

CHRISTIAN COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

**CHRISTIAN COUNTY WATER DISTRICT
TABLE OF CONTENTS**

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	15
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	19
Notes to Financial Statements	21
Required Supplementary Information	
Defined Benefit Plan	
Schedule of Proportionate Share of Net Pension Liability	54
Schedule of Employer Pension Contributions	55
Notes to Required Supplementary Information – Pension Plan	56
Other Post-Employment Benefits (OPEB)	
Schedule of Proportionate Share of Collective Net OPEB Liability	58
Schedule of Employer OPEB Contributions	59
Notes to Required Supplementary Information – OPEB	60
Internal Control and Compliance	
Schedule of Expenditures of Federal Awards	61
Notes to Schedule of Expenditures of Federal Awards	62
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 <i>Government Auditing Standards</i>	63
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	65
Schedule of Findings and Questioned Costs	68
Summary Schedule of Prior Year Audit Findings	70

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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 (the "District") as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Christian County Water District as of December 31, 2023 and 2022, 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 Auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 accompanying 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 June 7, 2024, on our consideration of Christian County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Christian County Water District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

June 7, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023. 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 \$1M or 10.69% from \$10.165M to \$11.252M when compared to the previous year.
- Operating revenues increased by \$147K or 3.65% from \$4M to \$4.2M when compared to the previous year.
- Operating expenses (excluding depreciation) decreased by \$159K or 5.30% from \$3M to \$2.8M 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, 2023**

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, 2023

Over the past year, total assets and deferred outflows of the District increased by \$350K while total liabilities and deferred inflows decreased by \$736K. For the current period, the operating income of the District totaled \$676K.

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 \$1.1M or 10.69%.

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, 2023**

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, \$9.4M or 83.71% of net position represents investment in capital assets, which is the lifeblood to the provision of water services. Another portion of net position, \$1.3 M or 12.02% represents funds set aside for payment of debt.

**TABLE 1
Condensed Statements of Net Position**

	2023	2022	Change in FY 2022 to FY 2023	
			Amount	Percent
ASSETS				
Current and other assets	\$ 5,968,098	\$ 5,408,753	\$ 559,345	10.34%
Capital assets, net	<u>14,956,021</u>	<u>15,056,685</u>	<u>(100,664)</u>	-0.67%
Total assets	<u>20,924,119</u>	<u>20,465,438</u>	<u>458,681</u>	2.24%
Deferred outflows of resources				
	<u>463,105</u>	<u>571,577</u>	<u>(108,472)</u>	-18.98%
LIABILITIES				
Long-term debt	8,796,822	9,938,242	(1,141,420)	-11.49%
Current and other liabilities	<u>424,256</u>	<u>415,525</u>	<u>8,731</u>	2.10%
Total liabilities	<u>9,221,078</u>	<u>10,353,767</u>	<u>(1,132,689)</u>	-10.94%
Deferred inflows of resources				
	<u>914,332</u>	<u>518,164</u>	<u>396,168</u>	76.46%
NET POSITION				
Net investment in capital assets	9,426,108	9,303,126	122,982	1.32%
Restricted	1,352,619	1,377,774	(25,155)	-1.83%
Unrestricted	<u>473,087</u>	<u>(515,816)</u>	<u>988,903</u>	191.72%
Total net position	<u>\$ 11,251,814</u>	<u>\$ 10,165,084</u>	<u>\$ 1,086,730</u>	10.69%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

**TABLE 2
Components of Net Position**

	2023	2022	Change in FY 2022 to FY 2023	
			Amount	Percent
Net investment in capital assets	\$ 9,426,108	\$ 9,303,126	\$ 122,982	1.32%
Restricted for debt service	1,352,619	1,377,774	(25,155)	-1.83%
Unrestricted	473,087	(515,816)	988,903	191.72%
	<u>\$ 11,251,814</u>	<u>\$ 10,165,084</u>	<u>\$ 1,086,730</u>	10.69%

For the year ended December 31, 2023, *Net Position Invested in Capital Assets, Net of Related Debt* increased by \$123K or 1.32% compared to the previous year. The amount of this category is calculated by taking the depreciated value of our capital assets, subtracting the associated bond debt and adding depreciation and construction funds.

In comparing the total amount to the prior year's balance of *Net Position Restricted for Debt Service*, there was a decrease of \$25K or 1.83%.

Compared to the previous year's balance, there was an increase in *Unrestricted Net Position* of \$989K or 191.72%. 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, 2023**

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, 2023 and 2022 balances by asset classification is shown in the table below.

**TABLE 3
Comparison of Current Assets**

	2023	2022	Change in FY 2022 to FY 2023	
			Amount	Percent
Cash and cash equivalents	\$ 1,170,004	\$ 780,766	\$ 389,238	49.85%
Accounts receivable and unbilled revenues	1,167,777	794,625	373,152	46.96%
Allowance for uncollectible accounts	(267,809)	(260,268)	7,541	2.90%
Inventory	370,840	280,656	90,184	32.13%
Prepaid expenses	16,172	15,621	551	3.53%
	<u>\$ 2,456,984</u>	<u>\$ 1,611,400</u>	<u>\$ 845,584</u>	52.48%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023 and 2022 are compared to major classification. As indicated by the tabular information below, total noncurrent assets decreased by \$273K or 7.52% compared to the previous year.

