

CHRISTIAN COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

**CHRISTIAN COUNTY WATER DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Christian County Water District
Hopkinsville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Christian County Water District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Christian County Water District as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Christian County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and post-employment benefit schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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, 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*, is presented for additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 July 22, 2022, 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

July 22, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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, 2021. 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 \$55,615 or 0.55% from \$10,139,436 to \$10,195,051 when compared to the previous year.
- Operating revenues increased by \$207,406 or 5.69% from \$3,642,892 to \$3,850,298 when compared to the previous year.
- Operating expenses (excluding depreciation) decreased by \$38,442 or 1.29% from \$2,982,971 to \$2,944,529 when compared to the previous year.

OVERVIEW OF 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
DECEMBER 31, 2021**

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, 2021

Over the past year, total assets and deferred outflows of the District decreased by \$343,401 while total liabilities and deferred inflows decreased by \$311,736. For the current period, the operating income of the District totaled \$318,864.

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 \$55,615 or 0.55%.

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
DECEMBER 31, 2021**

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, \$7,253,832 or 71.15% of net position represents investment in plant assets, which is the lifeblood to the provision of water services. Another portion of net position, \$3,303,012 or 32.40% represents funds set aside for payment of debt, refunding of customer deposits and capital purchases.

**TABLE 1
Condensed Statements of Net Position**

	2021	2020	Change in FY 2020 to FY 2021	
			Amount	Percent
ASSETS				
Current and other assets	\$ 5,273,485	\$ 5,168,947	\$ 104,538	2.02%
Capital assets, net	15,527,767	15,951,835	(424,068)	-2.66%
Total assets	20,801,252	21,120,782	(319,530)	-1.51%
Deferred outflows of resources				
	542,562	566,433	(23,871)	-4.21%
LIABILITIES				
Long-term debt	10,234,958	11,033,950	(798,992)	-7.24%
Current and other liabilities	404,338	368,452	35,886	9.74%
Total liabilities	10,639,296	11,402,402	(763,106)	-6.69%
Deferred inflows of resources				
	509,467	145,377	364,090	250.45%
NET POSITION				
Net investment in capital assets	7,253,832	7,173,846	79,986	1.11%
Restricted	3,303,012	3,236,872	66,140	2.04%
Unrestricted	(361,793)	(271,282)	(90,511)	33.36%
Total net position	\$ 10,195,051	\$ 10,139,436	\$ 55,615	0.55%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

**TABLE 2
Components of Net Position**

	2021	2020	Change in FY 2019 to FY 2020	
			Amount	Percent
Net investment in capital assets	\$ 7,253,832	\$ 7,173,846	\$ 79,986	1.11%
Restricted for debt service	1,198,951	1,236,639	(37,688)	-3.05%
Restricted for capital projects	2,104,061	2,000,233	103,828	5.19%
Unrestricted	(361,793)	(271,282)	(90,511)	-33.36%
	<u>\$ 10,195,051</u>	<u>\$ 10,139,436</u>	<u>\$ 55,615</u>	0.55%

For the year ended December 31, 2021, *Net Position Invested in Capital Assets, Net of Related Debt* increased by \$79,986 or 1.11% 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 decrease is primarily due to a decrease in debt of \$725,000, purchases and construction of property and equipment of \$162,837 and additions to accumulated depreciation of \$586,905.

In comparing the total amount to the prior year's balance of *Net Position Restricted for Debt Service*, there was a decrease of \$37,688 or 3.05%. *Net Position Restricted for Capital Projects* increased \$103,828 or 5.19%.

Compared to the previous year's balance, there was a decrease in *Unrestricted Net Position* of \$90,511 or 33.36%. 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
DECEMBER 31, 2021**

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, 2021 and 2020 balances by asset classification is shown in the table below.

**TABLE 3
Comparison of Current Assets**

	2021	2020	Change in FY 2020 to FY 2021	
			Amount	Percent
Cash and cash equivalents	\$ 880,875	\$ 983,388	\$ (102,513)	-10.42%
Accounts receivable and unbilled revenues	800,823	714,725	86,098	12.05%
Allowance for uncollectible accounts	(251,294)	(238,686)	(12,608)	5.28%
Inventory	271,442	205,172	66,270	32.30%
Prepaid expenses	11,158	4,452	6,706	150.63%
	<u>\$ 1,713,004</u>	<u>\$ 1,669,051</u>	<u>\$ 43,953</u>	2.63%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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 well as 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, 2021 and 2020 are compared to major classification. As indicated by the tabular information below, total noncurrent assets increased by \$76,037 or 2.30% compared to the previous year.

**TABLE 4
Comparison of Noncurrent Assets**

	2021	2020	Change in FY 2020 to FY 2021	
			Amount	Percent
Cash - customers' deposits	\$ 79,234	\$ 69,337	\$ 9,897	14.27%
Cash - bond and interest redemption	1,198,316	1,080,347	117,969	10.92%
Cash - depreciation reserve	761,253	1,082,360	(321,107)	-29.67%
Cash - bond reserve	635	156,292	(155,657)	-99.59%
Investments - depreciation reserve	1,342,808	917,873	424,935	46.30%
	<u>\$3,382,246</u>	<u>\$3,306,209</u>	<u>\$ 76,037</u>	2.30%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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>2021</u>	<u>2020</u>	Change in FY 2020 to FY 2021	
			<u>Amount</u>	<u>Percent</u>
Accounts payable and accrued expenses	<u>\$206,002</u>	<u>\$ 179,635</u>	<u>\$ 26,367</u>	14.68%
	<u><u>\$206,002</u></u>	<u><u>\$ 179,635</u></u>	<u><u>\$ 26,367</u></u>	14.68%

Current Liabilities Payable from Unrestricted Assets increased by \$26,367 or 14.68% when compared to the previous year's balance.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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, 2021 was \$55,615.

