

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-9
FINANCIAL STATEMENTS	
Statement of Net Position	10-11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows	13-14
Notes to Financial Statements	15-37
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of District’s Proportionate Share of the Net Pension Liability	38
Schedule of District’s Contributions – Pension Plan.....	39
Schedule of District’s Proportionate Share of the Net Medical Insurance Liability.....	40
Schedule of District’s Contributions – Medical Insurance Plan.....	41
OTHER SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual	42
Detail Schedule of Operating Expenses	43
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>	44-45
Schedule of Findings and Responses.....	46
Summary Schedule of Prior Audit Findings.....	47



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Crittenden-Livingston County Water District
Salem, KY

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Crittenden-Livingston County Water District as of and for the year ended December 31, 2021, 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 financial position of the business-type activities of the Crittenden-Livingston County Water District, as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Crittenden-Livingston County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Crittenden-Livingston County Water District's ability to continue as a going concern 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 Crittenden-Livingston 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Crittenden-Livingston 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 pension and other post-employment benefits on pages 4-9 and 38-41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crittenden-Livingston County Water District's basic financial statements. The budgetary comparison and detail schedule of operating expenses information on pages 42-43, is presented for purpose of 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, budgetary comparison and detail schedule of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2023 on our consideration of the Crittenden-Livingston County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Crittenden-Livingston County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crittenden-Livingston County Water District's internal control over financial reporting and compliance.

Kemper CPA Group, LLP

100 South 4th Street, Suite 300Kemper CPA Group, LLP
Paducah, Kentucky
February 25, 2023

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

The Crittenden-Livingston County Water District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the year ended December 31, 2021. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources of the District exceed its total liabilities and deferred inflows of resources at December 31, 2021 by \$7,036,677 (Net Position). Of this amount \$925,461 is restricted, and \$7,217,855 is invested in capital assets net of the related debt, leaving an unrestricted net position deficit of \$1,106,639.
- The District's net position increased by \$421,133 resulting in a December 31, 2021 balance of \$7,036,677. This balance represents an increase of 6.3% in the change of net position over the adjusted December 31, 2020 balance of \$6,615,544.
- The District's 2021 operating revenues of \$2,934,443 increased 9.4% from the 2020 amount, and operating expenses for 2021 of \$2,224,085 decreased 2.8%. Non-operating income for 2021, consisted of interest income of \$310, insurance proceeds of \$2,383 and capital contributions consisting of tap on fees of \$41,664.
- The District's unrestricted cash available for operating expenses was \$226,326 at December 31, 2021.
- The District's investment in capital assets was \$17,144,648 net of depreciation at December 31, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. The District's financial report includes only the activities of the Crittenden Livingston Water District.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Statement of net position. The statement of net position presents the financial position of the District. It presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is displayed in three components: net investment in capital assets, restricted (distinguished between major categories of restrictions) and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on page 10-11 of this report.

Statement of revenues, expenses and changes in net position. The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when they are earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The statement of revenues, expenses and changes in net position is on page 12 of this report.

Statement of cash flows. The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year and can be found on page 13-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 15-37 of this report.

Required Supplementary Information. In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on page 38-41.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,036,677 at December 31, 2021.

For the current year, the District reported a net increase of \$421,133.

During 2021, the District's net capital assets decreased \$389,421, and total debt liabilities decreased by \$456,657. Unrestricted net position increased \$140,762, from a deficit of \$1,247,401 at December 31, 2020, to a deficit of \$1,106,639 at December 31, 2021.

The District noted operating revenue of \$2,934,443, a \$252,683 increase from the 2020 revenue of \$2,681,760. Operating expenses decreased \$64,276 from the 2020 amount of \$2,288,361. Interest expense decreased \$17,663 from 2020. The total interest expense recognized in 2021 was \$333,582.

Overall, the District's financial position increased during 2021.

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT'S
NET POSITION**

Assets	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 759,523	\$ 536,823
Restricted assets	925,461	712,323
Capital assets	<u>17,144,648</u>	<u>17,534,069</u>
Total Assets	<u>18,829,632</u>	<u>18,783,215</u>
 Deferred Outflows of Resources	 <u>278,800</u>	 <u>376,457</u>
 Liabilities		
Current liabilities	219,040	162,427
Current portion of long-term debt	824,727	685,877
Long-term liabilities	<u>10,668,511</u>	<u>11,582,113</u>
Total Liabilities	<u>11,712,278</u>	<u>12,430,417</u>
 Deferred Inflows of Resources	 <u>359,476</u>	 <u>113,714</u>
 Net Position		
Net investment in capital assets	7,217,856	7,150,622
Restricted	925,461	712,323
Unrestricted	<u>(1,106,640)</u>	<u>(1,247,401)</u>
Total Net Position	<u>\$ 7,036,677</u>	<u>\$ 6,615,544</u>

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

An additional portion of the District's net position represents resources that are subject to restrictions on how they may be used. The remaining balance of net position is a negative unrestricted balance of \$1,106,640.

Analysis of the District's Operations – Overall the District had an increase in net position of \$421,133.