**TABLE 4
Comparison of Noncurrent Assets**

	2023	2022	Change in FY 2022 to FY 2023	
			Amount	Percent
Cash - customers' deposits	\$ 81,639	\$ 83,934	\$ (2,295)	-2.73%
Cash - bond and interest redemption	1,072,747	1,377,774	(305,027)	-22.14%
Cash - depreciation reserve	936,061	766,487	169,574	22.12%
Cash - bond reserve	279,872	-	279,872	100.00%
Cash - construction funds	4,948	412,723	(407,775)	-98.80%
Investments - depreciation reserve	983,631	991,211	(7,580)	-0.76%
	<u>\$ 3,358,898</u>	<u>\$ 3,632,129</u>	<u>\$ (273,231)</u>	-7.52%

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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**

	2023	2022	Change in FY 2022 to FY 2023	
			Amount	Percent
Accounts payable and accrued expenses	\$ 189,920	\$ 175,590	\$ 14,330	8.16%
Accrued wages	28,383	25,412	2,971	11.69%
	<u>\$ 218,303</u>	<u>\$ 201,002</u>	<u>\$ 17,301</u>	8.61%

Current Liabilities Payable from Unrestricted Assets increased by \$17K or 8.61% when compared to the previous year's balance.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023 was \$1.1M.

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

	2023	2022	Change in FY 2022 to FY 2023	
			Amount	Percent
REVENUES				
Operating revenues	\$ 4,183,963	\$ 4,036,805	\$ 147,158	3.65%
Non-operating revenues	126,555	53,532	73,023	136.41%
Total revenues	<u>4,310,518</u>	<u>4,090,337</u>	<u>220,181</u>	5.38%
EXPENSES				
Depreciation expense	653,638	594,238	59,400	10.00%
Operating expenses	2,846,815	3,005,986	(159,171)	-5.30%
Non-operating expenses	<u>249,779</u>	<u>605,496</u>	<u>(355,717)</u>	-58.75%
Total expenses	<u>3,750,232</u>	<u>4,205,720</u>	<u>(455,488)</u>	-10.83%
Income (loss) before grants and capital contributions	560,286	(115,383)	675,669	585.59%
Grants and capital contributions	<u>526,444</u>	<u>85,416</u>	<u>441,028</u>	516.33%
Changes in net position	1,086,730	(29,967)	1,116,697	3726.42%
Net position, beginning of year	<u>10,165,084</u>	<u>10,195,051</u>	<u>(29,967)</u>	-0.29%
Net position, end of year	<u>\$ 11,251,814</u>	<u>\$ 10,165,084</u>	<u>\$ 1,086,730</u>	10.69%

Analysis of Revenue

For the 2023 fiscal year, the *Operating Revenues* of the system were \$4.2M. This amount represented an increase of \$147K or 3.65% compared with the previous year's total.

Included in *Nonoperating Revenues* is interest income of \$126K.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Analysis of Expenses

The Total *Operating Expenses* for FY 2023 were \$3.5M. The amount represents an decrease of \$100K or 2.77% more than the prior fiscal year of \$3.6M. The major categories of *Operating Expenses* are shown in the chart below.

**TABLE 7
Comparison of Operating Expenses**

	2023	2022	Change in FY 2022 to FY 2023	
			Amount	Percent
Water purchased	\$ 1,285,214	\$ 1,340,534	\$ (55,320)	-4.13%
Depreciation	653,638	594,238	59,400	10.00%
Salaries	726,276	699,909	26,367	3.77%
Maintenance and repairs	215,275	120,718	94,557	78.33%
Insurance	172,763	175,896	(3,133)	-1.78%
Rental expense	994	262	732	279.39%
Electricity for pumping	87,478	94,501	(7,023)	-7.43%
Professional services	44,269	39,683	4,586	11.56%
Office supplies and expense	196,023	184,264	11,759	6.38%
Operating materials and supplies	34,264	58,542	(24,278)	-41.47%
Payroll taxes and fringe benefits	50,351	249,291	(198,940)	-79.80%
Transportation expenses	33,908	42,386	(8,478)	-20.00%
	<u>\$ 3,500,453</u>	<u>\$ 3,600,224</u>	<u>\$ (99,771)</u>	-2.77%

As indicated by the comparative information presented above, water purchases decreased by \$55K or 4.13% compared to the prior year. This decrease can be contributed to the completion of the line installation of the Phase VIII project in prior year. There was an increase in water cost for construction and restoration periods in prior year.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Capital Assets

Christian County Water District's investment in capital assets as of December 31, 2023 was \$15M (net of accumulated depreciation), as shown in the following table.

**TABLE 8
Capital Assets**

	2023	2022
Capital assets not depreciated		
Land and land rights	\$ 118,491	\$ 118,491
Construction in progress	457,825	12,846
	576,316	131,337
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	18,869,468	18,869,468
Services	247,664	247,664
Meters	1,617,150	1,546,071
Hydrants	822,439	822,439
Office equipment	154,489	154,489
Vehicles	407,011	373,235
Tools and miscellaneous	535,045	531,905
	27,723,450	27,615,455
Total depreciable historical cost		
Total capital assets	28,299,766	27,746,792
Less accumulated depreciation	(13,343,745)	(12,690,107)
Total capital assets, net	\$ 14,956,021	\$ 15,056,685

As of December 31, 2023, the District's capital assets totaled \$15M, which is a decrease of \$101K over the net capital asset balance at December 31, 2022. Capital assets had additions of \$552K, which are offset by accumulated depreciation of \$654K.

