Net increase (decrease) in cash and cash equivalents	(48,132)	212,604
Cash at beginning of year	<u>2,962,448</u>	<u>2,749,844</u>
Cash at end of year	<u>2,914,316</u>	<u>2,962,448</u>
Less restricted cash		
Cash - customer deposits	(67,337)	(64,040)
Cash - bond and interest redemption	(1,033,473)	(940,552)
Cash - depreciation reserve	(1,034,396)	(1,158,492)
Cash - bond reserve	<u>(152,406)</u>	<u>(147,014)</u>
Total restricted cash	<u>(2,287,612)</u>	<u>(2,310,098)</u>
Cash and cash equivalents per statement of net position	<u>\$ 626,704</u>	<u>\$ 652,350</u>

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS, continued
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Cash flows from operating activities		
Operating income	\$ 180,306	\$ 207,529
Adjustment to reconcile revenue to net cash provided by operating activities:		
Depreciation	586,575	580,969
(Increase) decrease in:		
Accounts receivable and unbilled revenues	2,553	22,429
Inventory	(45,775)	39,132
Prepaid expenses	960	(1)
Increase (decrease) in:		
Accounts payable	(40,211)	13,951
Compensated absences	-	(18,093)
Deferred pension and postemployment benefits amounts	148,976	83,564
	<u>\$ 833,384</u>	<u>\$ 929,480</u>
Net cash provided by operating activities		

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District was established to construct, operate and maintain water service facilities, and to supply water to customers in Christian County, Kentucky. The District purchases its water supply from nearby city and water utilities. All of the water purchased by the District has been filtered and treated. The District operates and maintains the distribution system that supplies its end users.

There were no potential component units of the District to be evaluated for inclusion in the financial statements in accordance with standards established by Governmental Accounting Standards Board.

The more significant accounting policies of the Christian County Water District are as follows:

Basis of Presentation and Accounting

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

Proprietary Fund Type

The District is intended to be self-supporting through user charges. All of its revenues, expenses, assets and liabilities, including fixed assets and long-term debt associated with the specific activity, are accounted for within its financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Income Taxes

The District is exempt from federal and state income tax under Section 501 of the Internal Revenue Code as the District is an adjunct of the government of Christian County, Kentucky.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Investments

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments, continued

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REIT's), derivatives and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments, for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled assets that are not traded on a national exchange are valued by the commingled manager. The District performs due diligence reviews of the investment pricing, process and infrastructure of private equity, commingled and real estate investments to assure that the asset values provided by the managers are available.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the District's investment operations, as well as the internal administrative expenses associated with the District's investment program.

Restricted Assets

The restricted cash and investments accounts represent sinking funds for bond principal and interest payments as well as funds set aside for customer deposits and depreciation reserves.

Accounts Receivable

The District grants credit to its customers, all of whom are residents or businesses located in Christian County, Kentucky. The District's policy is to move accounts deemed uncollectible to an allowance for doubtful accounts at the end of each calendar year.

Inventory

Materials and supplies inventory (which consists of pipe, meters, brass fittings and other supplies) is valued at weighted average cost utilizing the first-in, first-out (FIFO) method.

Capital Assets

Capital assets are stated at historical cost. Interest expense incurred during a construction period is capitalized. Depreciation rates based upon estimated useful lives have been applied on the straight-line method. The estimated useful lives are as follows:

Structures, mains and accessories	33 - 50 years
Equipment, office equipment, pumping equipment, hydrants and meters	5 - 20 years

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or connection to the District's system.

Impairment of Capital Assets

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. No impairment losses were recognized in the years ended December 31, 2019 and 2018.

Deferred Charges

Costs related to revenue bond issues are capitalized as deferred charges and amortized over the life of the bond issue.

Prepaid Expenses

Payments made that will benefit periods beyond December 31, 2019 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and the expenditure is reported in the year in which services are consumed.

Compensated Absences

Full-time permanent employees and part-time employees with six months' continuous service are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. A carryover of a maximum of eight vacation days is allowed. Sick leave accrues to full-time permanent employees to a specified maximum of 120 days. For employees with hire dates prior to January 1, 1987, accrued sick leave is paid in full to the 120-day maximum upon retirement or separation after twenty years of service. For employees with a hire date subsequent to January 1, 1987, upon retirement the employee may transfer accumulated sick leave up to 120 days to the employer for retirement credit only. The District shall purchase retirement service credit in an amount equal to the unused sick leave of said employee.