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

	2021	2020	Change in FY 2020 to FY 2021	
			Amount	Percent
REVENUES				
Operating revenues	\$ 3,850,298	\$ 3,642,892	\$ 207,406	5.69%
Non-operating revenues	47,565	39,070	8,495	21.74%
Total revenues	<u>3,897,863</u>	<u>3,681,962</u>	<u>215,901</u>	5.86%
EXPENSES				
Depreciation expense	586,905	589,269	(2,364)	-0.40%
Operating expenses	2,944,529	2,982,971	(38,442)	-1.29%
Non-operating expenses	421,119	266,672	154,447	57.92%
Total expenses	<u>3,952,553</u>	<u>3,838,912</u>	<u>113,641</u>	2.96%
Income (loss) before grants and capital contributions	(54,690)	(156,950)	102,260	-65.15%
Grants and capital contributions	<u>110,305</u>	<u>477,986</u>	<u>(367,681)</u>	-76.92%
Changes in net position	55,615	321,036	(265,421)	82.68%
Net position, beginning of year	<u>10,139,436</u>	<u>9,818,400</u>	<u>321,036</u>	3.27%
Net position, end of year	<u>\$ 10,195,051</u>	<u>\$ 10,139,436</u>	<u>\$ 55,615</u>	0.55%

Analysis of Revenue

For the 2021 fiscal year, the *Operating Revenues* of the system were \$3,850,298. This amount represented an increase of \$207,406 or 5.69% compared with the previous year's total.

Included in *Nonoperating Revenues* is interest income of \$47,565.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Analysis of Expenses

The Total *Operating Expenses* for FY 2021 were \$3,531,434. The amount represents a decrease of \$40,806 or 1.14% less than the prior fiscal year of \$3,572,240. The major categories of *Operating Expenses* are shown in the chart below.

**TABLE 7
Comparison of Operating Expenses**

	2021	2020	Change in FY 2020 to FY 2021	
			Amount	Percent
Water purchased	\$ 1,312,756	\$ 1,219,214	\$ 93,542	7.67%
Depreciation	586,905	589,269	(2,364)	-0.40%
Salaries	654,325	643,563	10,762	1.67%
Maintenance and repairs	123,590	131,515	(7,925)	-6.03%
Insurance	176,606	196,086	(19,480)	-9.93%
Rental expense	1,297	1,085	212	19.54%
Electricity for pumping	85,074	84,400	674	0.80%
Professional services	52,533	42,831	9,702	22.65%
Office supplies and expense	156,199	159,311	(3,112)	-1.95%
Operating materials and supplies	40,595	79,740	(39,145)	-49.09%
Payroll taxes and fringe benefits	315,298	405,695	(90,397)	-22.28%
Transportation expenses	26,256	19,531	6,725	34.43%
	<u>\$3,531,434</u>	<u>\$3,572,240</u>	<u>\$ (40,806)</u>	-1.14%

As indicated by the comparative information presented above, water purchases increased by \$93,542 or 7.67% compared to the prior year. This increase can be contributed to the completion of the line installation 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
DECEMBER 31, 2021**

Capital Assets

Christian County Water District's investment in capital assets as of December 31, 2021 was \$15,527,767 (net of accumulated depreciation), as shown in the following table.

**TABLE 8
Capital Assets**

	<u>2021</u>	<u>2020</u>
Capital assets not depreciated		
Land and land rights	\$ 118,491	\$ 118,491
Construction in progress	3,009,188	3,009,188
	<u>3,127,679</u>	<u>3,127,679</u>
Capital assets depreciated		
Structures and improvements	1,065,122	1,065,122
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	15,863,823	15,787,811
Services	247,664	247,664
Meters	1,468,351	1,405,630
Hydrants	822,439	822,439
Office equipment	154,489	150,950
Vehicles	373,235	373,235
Tools and miscellaneous	495,772	475,207
	<u>24,495,957</u>	<u>24,333,120</u>
Total depreciable historical cost		
	<u>24,495,957</u>	<u>24,333,120</u>
Total capital assets	27,623,636	27,460,799
Less accumulated depreciation	<u>(12,095,869)</u>	<u>(11,508,964)</u>
Total capital assets, net	<u>\$ 15,527,767</u>	<u>\$ 15,951,835</u>

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

As of December 31, 2021, the District's capital assets totaled \$15,527,767, which is a decrease of \$424,068 over the net capital asset balance at December 31, 2020. Capital assets had additions of \$162,837, which are offset by accumulated depreciation of \$586,905.

Long-term Debt

As of December 31, 2021, the District had \$8,273,935 (net of premium and discounts) in outstanding debt compared to \$9,163,927 as of December 31, 2020. Long-term debt activity consisted of a new bond issuance of \$1,915,000 and a reduction of principal of \$2,640,500.

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

ECONOMIC FACTORS AND RATES

Following a rate review by the Kentucky Public Service Commission (PSC), the Christian County Water District (CCWD) was ordered to conduct a water rate analysis (the Study). The purpose of this study was to determine CCWD revenue needs going forward. These types of studies are used as indicators of what the future short-term needs of a utility may be. CCWD was given twelve months to have this detailed study completed.

This study was performed and submitted for review to the Kentucky Public Service Commission September 2021. The PSC shortly thereafter started its review progress. This progress continued through 2021 and was ongoing at year end.

"The Study" produced a future projection of revenue needed of 4.89%. This increase in revenue projections was based on conditions and circumstances at play in September 2021. The Kentucky Public Service Commission review can take up to ten months to be completed.