**CHRISTIAN COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Long-term Debt

As of December 31, 2023, the District had \$7.1M (net of premium and discounts) in outstanding debt compared to \$7.6M as of December 31, 2022. Long-term debt activity consisted of a reduction of principal of \$449K.

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 process. This process continued through 2021 and was completed March 17, 2022 at which time the PSC ordered CCWD to increase its water rate by 5.08%. This rate increase, while only in effect for a portion of 2022, had a positive effect on CCWD's revenue. This rate was in effect the full year of 2023 having a positive effect of CCWD's revenue for another year as well.

Interest rates on accounts were increasing, increasing the amount of interest income. This positively increase the other revenue source of the District.

Toward the end of the year the supply chain was showing a much more efficient time frame for receiving supplies needed. Since items were more readily available the District would not have to make bulk purchases to ensure they had supplies in the future.

Negative factors which affected CCWD financial reporting during 2023: CCWD, like all other utilities, was greatly affected by staffing complications.

On a more positive note, the KY legislature under HB-551 has provided an additional funding mechanism for the net pension liability. This legislation provided that the legislature may in each biennial budget year mark additional funds across all units of the KY Permanent Pension funds. This additional funding stream should make substantial improvements in the state's underfunded pension account 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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,170,004	\$ 780,766
Accounts receivable and unbilled revenues	804,333	794,625
Grants receivable	363,444	-
Allowance for uncollectible accounts	(267,809)	(260,268)
Inventory	370,840	280,656
Prepaid expenses	16,172	15,621
	<u>2,456,984</u>	<u>1,611,400</u>
Total current assets		
Restricted assets		
Cash - customers' deposits	81,639	83,934
Cash - bond and interest redemption account	1,072,747	1,377,774
Cash - depreciation reserve account	936,061	766,487
Cash - bond reserve account	279,872	-
Cash - construction funds	4,948	412,723
Investments - depreciation reserve	983,631	991,211
	<u>3,358,898</u>	<u>3,632,129</u>
Total restricted assets		
Capital assets not being depreciated		
Land and land rights	118,491	118,491
Construction in progress	457,825	12,846
Capital assets being depreciated		
Water supply and distribution system	14,379,705	14,925,348
	<u>14,956,021</u>	<u>15,056,685</u>
Total capital assets		
Other assets		
Deposits	115	115
	<u>115</u>	<u>115</u>
Deferred charges		
Unamortized bond issuance costs	152,101	165,109
	<u>152,101</u>	<u>165,109</u>
Total assets	<u>20,924,119</u>	<u>20,465,438</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related	147,840	228,831
Pension related	299,660	326,088
Deferred amount on refunding of debt	15,605	16,658
	<u>463,105</u>	<u>571,577</u>
Total deferred outflows of resources		

Continued

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION, continued
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	189,920	175,590
Accrued wages	<u>28,383</u>	<u>25,412</u>
Total current liabilities	<u>218,303</u>	<u>201,002</u>
Current liabilities payable from restricted assets		
Customers' deposits	81,639	83,934
Interest payable	111,352	120,347
Notes payable - current	9,000	8,500
Long-term debt - current portion	<u>471,500</u>	<u>440,500</u>
Total payable from restricted assets	<u>673,491</u>	<u>653,281</u>
Noncurrent liabilities		
Long-term debt (net of unamortized discounts and premiums)	6,693,053	7,184,980
Notes payable	281,000	290,000
Net OPEB liability	(29,516)	431,903
Net pension liability	1,371,785	1,582,359
Compensated absences	<u>12,962</u>	<u>10,242</u>
Total noncurrent liabilities	<u>8,329,284</u>	<u>9,499,484</u>
Total liabilities	<u>9,221,078</u>	<u>10,353,767</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB related	554,389	250,112
Pension related	<u>359,943</u>	<u>268,052</u>
Total deferred inflows of resources	<u>914,332</u>	<u>518,164</u>
NET POSITION		
Net investment in capital assets	9,426,108	9,303,126
Restricted for debt service	1,352,619	1,377,774
Unrestricted	<u>473,087</u>	<u>(515,816)</u>
Total net position	<u><u>\$ 11,251,814</u></u>	<u><u>\$ 10,165,084</u></u>

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water sales	\$ 4,084,607	\$ 3,923,107
Other revenues	<u>99,356</u>	<u>113,698</u>
Total operating revenues	<u>4,183,963</u>	<u>4,036,805</u>
OPERATING EXPENSES		
Water purchased	1,285,214	1,340,534
Depreciation	653,638	594,238
Salaries	726,276	699,909
Maintenance and repairs	215,275	120,718
Insurance	172,763	175,896
Rental expense	994	262
Electricity for pumping	87,478	94,501
Professional services	44,269	39,683
Office supplies and expense	196,023	184,264
Operating materials and supplies	34,264	58,542
Payroll taxes and fringe benefits	50,351	249,291
Transportation expenses	<u>33,908</u>	<u>42,386</u>
Total operating expenses	<u>3,500,453</u>	<u>3,600,224</u>
Operating income	<u>683,510</u>	<u>436,581</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and dividend income	126,555	53,532
Interest expense	(233,583)	(213,850)
Amortization of bond issuance costs	(13,008)	(13,011)
Unrealized gain (loss) on investments	<u>(3,188)</u>	<u>(378,635)</u>
Total nonoperating revenue (expense)	<u>(123,224)</u>	<u>(551,964)</u>
Income (loss) before grants and capital contributions	560,286	(115,383)
Grants and capital contributions	<u>526,444</u>	<u>85,416</u>
Change in net position, carried forward	<u>1,086,730</u>	<u>(29,967)</u>