Customer Deposits

The District requires all new customers who do not have an existing account to pay a security deposit of \$50. This deposit is held on the account for a year, and then the account is reviewed for good standing. If the customer owns the property and the account is in good standing for a year, the security deposit is refunded with interest determined by the Kentucky Public Service Commission, and the security deposit is then applied to the outstanding balance of the account. For rental customers, upon vacating the property, interest is added at the same rate as determined by the Kentucky Public Service Commission, and the security deposit is then applied to the outstanding balance on the account. If the security deposit is more than the amount owed on the account, the remainder is refunded to the customer.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Pensions and Postemployment Benefits Other than Pensions (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category: The deferred outflows of resources related to the net pension liability described in Note 7 and the OPEB liability described in Note 8.

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: The deferred inflows of resources related to the net pension liability described in Note 7 and the OPEB liability described in Note 8.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net positions are classified in the following categories:

- *Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.
- *Restricted Net Position* – This amount is constricted by creditors, grantors, contributors or laws or regulations of other governments.
- *Unrestricted Net Position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenues and Expenses

Proprietary funds distinguish between operating and nonoperating items. Operating revenues generally result from providing services, producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

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

Subsequent Events

As a result of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operating results. The outbreak of the virus in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact and duration cannot be reasonably estimated at this time. Subsequent events have been evaluated through June 29, 2020, which is the date the financial statements were available to be issued. There were no additional subsequent events that require recognition or disclosure in the financial statements.

NOTE 2 – CASH AND INVESTMENTS

The carrying amounts of the District's deposits with financial institutions were \$2,913,316 and \$2,961,448, and the bank balances were \$2,930,918 and \$2,962,850 as of December 31, 2019 and 2018, respectively.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a policy regarding custodial credit risk.

2019

The District's deposits were fully collateralized for all months of the year ending December 31, 2019.

2018

The District's deposits were fully collateralized for all months of the year ending December 31, 2018.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 – CASH AND INVESTMENTS, continued

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. KRS 66.480 permits the District to invest in U.S. Treasury obligations, U.S. Agency obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit, savings and loan deposits and the Commonwealth of Kentucky investment pool.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. For the purpose of implementing Governmental Accounting Standards Statement 9, the District has defined cash and cash equivalents as cash, certificates of deposit and repurchase agreements with an original maturity when purchased of three months or less.

The District's cash and investments (unrestricted and restricted) at year-end are presented below.

	2019	2018
Cash	\$ 2,913,316	\$ 2,961,448
Investments	861,177	800,980
Petty cash	1,000	1,000

Fair Value Measurement

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three tiered fair value hierarchy, as follows:

- Level 1 – Quoted prices for identical investments in active markets;
- Level 2 – Observable inputs other than quoted market prices; and,
- Level 3 – Unobservable inputs

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 – CASH AND INVESTMENTS, continued

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
<u>2019</u>			
Mortgage-backed securities	\$ 157,642	\$ -	\$ -
Money market funds	607,425	-	-
Certificates of deposit	96,110	-	-
Total investments	<u>\$ 861,177</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2018</u>			
Mortgage-backed securities	\$ 694,846	\$ -	\$ -
Money market funds	12,872	-	-
Certificates of deposit	93,262	-	-
Total investments	<u>\$ 800,980</u>	<u>\$ -</u>	<u>\$ -</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 – DISTRICT CAPITAL ASSET AND DEPRECIATION PROCEDURES

A summary of changes in major classifications of the District capital assets in service as of December 31, 2019 follows:

	Balance December 31, 2018	Reclassifications/ Additions	Reclassifications/ Deletions	Balance December 31, 2019
Capital assets not depreciated:				
Land and land rights	\$ 118,491	\$ -	\$ -	\$ 118,491
Construction work in progress	2,940,667	49,623	-	2,990,290
Total capital assets not depreciated	<u>3,059,158</u>	<u>49,623</u>	<u>-</u>	<u>3,108,781</u>
Capital assets depreciated:				
Structures and improvements	942,361	122,761	-	1,065,122
Supply mains	33,672	-	-	33,672
Pumping equipment	926,702	-	-	926,702
Water treatment equipment	10,700	-	-	10,700
Distribution reservoirs	3,033,988	-	-	3,033,988
Transmission mains	15,690,847	48,131	-	15,738,978
Services	247,664	-	-	247,664
Meters	1,294,466	59,749	-	1,354,215
Hydrants	822,439	-	-	822,439
Office equipment	150,615	457	(1,113)	149,959
Vehicles	286,123	47,922	(15,518)	318,527
Tools and miscellaneous	483,753	-	(15,057)	468,696
Total capital assets depreciated	23,923,330	279,020	(31,688)	24,170,662
Less: Accumulated depreciation	<u>(10,364,808)</u>	<u>(586,575)</u>	<u>31,688</u>	<u>(10,919,695)</u>
Total capital assets depreciated, net	<u>13,558,522</u>	<u>(307,555)</u>	<u>-</u>	<u>13,250,967</u>
Total capital assets	<u>\$ 16,617,680</u>	<u>\$ (257,932)</u>	<u>\$ -</u>	<u>\$ 16,359,748</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 – DISTRICT CAPITAL ASSET AND DEPRECIATION PROCEDURES, continued