Christian County Water District feels confident that once this review is completed, the PSC will order a water rate increase of approximately 4.50% to 5.50%. This increase should assist CCWD in the year 2021 and for the next few years 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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 880,875	\$ 983,388
Accounts receivable and unbilled revenues	800,823	714,725
Allowance for uncollectible accounts	(251,294)	(238,686)
Inventory	271,442	205,172
Prepaid expenses	<u>11,158</u>	<u>4,452</u>
Total current assets	<u>1,713,004</u>	<u>1,669,051</u>
Restricted assets		
Cash - customers' deposits	79,234	69,337
Cash - bond and interest redemption account	1,198,316	1,080,347
Cash - depreciation reserve account	761,253	1,082,360
Cash - bond reserve account	635	156,292
Investments - depreciation reserve	<u>1,342,808</u>	<u>917,873</u>
Total restricted assets	<u>3,382,246</u>	<u>3,306,209</u>
Capital assets not being depreciated		
Land and land rights	118,491	118,491
Construction in progress	3,009,188	3,009,188
Capital assets being depreciated		
Water supply and distribution system	<u>12,400,088</u>	<u>12,824,156</u>
Total capital assets	<u>15,527,767</u>	<u>15,951,835</u>
Other assets		
Deposits	<u>115</u>	<u>115</u>
Deferred charges		
Unamortized bond issuance costs	<u>178,120</u>	<u>193,572</u>
Total assets	<u>20,801,252</u>	<u>21,120,782</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related	269,780	255,561
Pension related	255,072	310,872
Deferred amount on refunding of debt	<u>17,710</u>	<u>-</u>
Total deferred outflows of resources	<u>542,562</u>	<u>566,433</u>

See accompanying notes to the financial statements

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION, continued
DECEMBER 31, 2021 AND 2020

	2021	2020
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	206,002	179,635
Total current liabilities	206,002	179,635
Current liabilities payable from restricted assets		
Customers' deposits	79,234	69,337
Interest payable	110,388	108,979
Notes payable - current	-	8,000
Long-term debt - current portion	330,000	414,000
Total payable from restricted assets	519,622	600,316
Noncurrent liabilities		
Long-term debt (net of unamortized discounts and premiums)	7,645,435	8,048,989
Notes payable	298,500	307,000
Net OPEB liability	452,767	540,047
Net pension liability	1,508,256	1,715,914
Compensated absences	8,714	10,501
Total noncurrent liabilities	9,913,672	10,622,451
Total liabilities	10,639,296	11,402,402
DEFERRED INFLOWS OF RESOURCES		
OPEB related	233,453	107,497
Pension related	276,014	37,880
Total deferred inflows of resources	509,467	145,377
NET POSITION		
Net investment in capital assets	7,253,832	7,173,846
Restricted for debt service	1,198,951	1,236,639
Restricted for capital projects	2,104,061	2,000,233
Unrestricted	(361,793)	(271,282)
Total net position	\$ 10,195,051	\$ 10,139,436

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Water sales	\$3,757,371	\$3,601,759
Other revenues	<u>92,927</u>	<u>41,133</u>
Total operating revenues	<u>3,850,298</u>	<u>3,642,892</u>
OPERATING EXPENSES		
Water purchased	1,312,756	1,219,214
Depreciation	586,905	589,269
Salaries	654,325	643,563
Maintenance and repairs	123,590	131,515
Insurance	176,606	196,086
Rental expense	1,297	1,085
Electricity for pumping	85,074	84,400
Professional services	52,533	42,831
Office supplies and expense	156,199	159,311
Operating materials and supplies	40,595	79,740
Payroll taxes and fringe benefits	315,298	405,695
Transportation expenses	<u>26,256</u>	<u>19,531</u>
Total operating expenses	<u>3,531,434</u>	<u>3,572,240</u>
Operating income	<u>318,864</u>	<u>70,652</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and dividend income	47,565	39,070
Interest expense	(288,993)	(255,997)
Amortization of bond issuance costs	(78,680)	(33,231)
Unrealized gain (loss) on investments	<u>(53,446)</u>	<u>22,556</u>
Total nonoperating revenue (expense)	<u>(373,554)</u>	<u>(227,602)</u>
Income (loss) before grants and capital contributions	(54,690)	(156,950)
Grants and capital contributions	<u>110,305</u>	<u>477,986</u>
Change in net position, carried forward	<u>55,615</u>	<u>321,036</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, 2021 AND 2020

	2021	2020
Change in net position, brought forward	55,615	321,036
Net position, beginning of year	10,139,436	9,818,400
Net position, end of year	\$ 10,195,051	\$ 10,139,436

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Receipts from customers and users	\$ 3,776,694	\$ 3,692,457
Cash payments to suppliers for goods and services	(2,022,823)	(1,939,256)
Cash payments to employees	<u>(858,944)</u>	<u>(827,994)</u>
Net cash provided by operating activities	<u>894,927</u>	<u>925,207</u>
Cash flows from capital and related financing activities		
Proceeds from grants	-	405,389
Purchases and construction of property and equipment	(162,837)	(181,356)
Proceeds from issuance of debt	2,076,120	1,568,032
Principal paid on debt	(2,640,500)	(2,028,000)
Tap-on fees	74,450	68,218
Contributed lines	35,855	4,379
Customer deposits	9,897	2,000
Interest expense	<u>(287,584)</u>	<u>(305,937)</u>
Net cash used in capital and related financing activities	<u>(894,599)</u>	<u>(467,275)</u>
Cash flows from investing activities		
Transfer to investments	(555,000)	-
Maturity of CD	99,045	-
Interest income (expense)	<u>4,216</u>	<u>(524)</u>
Net cash used by investing activities	<u>(451,739)</u>	<u>(524)</u>
Net increase (decrease) in cash and cash equivalents	(451,411)	457,408
Cash, beginning of year	<u>3,371,724</u>	<u>2,914,316</u>
Cash, end of year	<u>2,920,313</u>	<u>3,371,724</u>
Less restricted cash		
Cash - customer deposits	(79,234)	(69,337)
Cash - bond and interest redemption	(1,198,316)	(1,080,347)
Cash - depreciation reserve	(761,253)	(1,082,360)
Cash - bond reserve	<u>(635)</u>	<u>(156,292)</u>
Total restricted cash	<u>(2,039,438)</u>	<u>(2,388,336)</u>
Cash and cash equivalents per statement of net position	<u>\$ 880,875</u>	<u>\$ 983,388</u>

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS, continued
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Cash flows from operating activities		
Operating income	\$ 318,864	\$ 70,652
Adjustment to reconcile revenue to net cash provided by operating activities		
Depreciation	586,905	589,269
(Increase) decrease in		
Accounts receivable and unbilled revenues	(73,490)	49,537
Inventory	(66,270)	5,929
Prepaid expenses	(6,706)	2,187
Increase (decrease) in		
Accounts payable	26,678	(6,514)
Compensated absences	(1,787)	2,915
OPEB	24,457	39,673
Pension	86,276	171,559
	\$ 894,927	\$ 925,207
Net cash provided by operating activities	\$ 894,927	\$ 925,207

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, 2021 AND 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Christian County Water District (the "District") was created in 1967. It is a distributor of water under the authority of the Public Service Commission of Kentucky. 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.