Continued

CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Change in net position, brought forward	1,086,730	(29,967)
Net position, beginning of year	10,165,084	10,195,051
Net position, end of year	\$ 11,251,814	\$ 10,165,084

See accompanying notes to the financial statements

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Receipts from customers and users	\$ 3,817,962	\$ 4,052,059
Cash payments to suppliers for goods and services	(2,146,262)	(2,098,454)
Cash payments to employees	<u>(939,804)</u>	<u>(892,894)</u>
Net cash provided by operating activities	<u>731,896</u>	<u>1,060,711</u>
Cash flows from capital and related financing activities		
Purchases and construction of property and equipment	(552,974)	(123,156)
Principal paid on debt	(449,000)	(330,000)
Tap-on fees	79,500	85,416
Customer deposits	(2,295)	4,700
Interest expense	<u>(241,525)</u>	<u>(202,839)</u>
Net cash used in capital and related financing activities	<u>(719,350)</u>	<u>(565,879)</u>
Cash flows from investing activities		
Proceeds of investments	34,217	-
Interest income (expense)	<u>76,824</u>	<u>6,539</u>
Net cash used by investing activities	<u>111,041</u>	<u>6,539</u>
Net increase (decrease) in cash and cash equivalents	123,587	501,371
Cash, beginning of year	<u>3,421,684</u>	<u>2,920,313</u>
Cash, end of year	<u>3,545,271</u>	<u>3,421,684</u>
Less restricted cash		
Cash - customer deposits	(81,639)	(83,934)
Cash - bond and interest redemption	(1,072,747)	(1,377,774)
Cash - depreciation reserve	(936,061)	(766,487)
Cash - bond reserve	(279,872)	-
Cash - construction funds	<u>(4,948)</u>	<u>(412,723)</u>
Total restricted cash	<u>(2,375,267)</u>	<u>(2,640,918)</u>
Cash and cash equivalents per statement of net position	<u><u>\$ 1,170,004</u></u>	<u><u>\$ 780,766</u></u>

Continued

**CHRISTIAN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS, continued
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
Cash flows from operating activities		
Operating income	\$ 683,510	\$ 436,581
Adjustment to reconcile revenue to net cash provided by operating activities		
Depreciation	653,638	594,238
(Increase) decrease in		
Accounts receivable and unbilled revenues	(366,122)	15,172
Inventory	(90,184)	(9,214)
Prepaid expenses	551	(4,463)
Increase (decrease) in		
Accounts payable	13,218	(30,412)
Accrued wages	2,971	25,412
Compensated absences	2,720	1,528
OPEB	(76,151)	36,744
Pension	(92,255)	(4,875)
	\$ 731,896	\$ 1,060,711
Net cash provided by operating activities	\$ 731,896	\$ 1,060,711

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, 2023 AND 2022**

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.

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, 2023 AND 2022**

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.

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, depreciation reserves and construction funds.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022. 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, 2023 AND 2022**

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, 2023 AND 2022**

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 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. 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, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 County Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. 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 June 7, 2024, 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 \$3,544,271 and \$3,420,684, and the bank balances were \$3,542,134 and \$3,417,857 as of December 31, 2023 and 2022, respectively.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – CASH AND INVESTMENTS, continued

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

	2023	2022
Cash	\$ 3,544,271	\$ 3,420,684
Investments	983,631	991,211
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.

2023

The District's deposits were fully collateralized for all months of the year ending December 31, 2023.

2022

The District's deposits were fully collateralized for all months of the year ending December 31, 2022.

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, \$568,201 and \$321,585 were covered by FDIC insurance or by collateral held by an institution for the pledging bank in the District's name, and \$2,493,383 and \$2,646,972 were insured and collateralized as of December 31, 2023 and 2022.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 2 – CASH AND INVESTMENTS, continued

Fair Value Measurement

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
<u>2023</u>			
Mortgage-backed securities	\$ 968,227	\$ -	\$ -
Money market funds	15,404	-	-
Total investments	<u>\$ 983,631</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2022</u>			
Mortgage-backed securities	\$ 944,264	\$ -	\$ -
Money market funds	46,947	-	-
Total investments	<u>\$ 991,211</u>	<u>\$ -</u>	<u>\$ -</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – CAPITAL ASSET AND DEPRECIATION PROCEDURES

A summary of changes in major classifications of the District capital assets in service as of December 31, 2023 follows:

	Balance December 31, 2022	Additions	Deductions	Balance December 31, 2023
Capital assets not depreciated				
Land and land rights	\$ 118,491	\$ -	\$ -	\$ 118,491
Construction work in progress	12,846	444,979	-	457,825
Total capital assets not depreciated	<u>131,337</u>	<u>444,979</u>	<u>-</u>	<u>576,316</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	18,869,468	-	-	18,869,468
Services	247,664	-	-	247,664
Meters	1,546,071	71,079	-	1,617,150
Hydrants	822,439	-	-	822,439
Office equipment	154,489	-	-	154,489
Vehicles	373,235	33,776	-	407,011
Tools and miscellaneous	531,905	3,140	-	535,045
Total capital assets depreciated	27,615,455	107,995	-	27,723,450
Less: Accumulated depreciation	<u>(12,690,107)</u>	<u>(653,638)</u>	<u>-</u>	<u>(13,343,745)</u>
Total capital assets depreciated, net	<u>14,925,348</u>	<u>(545,643)</u>	<u>-</u>	<u>14,379,705</u>
Total capital assets	<u>\$ 15,056,685</u>	<u>\$ (100,664)</u>	<u>\$ -</u>	<u>\$ 14,956,021</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – CAPITAL ASSET AND DEPRECIATION PROCEDURES, continued