A summary of changes in major classifications of the District capital assets in service as of December 31, 2018 follows:

	Balance December 31, 2017	Reclassifications/ Additions	Reclassifications/ Deletions	Balance December 31, 2018
Capital assets not depreciated:				
Land and land rights	\$ 118,491	\$ -	\$ -	\$ 118,491
Construction work in progress	1,973,712	966,955	-	2,940,667
Total capital assets not depreciated	<u>2,092,203</u>	<u>966,955</u>	<u>-</u>	<u>3,059,158</u>
Capital assets depreciated:				
Structures and improvements	942,361	-	-	942,361
Supply mains	33,672	-	-	33,672
Pumping equipment	926,702	-	-	926,702
Water treatment equipment	10,700	-	-	10,700
Distribution reservoirs	3,033,988	-	-	3,033,988
Transmission mains	15,666,824	24,023	-	15,690,847
Services	247,664	-	-	247,664
Meters	1,254,834	39,632	-	1,294,466
Hydrants	822,439	-	-	822,439
Office equipment	150,615	-	-	150,615
Vehicles	257,974	28,149	-	286,123
Tools and miscellaneous	476,902	6,851	-	483,753
Total capital assets depreciated	23,824,675	98,655	-	23,923,330
Less: Accumulated depreciation	<u>(9,783,839)</u>	<u>(580,969)</u>	<u>-</u>	<u>(10,364,808)</u>
Total capital assets depreciated, net	<u>14,040,836</u>	<u>(482,314)</u>	<u>-</u>	<u>13,558,522</u>
Total capital assets	<u>\$ 16,133,039</u>	<u>\$ 484,641</u>	<u>\$ -</u>	<u>\$ 16,617,680</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 – DISTRICT CAPITAL ASSET AND DEPRECIATION PROCEDURES, continued

Construction in progress amounted to \$2,990,290 and \$2,940,667 at December 31, 2019 and 2018, respectively. The December 31, 2019 and 2018 balances are represented by the following:

	December 31, 2019	December 31, 2018
Road line extensions	\$ 2,982,290	\$ 2,932,667
Future projects research	8,000	8,000
	\$ 2,990,290	\$ 2,940,667

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31 were as follows:

	2019	2018
Customer accounts receivable	\$ 185,146	\$ 212,893
Unbilled revenues	299,632	287,388
Accounts receivable arrears	273,187	250,529
	\$ 757,965	\$ 750,810

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 – LONG-TERM DEBT

1. Revenue Bonds

The District has issued bonds pledging income derived from operations to pay debt service. Revenue bonds outstanding at December 31, 2019 and 2018 are as follows:

Name/Purpose	Interest Rate	Amount	
		2019	2018
Waterworks Revenue Bonds Series 2008 (expansion of lines and improvements), principal due in annual installments through January 1, 2047	4.38%	\$ 1,637,500	\$ 1,665,500
Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2012C, principal due in monthly installments through January 1, 2038	2.15% - 4.15%	2,385,000	2,480,000
Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2013B, principal due in monthly installments through February 1, 2029	2.30%-3.30%	1,160,000	1,265,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2016B (refinance original system bonds), principal due in monthly installments through January 1, 2030	2.25%-3.25%	1,830,000	1,975,000
Waterworks Revenue Bonds Series 2018 (Phase VIII line expansion), principal due in annual installments through July 1, 2056	2.75%	<u>1,772,500</u>	<u>1,800,000</u>
		<u>\$ 8,785,000</u>	<u>\$ 9,185,500</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 – LONG-TERM DEBT, continued

Revenue Bond debt service requirements to maturity, including \$3,859,952 of interest, are as follows:

Year Ending December 31	Principal	Interest	Total
2020	\$ 412,000	\$ 296,569	\$ 708,569
2021	434,500	284,574	719,074
2022	436,500	272,325	708,825
2023	448,500	259,898	708,398
2024	471,000	246,942	717,942
2025-2029	2,456,500	993,715	3,450,215
2030-2034	1,413,000	633,425	2,046,425
2035-2039	939,500	412,472	1,351,972
2040-2044	629,500	268,980	898,480
2045-2049	658,500	136,052	794,552
2050-2054	336,000	48,785	384,785
2055-2056	149,500	6,215	155,715
Total	<u>\$ 8,785,000</u>	<u>\$ 3,859,952</u>	<u>\$ 12,644,952</u>

Bond covenants for the District require the maintenance of a Bond Sinking Fund. Monthly deposits are to be made to this fund for payment of interest and principal of outstanding bonds, a sum equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the bonds, plus a sum equal to one-twelfth (1/12) of the principal of any bonds maturing on the next succeeding principal payment date. The District was in compliance with this requirement at December 31, 2019 and 2018.

In June 2018, The District issued Waterworks Revenue Bonds, Series 2018 in the amount of \$1,800,000. The proceeds paid off the RD 1940-1 interim financing for the Phase VIII project.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 – LONG-TERM DEBT, continued

Other Long-term Debt

A summary of other long-term debt as of December 31, 2019 and 2018 follows:

	Interest	Amount	
	Rate	2019	2018
USDA Rural Development advance, principal due in annual installments through 2043, secured by utility revenues	4.375%	\$ 322,500	\$ 330,000
		<u>\$ 322,500</u>	<u>\$ 330,000</u>

Other long-term debt service requirements to maturity, including interest of \$206,858, are as follows:

Year Ending December 31	Principal	Interest	Total
2020	\$ 7,500	\$ 14,109	\$ 21,609
2021	8,000	13,781	21,781
2022	8,500	13,431	21,931
2023	8,500	13,059	21,559
2024	9,000	12,688	21,688
2025-2029	52,500	57,869	110,369
2030-2034	65,500	44,516	110,016
2035-2039	82,000	28,809	110,809
2040-2043	81,000	8,596	89,596
Total	<u>\$ 322,500</u>	<u>\$ 206,858</u>	<u>\$ 529,358</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 – LONG-TERM DEBT, continued

A summary of changes in long-term debt for the year ended December 31, 2019 is listed as follows:

Bonds	Balance December 31, 2018	New Issues	Debt Payments and Refunds	Balance December 31, 2019
Series 2008	\$ 1,665,500	\$ -	\$ 28,000	\$ 1,637,500
Series 2012C	2,480,000	-	95,000	2,385,000
Series 2013B	1,265,000	-	105,000	1,160,000
Series 2016B	1,975,000	-	145,000	1,830,000
Series 2018	1,800,000	-	27,500	1,772,500
	<u>9,185,500</u>	<u>-</u>	<u>400,500</u>	<u>8,785,000</u>
<u>Other Long-Term Debt</u>				
Rural Development advance	330,000	-	7,500	322,500
Total debt	<u>9,515,500</u>	<u>-</u>	<u>408,000</u>	<u>9,107,500</u>
<u>Discounts/Premiums</u>				
Unamortized premiums	61,408	-	4,981	56,427
	<u>61,408</u>	<u>-</u>	<u>4,981</u>	<u>56,427</u>
Total debt, net of unamortized discounts and premiums	<u>\$ 9,576,908</u>	<u>\$ -</u>	<u>\$ 412,981</u>	<u>\$ 9,163,927</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 – LONG-TERM DEBT, continued

A summary of changes in long-term debt for the year ended December 31, 2018 is listed as follows:

Bonds	Balance December 31, 2017	New Issues	Debt Payments and Refunds	Balance December 31, 2018
Series 1993	\$ 27,500	\$ -	\$ 27,500	\$ -
Series 2008	1,692,000	-	26,500	1,665,500
Series 2012C	2,575,000	-	95,000	2,480,000
Series 2013B	1,370,000	-	105,000	1,265,000
Series 2016B	2,105,000	-	130,000	1,975,000
Series 2018	-	1,800,000	-	1,800,000
	<u>7,769,500</u>	<u>1,800,000</u>	<u>384,000</u>	<u>9,185,500</u>
<u>Other Long-Term Debt</u>				
Rural Development advance	337,000	-	7,000	330,000
Rural Development interim	1,283,950	397,016	1,680,966	-
Total debt	<u>9,390,450</u>	<u>2,197,016</u>	<u>2,071,966</u>	<u>9,515,500</u>
<u>Discounts/Premiums</u>				
Unamortized premiums	66,729	-	5,321	61,408
	<u>66,729</u>	<u>-</u>	<u>5,321</u>	<u>61,408</u>
Total debt, net of unamortized discounts and premiums	<u>\$ 9,457,179</u>	<u>\$ 2,197,016</u>	<u>\$ 2,077,287</u>	<u>\$ 9,576,908</u>