Reporting Entity

The District is governed by a five-member board (the "Board"). The criteria for determining the District as a component unit of Christian County, Kentucky, the primary government, is financial accountability. As set forth in Section 2100, Defining the Financial Reporting Entity, of the Governmental Accounting Standards Board (GASB) Codification, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to impose its will on that organization. The majority of the Commissioners of the Board are appointed by the Christian County Judge Executive subject to the approval of the Christian County Fiscal Court. Christian County is able to impose its will on the District through the ability to remove appointed members of the Board at will and the ability to modify or approve the budget of the District.

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

Basis of Presentation and Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's intent is that the costs of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control and accountability.

The District follows the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned and expenses are recorded when incurred. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for water consumption. Operating expenses consist of bulk water purchases, administrative expenses and depreciation of capital assets. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions.

When an expense is incurred for purposes in which both restricted and unrestricted net assets are available, it is the District's policy to first apply restricted resources.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of the net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted Net Position – This amount is constricted by creditors, grantors, contributors or laws or regulations of other governments. Restricted assets will be reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted Net Position – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of 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.

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.

Cash and Investments

Cash and temporary investments include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Restricted cash and temporary investments include amounts held in money market funds as well as short-term investments with an original maturity of three months or less. These amounts consist of sinking funds for bond principal and interest payments as well as funds set aside for customer deposits and depreciation reserves

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments consist of non-brokered certificates of deposit and are recorded at cost. The cost of investments approximates their fair value. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows:

- Level 1 – Inputs are quoted prices in active markets for identical assets;
- Level 2 – Inputs are significant other observable inputs;
- Level 3 – Inputs are significant unobservable inputs.

Accounts Receivable

Billed receivables are stated at the amount billed to customers. Unbilled receivables are recorded for services provided for which customers have not been billed at December 31, 2021 and 2020. 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

Operating supplies are stated at the lower of cost, determined by first-in first-out ("FIFO") method, or net realizable value.

Restricted Assets

Restricted assets represent resources designated for specific purposes and customer deposits.

Capital Assets

Capital assets are stated at historical cost. Donated assets are recorded at acquisition value at the time received. Expenses for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred. Interest costs for utility plant asset construction are capitalized. Interest incurred on debt during a construction project is capitalized as a cost of the construction project.

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, 2021 AND 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Construction in Progress

Construction in progress includes design and construction costs that accumulate until completion of the respective project, at which time the total cost is transferred to depreciable capital assets.

Long-term Debt

Debt is a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

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.

Deferred Charges

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

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. If the customer is renting the property, when the customer moves out of 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement that presents net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In addition to liabilities, the statement that presents financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting as deferred inflows or outflows of resources:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow of resources; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow of resources as appropriate.
- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow of resources as appropriate.
- Changes in proportionate share that will be recognized in the pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or deferred inflow of resources as appropriate.
- Deferred amount on refunding of debt.

Pensions and Post-Employment 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.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 7 provides further detail on the net pension liability.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB 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. Note 8 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS plan.

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.

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.

Subsequent Events

Subsequent events have been evaluated through July 22, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Deposits

The carrying amounts of the District's deposits with financial institutions were \$2,919,313 and \$3,370,724, and the bank balances were \$2,925,527 and \$3,371,884 as of December 31, 2021 and 2020, respectively.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2 – CASH AND INVESTMENTS, continued

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

	2021	2020
Cash	\$2,919,313	\$3,370,724
Investments	1,342,808	917,873
Petty cash	1,000	1,000

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute for bank deposits to be collateralized.

2021

The District's deposits were fully collateralized for all months of the year ending December 31, 2021.

2020

The District's deposits were fully collateralized for all months of the year ending December 31, 2020.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds.

Concentration of Credit Risk

Financial instruments that potentially subject the District to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Of the bank balances, \$317,983 and \$302,971 were covered by FDIC insurance or by collateral held by an institution for the pledging bank in the District's name, and \$2,607,544 and \$3,068,913 were insured and collateralized as of December 31, 2021 and 2020.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2 – CASH AND INVESTMENTS, continued

Fair Value Measurement

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
<u>2021</u>			
Mortgage-backed securities	\$ 1,319,573	\$ -	\$ -
Money market funds	23,235	-	-
Certificates of deposit	-	-	-
Total investments	<u>\$ 1,342,808</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2020</u>			
Mortgage-backed securities	\$ 804,458	\$ -	\$ -
Money market funds	14,370	-	-
Certificates of deposit	99,045	-	-
Total investments	<u>\$ 917,873</u>	<u>\$ -</u>	<u>\$ -</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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, 2021 follows:

	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021
Capital assets not depreciated				
Land and land rights	\$ 118,491	\$ -	\$ -	\$ 118,491
Construction work in progress	3,009,188	-	-	3,009,188
Total capital assets not depreciated	<u>3,127,679</u>	<u>-</u>	<u>-</u>	<u>3,127,679</u>
Capital assets depreciated				
Structures and improvements	1,065,122	-	-	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	15,787,811	76,012	-	15,863,823
Services	247,664	-	-	247,664
Meters	1,405,630	62,721	-	1,468,351
Hydrants	822,439	-	-	822,439
Office equipment	150,950	3,539	-	154,489
Vehicles	373,235	-	-	373,235
Tools and miscellaneous	475,207	20,565	-	495,772
Total capital assets depreciated	24,333,120	162,837	-	24,495,957
Less: Accumulated depreciation	<u>(11,508,964)</u>	<u>(586,905)</u>	<u>-</u>	<u>(12,095,869)</u>
Total capital assets depreciated, net	<u>12,824,156</u>	<u>(424,068)</u>	<u>-</u>	<u>12,400,088</u>
Total capital assets	<u>\$ 15,951,835</u>	<u>\$ (424,068)</u>	<u>\$ -</u>	<u>\$ 15,527,767</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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, 2020 follows:

	Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020
Capital assets not depreciated				
Land and land rights	\$ 118,491	\$ -	\$ -	\$ 118,491
Construction work in progress	2,990,290	18,898	-	3,009,188
Total capital assets not depreciated	<u>3,108,781</u>	<u>18,898</u>	<u>-</u>	<u>3,127,679</u>
Capital assets depreciated				
Structures and improvements	1,065,122	-	-	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	15,738,978	48,833	-	15,787,811
Services	247,664	-	-	247,664
Meters	1,354,215	51,415	-	1,405,630
Hydrants	822,439	-	-	822,439
Office equipment	149,959	991	-	150,950
Vehicles	318,527	54,708	-	373,235
Tools and miscellaneous	468,696	6,511	-	475,207
Total capital assets depreciated	24,170,662	162,458	-	24,333,120
Less: Accumulated depreciation	<u>(10,919,695)</u>	<u>(589,269)</u>	<u>-</u>	<u>(11,508,964)</u>
Total capital assets depreciated, net	<u>13,250,967</u>	<u>(426,811)</u>	<u>-</u>	<u>12,824,156</u>
Total capital assets	<u>\$ 16,359,748</u>	<u>\$ (407,913)</u>	<u>\$ -</u>	<u>\$ 15,951,835</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 3 – DISTRICT CAPITAL ASSET AND DEPRECIATION PROCEDURES, continued

Construction in progress amounted to \$3,009,188 and \$3,009,188 at December 31, 2021 and 2020, respectively. The December 31 balances are represented by the following:

	2021	2020
Road line extensions	\$3,001,188	\$3,001,188
Future projects research	8,000	8,000
	\$3,009,188	\$3,009,188

NOTE 4 – ACCOUNTS RECEIVABLE

The December 31 balances are represented by the following:

	2021	2020
Customer accounts receivable	\$236,239	\$180,402
Unbilled revenues	292,993	253,577
Accounts receivable arrears	271,591	280,746
	\$800,823	\$714,725

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 5 – LONG-TERM DEBT

Revenue Bonds

The District has issued bonds pledging income derived from operations to pay debt service. Revenue bonds outstanding at December 31, 2021 and 2020 are as follows:

Name/Purpose	Interest Rate	Amount	
		2021	2020
Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2012C, principal due in monthly installments through January 1, 2038	2.15% - 4.15%	\$ -	\$ 2,285,000
Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2013B, principal due in monthly installments through February 1, 2029	2.30% - 3.30%	935,000	1,050,000
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%	1,530,000	1,685,000
Waterworks Revenue Bonds Series 2018 (Phase VIII line expansion), principal due in annual installments through July 1, 2056	2.75%	1,685,500	1,744,500
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2020 (refinance Waterworks Revenue Bonds 2008), principal due in annual installments through July 1, 2048	2.25% - 5.25%	1,585,000	1,595,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2021 (refinance Waterworks Revenue Bonds 2021C), principal due in annual installments through August 1, 2038	2.20% - 5.20%	1,915,000	-
		<u>\$ 7,650,500</u>	<u>\$ 8,359,500</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 5 – LONG-TERM DEBT, continued

Revenue Bond debt service requirements to maturity, including \$1,947,150 of interest, are as follows:

Year Ending December 31	Principal	Interest	Total
2022	\$ 330,000	\$ 137,856	\$ 467,856
2023	440,500	153,067	593,567
2024	471,500	144,368	615,868
2025	482,500	134,294	616,794
2026	498,000	122,982	620,982
2027-2031	2,125,000	434,733	2,559,733
2032-2036	1,126,000	305,716	1,431,716
2037-2041	731,000	240,060	971,060
2042-2046	625,000	162,828	787,828
2047-2051	464,500	81,202	545,702
2052-2056	356,500	30,044	386,544
Total	<u>\$7,650,500</u>	<u>\$1,947,150</u>	<u>\$9,597,650</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, 2021 and 2020.

On October 19, 2021, the District issued \$1,915,000 in KRWFC Public Projects Refunding and Improvement Revenue Bonds, Series 2021D bonds with interest rates of 2.20% - 5.20%. The District issued the bonds to refund \$2,198,512 of outstanding Series 2012C with an interest rate of 3.15% with a call premium of \$240,133. The District contributed \$87,046 from debt service funds. The net proceeds of \$1,915,000 (after payment of \$63,228 in underwriting fees and issuance costs) were transferred to an escrow agent to payoff prior bonds. As a result, the refunded bonds were considered to be decreased, and the liability was removed from the financial statements. The refund reduced total debt service payments over the next 17 years by \$394,923 with a net present value saving of 12.57%. Payments of principal and interest are paid monthly with the last principal payment scheduled for July 1, 2038.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 5 – LONG-TERM DEBT, continued

Other Long-term Debt

A summary of other long-term debt as of December 31 follows:

	Interest Rate	Amount	
		2021	2020
USDA Rural Development advance, principal due in annual installments through 2043, secured by utility revenues	4.375%	\$ 298,500	\$ 315,000
		<u>\$ 298,500</u>	<u>\$ 315,000</u>

Other long-term debt service requirements to maturity, including interest of \$172,253, are as follows:

Year Ending December 31	Principal	Interest	Total
2022	\$ -	\$ 6,716	\$ 6,716
2023	8,500	13,059	21,559
2024	9,000	12,688	21,688
2025	9,500	12,294	21,794
2026	10,000	11,878	21,878
2027-2031	57,500	53,166	110,666
2032-2036	71,500	38,653	110,153
2037-2041	90,000	21,460	111,460
2042-2043	42,500	2,339	44,839
Total	<u>\$ 298,500</u>	<u>\$ 172,253</u>	<u>\$ 470,753</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 5 – LONG-TERM DEBT, continued