A summary of changes in major classifications of the District capital assets in service as of December 31, 2022 follows:

	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022
Capital assets not depreciated				
Land and land rights	\$ 118,491	\$ -	\$ -	\$ 118,491
Construction work in progress	3,009,188	4,846	3,001,188	12,846
Total capital assets not depreciated	<u>3,127,679</u>	<u>4,846</u>	<u>3,001,188</u>	<u>131,337</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	15,863,823	3,005,645	-	18,869,468
Services	247,664	-	-	247,664
Meters	1,468,351	77,720	-	1,546,071
Hydrants	822,439	-	-	822,439
Office equipment	154,489	-	-	154,489
Vehicles	373,235	-	-	373,235
Tools and miscellaneous	495,772	36,133	-	531,905
Total capital assets depreciated	24,495,957	3,119,498	-	27,615,455
Less: Accumulated depreciation	<u>(12,095,869)</u>	<u>(594,238)</u>	<u>-</u>	<u>(12,690,107)</u>
Total capital assets depreciated, net	<u>12,400,088</u>	<u>2,525,260</u>	<u>-</u>	<u>14,925,348</u>
Total capital assets	<u>\$ 15,527,767</u>	<u>\$ 2,530,106</u>	<u>\$ 3,001,188</u>	<u>\$ 15,056,685</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3 – CAPITAL ASSET AND DEPRECIATION PROCEDURES, continued

Construction in progress amounted to \$457,825 and \$12,846 at December 31, 2023 and 2022, respectively. The December 31 balances are represented by the following:

	2023	2022
Road line extensions	\$ 449,825	\$ 4,846
Future projects research	8,000	8,000
	\$ 457,825	\$ 12,846

NOTE 4 – ACCOUNTS RECEIVABLE

The December 31 balances are represented by the following:

	2023	2022
Customer accounts receivable	\$ 259,255	\$ 243,473
Unbilled revenues	249,210	263,683
Accounts receivable arrears	295,868	287,469
	\$ 804,333	\$ 794,625

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022 are as follows:

<u>Name/Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>	
		<u>2023</u>	<u>2022</u>
Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2013B, principal due in monthly installments through February 1, 2029	2.30% - 3.30%	\$ 700,000	\$ 820,000
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%	1,225,000	1,380,000
Waterworks Revenue Bonds Series 2018 (Phase VIII line expansion), principal due in annual installments through July 1, 2056	2.75%	1,655,000	1,685,500
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%	1,505,000	1,545,000
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%	1,795,000	1,890,000
		<u>\$ 6,880,000</u>	<u>\$ 7,320,500</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 5 – LONG-TERM DEBT, continued

Revenue bond debt service requirements to maturity, including \$1,656,227 of interest, are as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 471,500	\$ 144,368	\$ 615,868
2025	482,500	134,294	616,794
2026	498,000	122,982	620,982
2027	504,000	110,426	614,426
2028	535,000	97,566	632,566
2029-2033	1,575,000	356,209	1,931,209
2034-2038	1,027,500	280,846	1,308,346
2039-2043	584,000	210,478	794,478
2044-2048	655,000	129,002	784,002
2049-2053	327,000	57,777	384,777
2054-2056	220,500	12,279	232,779
Total	<u>\$ 6,880,000</u>	<u>\$ 1,656,227</u>	<u>\$ 8,536,227</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, 2023 and 2022.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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	
		2023	2022
USDA Rural Development advance, principal due in annual installments through 2043, secured by utility revenues	4.375%	\$ 290,000	\$ 298,500
		<u>\$ 290,000</u>	<u>\$ 298,500</u>

Other long-term debt service requirements to maturity, including interest of \$152,478, are as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 9,000	\$ 12,688	\$ 21,688
2025	9,500	12,294	21,794
2026	10,000	11,878	21,878
2027	10,500	11,441	21,941
2028	11,000	11,756	22,756
2029-2033	62,500	47,250	109,750
2033-2038	78,500	32,244	110,744
2039-2042	99,000	12,927	111,927
Total	<u>\$ 290,000</u>	<u>\$ 152,478</u>	<u>\$ 442,478</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 5 – LONG-TERM DEBT, continued

A summary of changes in long-term debt for the year ended December 31, 2023 is listed as follows:

	Balance December 31, 2022	New Issues	Debt Payments and Refunds	Balance December 31, 2023	Amounts Due Within One Year
Revenue bonds	\$ 7,320,500	\$ -	\$ 440,500	\$ 6,880,000	\$ 471,500
Rural Development advance	298,500	-	8,500	290,000	9,000
Premium (discount)	304,980	-	20,427	284,553	20,427
Net OPEB liability	1,582,359	-	210,574	1,371,785	-
Net pension liability	431,903	-	461,419	(29,516)	-
Total long-term liabilities	\$ 9,938,242	\$ -	\$ 1,141,420	\$ 8,796,822	\$ 500,927

A summary of changes in long-term debt for the year ended December 31, 2022 is listed as follows:

	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amounts Due Within One Year
Revenue bonds	\$ 7,650,500	\$ -	\$ 330,000	\$ 7,320,500	\$ 440,500
Rural Development advance	298,500	-	-	298,500	8,500
Premium (discount)	324,935	-	19,955	304,980	20,427
Net OPEB liability	1,508,256	74,103	-	1,582,359	-
Net pension liability	452,767	-	20,864	431,903	-
Total long-term liabilities	\$ 10,234,958	\$ 74,103	\$ 370,819	\$ 9,938,242	\$ 469,427

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$6,880,000 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 \$8,536,227. Principal and interest paid and total customer net revenues for the year ended December 31, 2023 were \$689,645 and \$4,183,963, respectively. Principal and interest paid and total customer net revenues for the year ended December 31, 2022 were \$532,839 and \$4,036,805, 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, 2023 AND 2022**

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 \$13,008 and \$13,011 for the years ending December 31, 2023 and 2022, 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 \$20,427 and \$20,427 for the years ending December 31, 2023 and 2022, respectively.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

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

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

Plan description – CERS is a cost-sharing multiple-employer defined benefit pension 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 retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Benefits provided – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

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

Tier 1	Participation date Unreduced retirement Reduced retirement Required contributions	Before September 1, 2008 27 years' service or 65 years old At least 5 years' service and 55 years old At least 25 years' service and any age 5.00%
Tier 2	Participation date Unreduced retirement Reduced retirement Required contributions	September 1, 2008 – December 31, 2013 At least 5 years' service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years' service and 60 years old 5.00% + 1.00% for insurance

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

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

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

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, 2023, 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>
01/01/2023 - 06/30/2023	23.40%	3.39%	26.79%	\$ 72,996	\$ 10,575
07/01/2023 - 12/31/2023	23.34%	0.00%	23.34%	78,295	-
				<u>\$ 151,291</u>	<u>\$ 10,575</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022, the District reported a liability of \$1,371,785 and \$1,582,359 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's portion of the net pension liability was based on the District's proportionate share of retirement contributions for the fiscal year ended June 30, 2023 and 2022. At December 31, 2023 and 2022, the District's proportion was .021379% and .021889%, 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 measurement periods June 30, 2023 and 2022, the District recognized pension expense of \$59,037 and \$141,663, respectively, related to CERS.

At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</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	\$ 71,015	\$ 3,728	\$ 1,692	\$ 14,092
Change of assumptions	-	125,725	-	-
Net differences between projected and actual earnings on pension plan investments	148,192	166,904	215,312	174,746
Changes in proportion and difference between District contributions and proportionate share of contributions	2,158	63,586	36,864	79,214
District contributions subsequent to the measurement date	<u>78,295</u>	<u>-</u>	<u>72,220</u>	<u>-</u>
Total	<u>\$ 299,660</u>	<u>\$ 359,943</u>	<u>\$ 326,088</u>	<u>\$ 268,052</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

The amounts of \$78,295 and \$72,220 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, 2024 and 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31</u>	
2024	\$ (92,543)
2025	(63,380)
2026	30,624
2027	(13,279)
2028	-
Total	<u>\$ (138,578)</u>

Actuarial assumptions – The actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability and sensitivity information in the June 30, 2023 actuarial valuation was based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2022 Actuarial Experience Study for the Period Ending June 30, 2022.” The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member’s monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total pension liability of the hazardous plan. Similarly, this is a relatively small change for future retirees in the nonhazardous plans.

But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the nonhazardous plans is determined using these updated benefits provisions.

Based on the June 30, 2023 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Determined by the Actuarial Valuation as of:	June 30, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level percent of pay
Amortization Period:	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

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. The current long-term inflation assumption is 2.50% per annum for both the nonhazardous and hazardous plan.

<u>2023</u> <u>Asset Class</u>	<u>Target</u> <u>Allocation</u>	<u>Long-term Expected</u> <u>Real Rate of Return</u>
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Bonds	10.00%	2.45%
Specialty Credit/ High Yield	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	<u>13.00%</u>	<u>5.15%</u>
Expected Real Return	100.00%	5.75%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		8.25%

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

Measurement Period 2022	Target	Long-term Expected
Asset Class	Allocation	Real Rate of Return
Equity		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income		
Core Bonds	10.00%	0.28%
Specialty Credit/ High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected		
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	<u>4.07%</u>
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.58%

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

Discount rate – The single discount rate used to measure the total pension liability for the fiscal plan year ending June 30, 2023 was 6.50% for nonhazardous and hazardous employees. The projection of cash flows used to determine the single discount rate for each plan must include an assumption regarding actual employer contributions made each future year. Except where noted below, future contributions are projected assuming that each participating employer in each pension 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 employee 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. The discount rate determination does not use a municipal bond rate.