NOTE 6 – DEFERRED CHARGES

Legal and financial advisory fees, printing costs and other expenses associated with the issuance of Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series, 2012C, 2013B and 2016B are being amortized on the straight-line method over the term of the bonds. Amortization expense charged to non-operating expense was \$11,135 and \$11,135 for the years ending December 31, 2019 and 2018, respectively.

The premiums associated with the Series 1993, Series 2012C, Series 2013B and Series 2016B issues are being amortized on the straight-line method over the term of the bonds. Amortization of the premiums included in interest income was \$4,981 and \$5,321 for the years ending December 31, 2019 and 2018.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN

The District’s employees are provided a pension plan through the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description – CERS is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement, and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay, and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Contributions – Required contributions by the employee are based on the tier:

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

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

At December 31, 2019 and 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the CERS net pension liability:

<u>2019</u>	<u>2018</u>
<u>\$ 1,480,667</u>	<u>\$ 1,303,325</u>

The net pension liability of the plan was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At December 31, 2019 and 2018, the District’s proportion was .021053% and .021400%, respectively.

For the years ended December 31, 2019 and 2018, the District recognized pension expense of \$240,491 and \$211,813, respectively, related to CERS. At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,806	\$ 6,256	\$ 42,511	\$ 19,078
Change of assumptions	149,860	-	127,373	-
Net differences between projected and actual earnings on pension plan investments	28,423	52,292	60,606	76,233
Changes in proportion and difference between District contributions and proportionate share of contributions	26,988	29,294	51,835	54,766
District contributions subsequent to the measurement date	54,069	-	41,878	-
Total	<u>\$ 297,146</u>	<u>\$ 87,842</u>	<u>\$ 324,203</u>	<u>\$ 150,077</u>

The amounts of \$54,069 and \$41,878 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2019 and 2018. Amounts reported as deferred inflows and outflows of resources due to the net difference projected and actual investment earnings on pension plan investments will be netted and amortized over five years and recognized in pension expense. Amounts reported as deferred outflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in pension expense over the expected remaining service lives of all employees. Total amortization to be recognized in pension expense is presented below as follows:

2020	\$ 99,230
2021	41,161
2022	13,151
2023	1,693
2024	-
Thereafter	-
Total	<u>\$ 155,235</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Actuarial assumptions – The total pension liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Period	
	2019	2018
Inflation	2.30%	3.25%
Projected salary increases, average, including inflation	3.30% to 11.55%	4.00%
Investment rate of return, net of plan investment expense, including inflation	6.25%	7.50%

For the June 30, 2019 and 2018 valuation, the mortality table used for active members is the 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2008 – June 30, 2013.

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

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Measurement Period 2019 <u>Asset Class</u>	Target Allocation	Long-Term Expected Real Rate of Return
US equity*	18.75%	4.30%
International equity*	18.75%	4.80%
Core bonds	13.50%	1.35%
High yield	15.00%	2.60%
Opportunistic	3.00%	2.97%
Real estate*	5.00%	4.85%
Real return*	15.00%	4.10%
Private equity	10.00%	6.65%
Cash	<u>1.00%</u>	0.20%
Total	<u><u>100.00%</u></u>	

Measurement Period 2018 <u>Asset Class</u>	Target Allocation	Long-Term Expected Real Rate of Return
US equity*	17.50%	5.97%
International equity*	17.50%	7.85%
Global bonds	4.00%	2.63%
Global credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate*	5.00%	7.63%
Absolute return	10.00%	5.63%
Real return*	10.00%	6.13%
Private equity	10.00%	8.25%
Cash	<u>2.00%</u>	1.88%
Total	<u><u>100.00%</u></u>	

*Long-term Expected Real Rates may vary by plans depending on risk tolerance of the plan.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Discount rate – The discount rate used to measure the total pension liability for the measurement periods with years ended June 30, 2019 and 2018 was 6.25% and 6.25%, respectively. The projection of cash flows used to determine the discount rate assumed that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statue as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The actuarial determined contribution rate is adjusted to reflect the phase-in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension liability, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