A summary of changes in long-term debt for the year ended December 31, 2021 is listed as follows:

	Balance December 31, 2020	New Issues	Debt Payments and Refunds	Balance December 31, 2021	Amounts Due Within One Year
Revenue Bonds	\$ 8,359,500	\$ 1,915,000	\$ 2,624,000	\$ 7,650,500	\$ 330,000
Rural Development advance	315,000	-	16,500	298,500	-
Premium (discount)	103,489	240,133	18,687	324,935	20,427
Net OPEB liability	1,715,914	-	207,658	1,508,256	-
Net pension liability	540,047	-	87,280	452,767	-
Total long-term liabilities	<u>\$ 11,033,950</u>	<u>\$ 2,155,133</u>	<u>\$ 2,954,125</u>	<u>\$ 10,234,958</u>	<u>\$ 350,427</u>

A summary of changes in long-term debt for the year ended December 31, 2020 is listed as follows:

	Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020	Amounts Due Within One Year
Revenue bonds	\$ 8,785,000	\$ 1,595,000	\$ 2,020,500	\$ 8,359,500	\$ 414,000
Rural Development advance	322,500	-	7,500	315,000	8,000
Premium (discount)	56,427	52,516	5,454	103,489	6,873
Net OPEB liability	1,480,667	235,247	-	1,715,914	-
Net pension liability	354,018	186,029	-	540,047	-
Total long-term liabilities	<u>\$ 10,998,612</u>	<u>\$ 2,068,792</u>	<u>\$ 2,033,454</u>	<u>\$ 11,033,950</u>	<u>\$ 428,873</u>

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$7,650,500 in water system Revenue Bonds Series 2013B, 2016B, 2018, 2020G and 2021D. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely from water customer net revenues and are payable through 2056. The total principal and interest remaining to be paid on the bonds is \$9,597,650. Principal and interest paid and total customer net revenues paid for the current year were \$668,627 and \$3,850,298, respectively. Principal and interest paid and total customer net revenues for the year ended December 31, 2020 were \$782,057 and \$3,642,892, respectively.

The District has various financial and non-financial debt covenants and restrictions as set forth in the bond and loan agreements. Failure to fulfill any of the debt covenants and restrictions, or failure to cure any such failure within 30 days, constitute an event of default. In the event of default, the respective owners of the bonds may enforce and compel the duties and obligations set forth within the bond agreement.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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 2013B, 2016B, 2020G and 2021D are being amortized on the straight-line method over the term of the bonds. Amortization expense charged to nonoperating expense was \$78,680 and \$33,231 for the years ending December 31, 2021 and 2020, respectively.

The premiums associated with the Series 2013B, Series 2016B, Series 2020G and Series 2021D issues are being amortized on the straight-line method over the term of the bonds. Amortization of the premiums included in interest income was \$18,687 and \$5,454 for the years ending December 31, 2021 and 2020, respectively.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' 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.

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

Plan description – The District and covered employees contribute to the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the Board of Trustees of the Kentucky Public Pensions Authority (KPPA). Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly assigns the authority to establish and amend benefit provisions to the Board of Trustees of the KPPA. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS financial statements and other supplementary information are contained in the publicly available annual financial report of the KPPA. Copies of the report are sent to each participating employer as well as distributed to legislative personnel, state libraries and other interested parties. KPPA issues a publicly available financial report that can be obtained on their website.

Benefits provided – Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under circumstances. Cost-of-living adjustments are provided at the discretion of the State legislature. There are currently three benefit tiers.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years' service or 65 years old
	Reduced retirement	At least 5 years' service and 55 years old
	Required contributions	At least 25 years' service and any age 5.00%
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years' service and 60 years old
	Required contributions	5.00% + 1.00% for insurance
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available
	Required contributions	5.00% + 1.00% for insurance

Contributions – Per Kentucky Revised Statute 61.565, normal contribution and past service contribution rates shall be determined by the Board of Trustees of the Kentucky Public Pensions Authority on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended December 31, 2021, plan members were required to contribute 5% of their annual creditable compensation. Plan members hired subsequent to September 1, 2008 were required to contribute 6% of their annual creditable compensation. The District is required to contribute at an actuarial determined rate.

Contribution Rates and Amounts for CERS Non-Hazardous

<u>Period</u>	<u>Pension</u>	<u>Insurance</u>	<u>Total</u>	<u>Employer</u>	
				<u>Pension</u>	<u>Insurance</u>
01/01/2021 - 06/30/2021	19.30%	4.76%	24.06%	\$ 54,749	\$ 17,311
07/01/2021 - 12/31/2021	21.17%	5.78%	26.95%	63,565	17,355
				<u>\$ 118,314</u>	<u>\$ 34,666</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

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

At December 31, 2021 and 2020, the District reported a liability of \$1,508,256 and \$1,715,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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 portion of the net pension liability was based on the District's proportionate share of retirement contributions for the fiscal year ended June 30, 2021 and 2020. At December 31, 2021 and 2020, the District's proportion was .023656% and .022372%, respectively.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. For the years ended December 31, 2021 and 2020, the District recognized pension expense of \$207,644 and \$286,901, respectively, related to CERS.

At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,319	\$ 14,639	\$ 42,789	\$ -
Change of assumptions	20,243	-	67,004	-
Net differences between projected and actual earnings on pension plan investments	58,510	259,535	74,379	31,441
Changes in proportion and difference between District contributions and proportionate share of contributions	95,435	1,840	67,887	6,439
District contributions subsequent to the measurement date	63,565	-	58,813	-
Total	<u>\$ 255,072</u>	<u>\$ 276,014</u>	<u>\$ 310,872</u>	<u>\$ 37,880</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

The amounts of \$63,565 and \$58,813 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, 2022 and 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31	
2022	\$ 34,846
2023	(13,350)
2024	(43,053)
2025	(62,950)
2026	-
Total	<u>\$ (84,507)</u>

Actuarial assumptions – The total pension liability, net pension liability and sensitivity information as of June 30, 2021 and 2020 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date (June 30, 2020) to the plan’s fiscal year ending June 30, 2021, using generally accepted actuarial principles.