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, 2023 AND 2022**

NOTE 7 – DEFINED BENEFIT PENSION PLAN, continued

<u>2023</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 1,731,962	\$ 1,371,785	\$ 1,072,465

<u>2022</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	\$ 1,977,752	\$ 1,582,359	\$ 1,255,336

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, 2023 and 2022, the District reported a payable of \$15,400 and \$15,398, respectively for the outstanding amount of 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, 2023 AND 2022**

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

Implicit subsidy – KPPA pays fully-insured premiums for the Kentucky Employee 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 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Contributions – Participating employers are required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute, 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
01/01/2023 - 06/30/2023	23.40%	3.39%	26.79%	\$ 72,996	\$ 10,575
07/01/2023 - 12/31/2023	23.34%	0.00%	23.34%	78,295	-
				<u>\$ 151,291</u>	<u>\$ 10,575</u>

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

At December 31, 2023 and 2022, the District reported a liability of (\$29,516) and \$431,903 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year end, June 30, 2023, 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, 2023 and 2022, the District’s proportion for the non-hazardous system was 0.021378% and 0.021885%, respectively.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

For the measurement periods June 30, 2023 and 2022, the District recognized OPEB expense of (\$55,957) and \$69,065, respectively. At December 31, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,577	\$ 419,096	\$ 43,475	\$ 99,045
Changes of assumptions	58,085	40,480	68,309	56,286
Net difference between projected and actual earnings on OPEB plan investments	55,238	62,088	80,425	62,895
Changes in proportion and differences between District contributions and proportionate share of contributions	13,940	32,725	26,159	31,886
District contributions subsequent to the measurement date	-	-	10,463	-
Total	<u>\$ 147,840</u>	<u>\$ 554,389</u>	<u>\$ 228,831</u>	<u>\$ 250,112</u>

The amounts of \$0 and \$10,463 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, 2024 and 2023.

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

Years Ending December 31	
2024	\$ (97,423)
2025	(125,429)
2026	(100,806)
2027	(82,891)
2028	-
Total	<u>\$ (406,549)</u>

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

Actuarial assumptions – The total OPEB liability, net OPEB liability and sensitivity information in the June 30, 2023 actuarial valuation was based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2022 Actuarial Experiences Study for the Period Ending June 30, 2022”. Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability as of June 30, 2023, for the nonhazardous plan is determined using these updated benefit provisions.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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:

Determined by the Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Period	30-year closed period at June 30, 2019 Gains/ losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of valuation and were incorporated into the liability measurement.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

The actuarial assumption used in the June 30, 2023 valuation were based on the results of an actuarial experience study by Gabriel Roeder Smith (GRS) for a five year period ending June 30, 2022.

Long-term expected rate of return – The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of returns were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the following table. The current long- term inflation assumption is 2.50% per annum for both the nonhazardous and hazardous plan.

Measurement Period 2023		
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected</u>
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core fixed income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	<u>13.00%</u>	<u>5.15%</u>
Expected Real Return	100.00%	5.75%
Long Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		8.25%

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

Measurement Period 2022	Allocation	Expected
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected</u>
Equity		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income		
Core fixed income	10.00%	0.28%
Specialty Credit	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected		
Real Estate	7.00%	3.67%
Real Return	<u>10.00%</u>	<u>4.07%</u>
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		<u>2.30%</u>
Expected Nominal Return for Portfolio		6.58%

Discount rate – Single discount rates used to measure the total OPEB liability for the years ended December 30, 2023 and 2022 were 5.93% and 5.70% for CERS Non-hazardous plans. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate for each plan must include an assumption regarding actual employer contributions made each future year. Except where noted below, future contributions are projected assuming that each participating employer in each pension 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 employee 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.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

Implicit subsidy - The fully-insured premiums KPPA pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after measurement date.

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 (4.93% for non-hazardous) or 1-percentage-point higher (6.93% for non-hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<u>2023</u>	<u>4.93%</u>	<u>5.93%</u>	<u>6.93%</u>
District's proportionate share of net OPEB liability	\$ 55,930	\$ (29,516)	\$ (100,614)
<u>2022</u>	<u>4.70%</u>	<u>5.70%</u>	<u>6.70%</u>
District's proportionate share of net OPEB liability	\$ 577,386	\$ 431,903	\$ 311,638

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.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>2023</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ (94,604)	\$ (29,516)	\$ 50,438
<u>2022</u>			
District's proportionate share of net OPEB liability	\$ 321,111	\$ 431,903	\$ 564,945

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

Pension plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Kentucky Public pension Authority Comprehensive Annual Financial Report on the KPPA 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:

	2023	2022
Tap-on fees	\$ 79,500	\$ 85,416
Contributed lines	-	-
	\$ 79,500	\$ 85,416

NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS

Implemented

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. Adoption of this statement did not have a significant impact on the District’s financial position or results of operations.

In June 2022, the GASB issued statement No. 100, *Accounting Changes and Error Corrections*. This statement improves the accounting and financial reporting requirements for accounting changes and error corrections to enhance the relevance and comparability of financial information. The requirements of this Statement are effective for fiscal years after June 15, 2023. Adoption of this statement did not have a significant impact on the District’s financial position or results of operations.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS, continued

Recent pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance of compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. Management has not yet considered the impacts of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of December 31</u>	<u>2023</u>	<u>2022</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	0.021379%	0.021889%	0.023656%	0.022372%	0.021053%	0.021400%	0.020083%	0.023170%	0.021780%
District's proportionate share of net pension liability	\$ 1,371,785	\$ 1,582,359	\$ 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	<u>\$ 1,371,785</u>	<u>\$ 1,582,359</u>	<u>\$ 1,508,256</u>	<u>\$ 1,715,914</u>	<u>\$ 1,480,667</u>	<u>\$ 1,303,325</u>	<u>\$ 1,175,520</u>	<u>\$ 1,140,829</u>	<u>\$ 954,925</u>
District's covered-employee payroll	\$ 613,651	\$ 599,764	\$ 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	223.54%	263.83%	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	57.48%	52.42%	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 (CERS)**