2019 <u>CERS</u>	<u>1% Decrease</u> 5.25%	Current <u>Discount Rate</u> 6.25%	<u>1% Increase</u> 7.25%
District's proportionate share of net pension liability	\$ 1,851,894	\$ 1,480,667	\$ 1,171,252

2018 <u>CERS</u>	<u>1% Decrease</u> 5.25%	Current <u>Discount Rate</u> 6.25%	<u>1% Increase</u> 7.25%
District's proportionate share of net pension liability	\$ 1,640,751	\$ 1,303,325	\$ 1,020,621

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

Payable to the Pension and OPEB Plan

At December 31, 2019 and 2018 the District reported a payable of \$12,902 and \$10,636, respectively for the outstanding amount contributions required for the years then ended. These amounts represent the employee withholding and employer match for the last month of the years then ended. The payable includes both pension and insurance (OPEB) contributions.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate in CERS. The District participates in the Non-Hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
< 4 Years	0.00%

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

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

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5%. Employees hired on or after September 1, 2018, contribute an additional 1% to health insurance.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended December 31, 2019 and 2018, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) and 21.48% (16.22% pension fund and 5.26% insurance fund), respectively, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from the District were \$27,540 and \$25,644 for the years ended December 31, 2019 and 2018, respectively.

Implicit Subsidy: KRS pays fully insured premiums for the Kentucky Health Plan. The premiums are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. The OPEB contributions amount does not include the implicit subsidy reported in the amount of \$6,157 and \$4,535 for the years ended December 31, 2019 and 2018, respectively.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

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

At December 31, 2019 and 2018, the District reported a liability of \$354,018 and \$379,953 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019 and 2018, the District's proportion for the non-hazardous system was 0.021048% and 0.021400%, respectively.

For the years ended December 31, 2019 and 2018, the District recognized OPEB expense of \$40,655 and \$51,518, respectively. At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,332	\$ 106,815	\$ -	\$ 44,278
Changes of assumptions	104,757	701	75,882	878
Net difference between projected and actual earnings on OPEB plan investments	-	18,056	-	26,171
Changes in proportion and differences between District contributions and proportionate share of contributions	13,856	7,000	17,079	760
District contributions subsequent to the measurement date	13,335	-	13,581	-
Total	<u>\$ 134,280</u>	<u>\$ 132,572</u>	<u>\$ 106,542</u>	<u>\$ 72,087</u>

The amounts of \$13,335 and \$13,581 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ending December 31, 2020 and 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Years Ending December 31,	
2020	\$ (807)
2021	(807)
2022	4,192
2023	(5,389)
2024	(7,258)
Thereafter	<u>(1,558)</u>
Total	<u>\$ (11,627)</u>

Actuarial assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The Mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years) is used for the period after disability retirement.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

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

Measurement Period 2019		
Asset Class	Allocation	Expected
US equity	18.75%	4.30%
International equity	18.75%	4.80%
Core bonds	13.50%	1.35%
High yield	15.00%	2.60%
Opportunistic	3.00%	2.97%
Real estate	5.00%	4.85%
Real return	15.00%	4.10%
Private equity	10.00%	6.65%
Cash	1.00%	0.20%
Total	100.00%	

Measurement Period 2018		
Asset Class	Allocation	Expected
US equity	17.50%	5.97%
International equity	17.50%	7.85%
Global bonds	4.00%	2.63%
Global credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate	5.00%	7.63%
Absolute return	10.00%	5.63%
Real return	10.00%	6.13%
Private equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

Discount rate: The discount rate used to measure the total OPEB liability for the years end December 31, 2019 and 2018 was 5.68% and 5.85% for non-hazardous and 5.69% and 5.97% for hazardous, respectively, assuming that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The single discount rate based on the expected rate of return on the OPEB plan investments for the years ended December 31, 2019 and 2018 was 6.25% and 6.25% and a municipal bond rate of 3.13 and 3.62%, respectively, as reported in the Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Districts' 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, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous and 4.69% for hazardous) or 1-percentage-point higher (6.69% for non-hazardous and 6.69% for hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>2019</u>	<u>4.68%</u>	<u>5.68%</u>	<u>6.68%</u>
District's proportionate share of net OPEB liability	\$ 474,238	\$ 354,018	\$ 254,964
<u>2018</u>	<u>4.85%</u>	<u>5.85%</u>	<u>6.85%</u>
District's proportionate share of net OPEB liability	\$ 493,498	\$ 379,953	\$ 283,233