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

	Measurement Period	
	2021	2020
Inflation	2.30%	2.30%
Projected salary increases, average, including inflation	3.30% to 10.30%	3.30% to 11.55%
Investment rate of return, net of plan investment expense, including inflation	6.25%	6.25%
Payroll growth rate	2.00%	2.00%

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Long-term expected 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 arithmetical real rates of return for each major asset class are summarized in the following tables:

Measurement Period 2021		
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected</u>
US equity	21.75%	5.70%
International equity	21.75%	6.35%
Core bonds	10.00%	0.00%
High yield	15.00%	2.80%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Private equity	10.00%	9.70%
Cash	1.50%	-0.60%
 Total	 <u>100.00%</u>	

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Measurement Period 2020		
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected</u>
US equity	18.75%	4.50%
International equity	18.75%	5.25%
Core bonds	13.50%	-0.25%
High yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real estate	5.00%	5.30%
Real return	15.00%	3.50%
Private equity	10.00%	6.65%
Cash	<u>1.00%</u>	-0.75%
 Total	 <u>100.00%</u>	

Discount rate – The discount rates used to measure the total pension liability for the measurement periods with years ended June 30, 2021 and 2020 were 6.25% and 6.25%, respectively. The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

Sensitivity of the District's 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 the pension system, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

<u>2021</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 1,934,409	\$ 1,508,256	\$ 1,155,623

<u>2020</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 2,116,095	\$ 1,715,914	\$ 1,384,549

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, 2021 and 2020, the District reported a payable of \$16,961 and \$15,809, 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.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the County Employees Retirement System Non-Hazardous OPEB Plan

Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority's administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS) and State Police Retirement System (SPRS) is a participating employer of the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

Plan description – The Kentucky Public Pensions Authority (KPPA) Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from KERS and CERS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

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

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Implicit subsidy – KPPA 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 healthcare benefits to retirees under age 65 is higher than the average cost of providing healthcare benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Contributions – The Commonwealth is required to contribute at an actuarially determined rate for KERS. Participating employers are required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Sections KERS 61.565(3) and CERS 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of the last annual valuation preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget for KERS.

Contribution Rates and Amounts for CERS Non-Hazardous

Period	Pension	Insurance	Total	Employer	
				Pension	Insurance
01/01/2021 - 06/30/2021	19.30%	4.76%	24.06%	\$ 54,749	\$ 17,311
07/01/2021 - 12/31/2021	21.17%	5.78%	26.95%	63,565	17,355
				<u>\$ 118,314</u>	<u>\$ 34,666</u>

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

At December 31, 2021 and 2020, the District reported a liability of \$452,767 and \$540,047 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2021, 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, 2021 and 2020, the District's proportion for the non-hazardous system was 0.023650% and 0.022365%, respectively.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

For the year ended December 31, 2021 and 2020, the District recognized OPEB expense of \$69,457 and \$79,358, respectively. At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 71,198	\$ 135,181	\$ 90,230	\$ 90,301
Changes of assumptions	120,037	421	93,936	571
Net difference between projected and actual earnings on OPEB plan investments	22,812	93,641	28,970	11,020
Changes in proportion and differences between District contributions and proportionate share of contributions	38,378	4,210	27,920	5,605
District contributions subsequent to the measurement date	<u>17,355</u>	<u>-</u>	<u>14,505</u>	<u>-</u>
Total	<u>\$ 269,780</u>	<u>\$ 233,453</u>	<u>\$ 255,561</u>	<u>\$ 107,497</u>

The amounts of \$17,355 and \$14,505 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, 2022 and 2021.

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

<u>Years Ending December 31</u>	
2022	\$ 22,311
2023	11,529
2024	7,813
2025	(22,681)
2026	<u>-</u>
Total	<u>\$ 18,972</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Actuarial assumptions – The total OPEB liability actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.25% at January 1, 2021 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 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Long-term expected 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.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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 2021		
Asset Class	Allocation	Expected
US equity	21.75%	5.70%
International equity	21.75%	6.35%
Core bonds	10.00%	0.00%
High yield	15.00%	2.80%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Private equity	10.00%	9.70%
Cash	1.50%	-0.60%
Total	<u>100.00%</u>	

Measurement Period 2020		
Asset Class	Allocation	Expected
US equity	18.75%	4.50%
International equity	18.75%	5.25%
Core bonds	13.50%	-0.25%
High yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real estate	5.00%	5.30%
Real return	15.00%	3.95%
Private equity	10.00%	6.65%
Cash	1.00%	-0.75%
Total	<u>100.00%</u>	

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Discount rate – Single discount rates used to measure the total OPEB liability for the years ended December 30, 2021 and 2020 were 5.20% and 5.34% for CERS Non-hazardous plans. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans’ actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans’ trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30 2028, for the CERS plans.

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 (4.20% for non-hazardous and 4.05% for hazardous) or 1-percentage-point higher (6.20% for non-hazardous and 6.05% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
2021	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 621,646	\$ 452,767	\$ 314,174
2020	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	\$ 693,802	\$ 540,047	\$ 413,763

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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.

2021	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 325,939	\$ 452,767	\$ 605,852
2020			
District's proportionate share of net OPEB liability	\$ 418,131	\$ 540,047	\$ 687,994

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.

NOTE 10 – GRANTS AND CONTRIBUTIONS

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

	2021	2020
Federal grants	\$ -	\$405,389
Tap-on fees	74,450	68,218
Contributed lines	35,855	4,379
	\$ 110,305	\$477,986

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 11 – COVID-19 IMPACT

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, the District’s financial condition, liquidity, and results of operations for Fiscal Year 2022 were largely similar to those in Fiscal Year 2021. Management continues to actively monitor the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce.

NOTE 12 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on extensions in Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* due to the COVID-19 pandemic.