<u>For the year ended December 31</u>	<u>2023</u>	<u>2022</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	\$ 151,290	\$ 141,702	\$ 118,314	\$ 115,322	\$ 97,870	\$ 79,044	\$ 94,130	\$ 91,983	\$ 91,179
Contributions in relation to the contractually required contribution	<u>151,290</u>	<u>141,702</u>	<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>	<u>\$ -</u>
District's covered employee payroll	\$ 647,399	\$ 613,651	\$ 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	23.40%	22.78%	18.28%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%
July to December rates	23.34%	23.40%	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, 2023**

Changes in benefit terms

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

2023: No changes in benefit terms.
2022: No changes in benefit terms.
2021: No changes in benefit terms.
2020: No changes in benefit terms.
2019: No changes in benefit terms.
2018: No changes in benefit terms.
2017: No changes in benefit terms.
2016: No changes in benefit terms.
2015: No changes in benefit terms.

Changes in assumptions

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

2023: The CERS board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2022 Actuarial Experience Study for the Period Ending June 30, 2022”. The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

2022: No changes.

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who became “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.

2020: During the legislative session, Senate Bill 249 was enacted which 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 Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July1, 2020. Additionally, House Bill 271 was enacted with 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. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

**CHRISTIAN COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN
DECEMBER 31, 2023**

Changes of Assumptions (Continued)

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final rate of pay to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member’s final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of December 31</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective OPEB liability	0.021378%	0.021885%	0.023650%	0.022365%	0.021048%	0.021400%
District's proportionate share of collective net OPEB liability	<u>\$ (29,516)</u>	<u>\$ 431,903</u>	<u>\$ 452,767</u>	<u>\$ 540,047</u>	<u>\$ 354,018</u>	<u>\$ 379,953</u>
District's covered - employee payroll	<u>\$ 613,651</u>	<u>\$ 599,764</u>	<u>\$ 597,525</u>	<u>\$ 550,196</u>	<u>\$ 514,861</u>	<u>\$ 564,185</u>
District's proportionate share of collective OPEB liability (asset) as a percentage of its covered-employee payroll	-2079%	138.87%	131.97%	101.88%	145.43%	148.49%
Plan fiduciary net position as a percentage of total OPEB liability	104.23%	60.95%	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 (CERS)**

<u>For the year ended December 31</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required OPEB contribution	\$ 10,575	\$ 23,182	\$ 34,666	\$ 28,442	\$ 27,540	\$ 25,644
Contributions in relation to the contractually required contribution	<u>10,575</u>	<u>23,182</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	647,399	\$ 613,651	\$ 599,764	\$ 597,525	\$ 550,196	\$ 514,861
Contributions as a percentage of covered-employee payroll						
January to June rates	3.39%	4.17%	5.78%	4.76%	5.26%	4.70%
July to December rates	0.00%	3.39%	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, 2023 and DECEMBER 31, 2022**

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

Changes of Benefit Terms

2023: No changes in benefit terms.

2022: No changes of benefit terms

2021: No changes of benefit terms

2020: No changes of benefit terms

2019: No changes of benefit terms.

2018: No changes of benefit terms (other than the blended discount rate used to calculate the total OPEB liability).

Changes in assumptions

2023: The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2022 Actuarial Experiences Study for the Period Ending June 30, 2022”. Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The Total OPEB Liability as of June 30, 2023, is determined using these updated assumptions.

2022: The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

2021: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 9 of the financial statements. During the 2021 legislative session, Senate Bill 169 was enacted which increased 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.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which 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 Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The Total OPEB liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

INTERNAL CONTROL AND COMPLIANCE

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Federal Grantor/ Program Title</u>	<u>Federal Prefix ALN</u>	<u>Loans</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Water and Water Disposal Systems for Rural Communities Cluster:			
Loans outstanding as of January 1, 2023	10.760	<u>\$ 1,984,000</u>	<u>\$ 1,984,000</u>
Total U.S. Department of Agriculture			<u>\$ 1,984,000</u>
<u>U.S. Department of The Treasury</u>			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>-</u>	<u>446,944</u>
Total U.S. Department of the Treasury			<u>446,944</u>
Total Expenditures of Federal Awards		<u>\$ 1,984,000</u>	<u>\$ 2,430,944</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, 2023**

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, 2023. 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, 2023 was \$1,655,500.

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, 2023 was \$290,000.

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.

ANNA B. GENTRY HERR, CPA, CFE

WALTER G. CUMMINGS, CPA
CORY C. ALEXANDER, CPA
TAYLOR MATHIS, CPA



DUGUID, GENTRY & ASSOCIATES, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

4443 CANTON PIKE
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**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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Christian County Water District's basic financial statements, and have issued our report thereon dated June 7, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 District'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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Christian County Water District's response to the findings identified in our audit and 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 the response.

Purpose of this Report

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

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

June 7, 2024

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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, 2023. 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, 2023.

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

June 7, 2024

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___yes X no

Significant deficiency(ies) identified? X yes ___none reported

Noncompliance material to financial statements noted? ___yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___yes X no

Significant deficiency(ies) identified? ___yes X none reported

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

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

Identification of major federal programs:

Program Title	Federal Prefix ALN
Water and Waste Disposal System Grant	10.760
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027

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

Auditee qualified as a low risk auditee? X yes ___no

**CHRISTIAN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED DECEMBER 31, 2023**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2023-001 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, 2023**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2022-001 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, 2023 and 2022.