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB), continued

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

<u>2019</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 263,285	\$ 354,018	\$ 464,042
 <u>2018</u>			
District's proportionate share of net OPEB liability	\$ 282,879	\$ 379,953	\$ 494,375

Changes of assumptions: Subsequent to the actuarial valuation date, but prior to the measurement dates, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, total OPEB liability as of June 30, 2017 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 9 – 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 disasters. The District carries commercial insurance for these types of risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 10 – GRANTS AND CONTRIBUTIONS

Grants and contributions for the year ending December 31 were as follows:

	2019	2018
State grants	\$ -	\$ 5,000
Federal grants	77,783	469,061
Tap-on fees	72,178	54,100
Contributed lines	12,948	6,459
	\$ 162,909	\$ 534,620

NOTE 11 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2019, the District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued March 2018. Adoption of this statement did not have a significant impact on the District's financial position or results of operations.

During fiscal year 2018, the District adopted the following accounting pronouncements:

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016.
- GASB Statement No. 85, *Omnibus 2017*, issued March 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017.

Adoption of these statements did not have a significant impact on the District's financial position or results of operations.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued on June 2015 aims to improve financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers regarding financial support for OPEB that is provided by other entities.

Adoption of this statement had a significant impact on the District's financial position. As a result, the District restated the January 1, 2018 net position in the amount of (\$403,737) as outlined below.

	Beginning Balance	As Restated	GASB 75 Adjustment
Statement of revenues, expenses and changes in net position			
Net position, January 1, 2018	\$ 9,701,489	\$ 9,297,752	\$ (403,737)

REQUIRED SUPPLEMENTARY INFORMATION

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
December 31, 2019
County Employees Retirement System**

	Year Ended December 31,				
	2019	2018	2017	2016	2015
District's portion of net pension liability (asset)	0.021053%	0.021400%	0.020083%	0.023170%	0.021780%
District's proportionate share of net pension liability (asset)	\$ 1,480,667	\$ 1,303,325	\$ 1,175,520	\$ 1,140,829	\$ 954,925
State's proportionate share of net pension liability (asset) associated with the District	-	-	-	-	-
Total	\$ 1,480,667	\$ 1,303,325	\$ 1,175,520	\$ 1,140,829	\$ 954,925
District's covered-employee payroll	\$ 514,861	\$ 564,185	\$ 578,024	\$ 525,804	\$ 529,804
District's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	287.59%	231.01%	203.37%	216.97%	180.24%
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 68 was implemented in fiscal year 2015.

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
December 31, 2019
County Employees Retirement System**

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 97,870	\$ 79,044	\$ 94,130	\$ 91,983	\$ 91,179
Contributions in relation to the contractually required contribution	<u>97,870</u>	<u>79,044</u>	<u>94,130</u>	<u>91,983</u>	<u>91,179</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 550,196	\$ 514,861	\$ 564,185	\$ 578,024	\$ 525,804
Contributions as a percentage of covered employee payroll	17.79%	15.35%	16.68%	15.91%	17.34%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 68 was implemented in fiscal year 2015.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN
December 31, 2019**

Changes in assumptions and benefit terms

2018

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

Plan Provisions:

- House Bill 185 was enacted during the 2018 legislative session. This bill updates the benefit provisions for active members who die in the line of duty.

Discount Rate:

- The single discount rate for CERS did not change for this actuarial period.

2019

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50 to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 3.05% to 2.00%.

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
December 31, 2019
County Employees Retirement System**

	<u>2019</u>	<u>2018</u>
District's proportion of OPEB liability (asset)	0.021048%	0.021400%
District's proportionate share of net OPEB liability (asset)	<u>\$ 354,018</u>	<u>\$ 379,953</u>
District's covered - employee payroll	<u>\$ 514,861</u>	<u>\$ 564,185</u>
District's proportionate share of OPEB liability (asset) as a percentage of its covered-employee payroll	145.43%	148.49%
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
December 31, 2019
County Employees Retirement System**

	<u>2019</u>	<u>2018</u>
Contractually required OPEB contribution	\$ 27,540	\$ 25,644
Contributions in relation to the contractually required contribution	<u>27,540</u>	<u>25,644</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 514,861	\$ 564,185
Contributions as a percentage of covered-employee payroll	5.35%	4.55%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
December 31, 2019 and December 31, 2018**

Changes in assumptions and benefit terms

2018

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

Plan Provisions:

- House Bill 185 was enacted during the 2018 legislative session. This bill updates the benefit provisions for active members who die in the line of duty.