In June 2017, The GASB issued Statement No. 87, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 12 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS, continued

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on future financial statements.

NOTE 13 – SUBSEQUENT EVENT

February 2022, the District was awarded \$1.1 million for expansion of services in the northern part of Christian County. July 21, 2022, the District was awarded an additional \$2 million to assist in extending services to homes that do not currently have a municipal water source. Funding was made available through the American Rescue Plan Act by a grant from The Cleaner Water Program, a grant program to improve drinking water and wastewater in Kentucky. The grant is a part of Governor Beshear's Better Kentucky Plan.

REQUIRED SUPPLEMENTARY INFORMATION

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
DECEMBER 31, 2021**

<u>As of December 31</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's portion of net pension liability	0.023656%	0.022372%	0.021053%	0.021400%	0.020083%	0.023170%	0.021780%
District's proportionate share of net pension liability	\$ 1,508,256	\$ 1,715,914	\$ 1,480,667	\$ 1,303,325	\$ 1,175,520	\$ 1,140,829	\$ 954,925
State's proportionate share of net pension liability associated with the Utility	-	-	-	-	-	-	-
Total	\$ 1,508,256	\$ 1,715,914	\$ 1,480,667	\$ 1,303,325	\$ 1,175,520	\$ 1,140,829	\$ 954,925
District's covered-employee payroll	\$ 597,525	\$ 550,196	\$ 514,861	\$ 564,185	\$ 578,024	\$ 525,804	\$ 529,804
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	252.42%	311.87%	287.59%	231.01%	203.37%	216.97%	180.24%
Plan fiduciary net position as a percentage of total pension liability	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is six months prior to the year end.

See accompanying notes to the required supplementary information.

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
DECEMBER 31, 2021**

<u>For the year ended December 31</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 118,314	\$ 115,322	\$ 97,870	\$ 79,044	\$ 94,130	\$ 91,983	\$ 91,179
Contributions in relation to the contractually required contribution	<u>118,314</u>	<u>115,322</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 599,764	\$ 597,525	\$ 550,196	\$ 514,861	\$ 564,185	\$ 578,024	\$ 525,804
Contributions as a percentage of covered employee payroll							
January to June rates	18.28%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%
July to December rates	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years.

See accompanying notes to the required supplementary information.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN
DECEMBER 31, 2021**

Changes in benefit terms

2021

No changes.

2020

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

House Bill 271 passed during the 2020 Legislative Session and removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries.

Changes in assumptions

2021

No changes.

2020

No changes.

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
DECEMBER 31, 2021**

<u>As of December 31</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the OPEB liability (asset)	0.023650%	0.022365%	0.021048%	0.021400%
District's proportionate share of net OPEB liability (asset)	<u>\$ 452,767</u>	<u>\$ 540,047</u>	<u>\$ 354,018</u>	<u>\$ 379,953</u>
District's covered - employee payroll	<u>\$ 597,525</u>	<u>\$ 550,196</u>	<u>\$ 514,861</u>	<u>\$ 564,185</u>
District's proportionate share of the OPEB liability (asset) as a percentage of its covered-employee payroll	131.97%	101.88%	145.43%	148.49%
Plan fiduciary net position as a percentage of total OPEB liability	62.91%	51.67%	60.44%	57.62%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is six months prior to year end.

See accompanying notes to the required supplementary information.

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
DECEMBER 31, 2021**

<u>For the year ended December 31</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required OPEB contribution	\$ 34,666	\$ 28,442	\$ 27,540	\$ 25,644
Contributions in relation to the contractually required contribution	<u>34,666</u>	<u>28,442</u>	<u>27,540</u>	<u>25,644</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 599,764	\$ 597,525	\$ 550,196	\$ 514,861
Contributions as a percentage of covered-employee payroll				
January to June rates	5.78%	4.76%	5.26%	4.70%
July to December rates	5.78%	4.76%	4.76%	5.26%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
DECEMBER 31, 2021 and DECEMBER 31, 2020**

Changes in benefit terms

2021

During the 2021 legislative session, Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions. There were no other material plan provision changes, and it is our opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

2020

No changes.

Changes in assumptions

2021

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The single discount rate used to calculate the OPEB liability was decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous.
- The healthcare trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for pre-65. The healthcare trend rate starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for post-65.

2020

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

- The healthcare trend rate starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years for pre-65. The healthcare trend rate starting at 2.90% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years for post-65.
- The single discount rate of non-hazardous changed from 5.68% to 5.34%.
- The municipal bond rate decreased from 3.13% to 2.45%.
- The June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed loan on pre-Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

INTERNAL CONTROL AND COMPLIANCE

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Program Title	Federal CFDA Number	Loans	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Water and Water Disposal Systems for Rural Communities Cluster:			
Loans outstanding as of January 1, 2021	10.760	<u>\$ 2,059,500</u>	<u>\$ 2,059,500</u>
Total U.S. Department of Agriculture			<u>\$ 2,059,500</u>
Total Expenditures of Federal Awards		<u>\$ 2,059,500</u>	<u>\$ 2,059,500</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, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Christian County Water District (District) under programs of the federal government for the year ended December 31, 2021. 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, 2021 was \$1,685,500.

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, 2021 was \$298,500.

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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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, 2021 and 2020, 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 July 22, 2022.

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 (2021-001).

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 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

July 22, 2022

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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

Opinion on Each Major Federal Program

We have audited Christian County Water District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Christian County Water District's major federal programs for the year ended December 31, 2021. Christian County Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Christian County Water complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Christian County Water District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Christian County Water District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Christian County Water District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Christian County Water District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Christian County Water District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Christian County Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Christian County Water District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Christian County Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

July 22, 2022

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___yes Xno

Significant deficiency(ies) identified? Xyes ___none reported

Noncompliance material to financial statements noted? ___yes Xno

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___yes Xno

Significant deficiency(ies) identified? ___yes Xnone 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 Xno

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? Xyes ___no

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED DECEMBER 31, 2021**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2021-001 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, 2021**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2020-001 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, 2021.