Discount Rate:

- The single discount rate for CERS did not change for this actuarial period.

2019

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50 to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 3.05% to 2.00%.

INTERNAL CONTROL AND COMPLIANCE

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/ Program Title	Federal CFDA Number	Loans	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities Cluster:			
Loans outstanding as of January 1, 2019	10.760	\$ 3,795,500	\$ 3,795,500
Water and Waste Disposal System Grant	10.760	-	<u>77,781</u>
Total U.S. Department of Agriculture			<u>3,873,281</u>
Total Expenditures of Federal Awards		<u>\$ 3,795,500</u>	<u>\$ 3,873,281</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Christian County Water District (the District) under programs of the federal government for the year ended December 31, 2019. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – LOANS

The District was awarded a loan from the United States Department of Agriculture in the amount of \$1,800,000. The repayment schedule for this loan is located in the Notes to the Financial Statements under Note 5. The balance of the loan at December 31, 2019 was \$1,772,500.

The District was awarded a loan from Waterworks Revenue Bonds Series 2008 in the amount of \$1,850,000. The repayment schedule for this loan is located in the Notes to the Financial Statements under Note 5. The balance of the loan at December 31, 2019 was \$1,637,500.

The District was awarded a loan from United States Department of Agriculture Rural Development in the amount of \$400,000. The repayment schedule for this loan is located in the Notes to the Financial Statements under Note 5. The balance of the loan at December 31, 2019 was \$322,500.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

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ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA
MEREDITH D. MORRIS, CPA
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DUGUID, GENTRY & ASSOCIATES, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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**

Commissioners
Christian County Water District
Hopkinsville, 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 Christian County Water District as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Christian County Water District's basic financial statements, and have issued our report thereon dated June 29, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2019-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christian 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 or other matters that are required to be reported under *Government Auditing Standards*.

Christian County Water District's Response to Finding

Christian County Water District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Christian County Water 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

June 29, 2020

SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA
MEREDITH D. MORRIS, CPA
KELSEY M. COX, CPA



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Commissioners
Christian County Water District
Hopkinsville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Christian County Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Christian County Water District's major federal program for the year ended December 31, 2019. Christian County Water District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Christian County Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Christian County Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Christian County Water District's compliance.

Opinion on Each Major Federal Program

In our opinion, Christian County Water District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of Christian County Water District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Christian County Water District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Christian County Water District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

June 29, 2020

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___yes X no

Significant deficiency(ies) identified? X yes ___none reported

Noncompliance material to financial statements noted? ___yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___yes X no

Significant deficiency(ies) identified? ___yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) ___yes X no

Identification of major federal programs:

Program Title	CFDA Number
Water and Waste Disposal System Grant	10.760

Dollar threshold to distinguish
Between type A and type B programs: \$750,000

Auditee qualified as a low risk auditee? X yes ___no

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2019-001 Financial Reporting

Condition: There was inadequate design of internal controls over the preparation of the financial statements of the District.

Criteria: Statement on Auditing Standards (SAS 115) states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

Cause: Available funds do not allow for such staffing.

Effect: There was an increased risk that controls in place might not prevent, or detect and correct, misstatements in the financial statements.

Recommendation: The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures and take responsibility for these financial statements

Views of Responsible Officials and Planned Corrective Actions: Management outsourced the preparation of their financial statements and the related notes to Duguid, Gentry & Associates, PSC. Management maintained responsibility for the financial statements and related notes and for the establishment of controls over the financial reporting process and acknowledged that outsourcing preparation of the financial statements and related notes does not relieve management of the responsibility for the financial statements. Management provided oversight for the financial statement preparation service by designating an individual within senior management who possesses suitable technical skill, knowledge and experience sufficient to (a) understand the financial statement preparation service enough to be able to provide general direction for the service; (b) understand the key issues the auditors identify; (c) make any required management decisions; and (d) evaluate the adequacy of, and accept responsibility for, the results of the auditors' work.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported

**CHRISTIAN COUNTY WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2018-001 Financial Reporting

Condition: There was inadequate design of internal controls over the preparation of the financial statements of the District.

Recommendation: The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures and take responsibility for these financial statements.

Current Status: The finding was repeated for the fiscal year ending December 31, 2019.