The following table provides a summary of the District's operations for the year ended December 31, 2021 and 2020.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
CHANGES IN NET POSITION**

	2021	2020
Revenues		
Operating revenues	\$ 2,934,443	\$ 2,681,760
Investment income	310	1,581
Gain (loss) on disposal of assets	2,383	850
Insurance proceeds	-	6,145
Capital contributions	41,664	27,100
Total revenues	2,978,800	2,717,436
Expenses		
Depreciation and amortization	687,810	680,655
Transmission and distribution expenses	746,603	740,686
Administrative and general expenses	555,989	665,521
Interest on debt and other	333,582	351,245
Water treatment	167,927	142,254
Payroll and other taxes	46,158	42,247
Bad debts (recovery)	(230)	(896)
Customer accounts expenses	19,828	17,894
Total Expenses	2,557,667	2,639,606
Change in net position	421,133	77,830
Net position - January 1	6,615,544	6,537,714
Net position - December 31	\$ 7,036,677	\$ 6,615,544

FINANCIAL ANALYSIS OF THE DISTRICT'S OPERATIONS

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

BUDGETARY HIGHLIGHTS

The original and final budget passed by the board anticipated operating revenues of \$2,780,000 and operating expenses of \$2,402,000. Final actual operating revenues exceeded budgeted operating revenues by \$154,443, and budgeted operating expenses exceeded actual operating expenses by \$177,915 for a positive variance in operating income of \$332,358.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets for business-type activities as of December 31, 2021, amounts to \$17,144,648 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plant and facilities, machinery and equipment, and infrastructure.

	2021	2020
Business-type activities		
Capital assets, not being depreciated:		
Land	\$ 108,469	\$ 108,469
Construction in progress	-	124,705
Total capital assets, not being depreciated	108,469	233,174
Capital assets, being depreciated:		
Transmission and distribution	13,365,908	13,876,657
Buildings	32,019	35,475
Furniture and fixtures	4,452	5,207
Machinery and equipment	3,633,800	3,383,556
Total capital assets, being depreciated	17,036,179	17,300,895
Business-type activities capital assets, net	\$ 17,144,648	\$ 17,534,069

During the year ended December 31, 2021, the District acquired assets totaling \$423,094. This included a new truck and meter installs.

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

Long-term and other debt

At the end of the current year, the Crittenden-Livingston County Water District had total debt of \$9,926,791. Long-term debt at December 31, 2021, was as follows:

	2021	2020
2008 Issue	\$ 545,000	\$ 675,000
2013 Flexible Term Financing	2,135,000	2,335,000
2013 Flexible Term Financing	1,695,000	1,755,000
2013 Reoffering Premium	97,797	119,696
2001 KIA Note Payable	169,697	252,291
2011 KIA Note Payable	186,900	201,220
2016 KIA Note Payable	789,141	833,103
2022 KIA Note Payable	307,433	-
KACO - 2017C	2,065,000	2,145,000
KACO - 2018B	1,880,000	1,880,000
KACO Premiums	55,825	62,019
Total	\$ 9,926,793	\$ 10,258,329

The District received \$182,728 from Kentucky Infrastructure Authority to completed the radio read meter project. The total amount borrowed was \$307,433.

Interest expense of \$333,582 was incurred during the year ended December 31, 2021.

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

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the Crittenden-Livingston County Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Tyler Pierson, Superintendent, Crittenden-Livingston County Water District, 620 East Main Street, Salem, KY 42078.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

	2021
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 226,326
Accounts receivable, less allowance for doubtful accounts of \$36,571	259,587
Unbilled revenue	115,266
Other accounts receivable	275
Prepaid expenses	29,843
Inventory, at cost	128,226
Total current assets	759,523
RESTRICTED ASSETS	
Checking and Cash Management Accounts	
Employee benefits and customer deposits	22,285
Depreciation, construction and sinking funds held by District	371,504
Sinking funds held in trust	531,672
Total restricted assets	925,461
NON-CURRENT ASSETS	
Capital Assets	
Capital assets, not being depreciated	108,469
Capital assets, being depreciated, net	17,036,179
Total non-current assets	17,144,648
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges - pensions	96,287
Deferred charges - other post-employment benefits	182,513
Total deferred outflows of resources	278,800
Total Assets	19,108,432

The notes to financial statements are an integral part of this statement.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
December 31, 2021

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 32,796
Accrued and withheld payroll taxes	39,651
Accrued interest payable	129,358
Customer deposits	17,235
Debt payable – current	<u>824,727</u>

Total current liabilities	<u>1,043,767</u>
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NON-CURRENT LIABILITIES

Debt payable, non-current	9,102,065
Pension obligations	1,204,768
Other post-employment benefit obligations	<u>361,678</u>
Total long-term debt	10,668,511

Total non-current liabilities	<u>10,668,511</u>
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Total Liabilities	<u>11,712,278</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pensions	185,722
Deferred inflows - other post-employment benefits	<u>173,754</u>

Total deferred inflows of resources	<u>359,476</u>
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NET POSITION

Invested in capital assets, net of related debt	7,217,856
Restricted for debt service and construction	925,461
Unrestricted (Deficit)	<u>(1,106,640)</u>

Total Net Position	<u><u>\$ 7,036,677</u></u>
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The notes to financial statements are an integral part of this statement.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

OPERATING REVENUE	
Sales of water, net of refunds	\$ 2,850,871
Other	83,572
Total operating revenues	2,934,443
 OPERATING EXPENSES	
Depreciation expense	687,810
Transmission and distribution expenses	746,603
Administrative and general expenses	555,989
Water treatment expenses	167,927
Payroll and other taxes	46,158
Customer accounts expenses	19,828
Bad debt expense	(230)
Total operating expenses	2,224,085
Operating income (loss)	710,358
 NON-OPERATING REVENUES (EXPENSES)	
Interest income	310
Interest expense	(333,582)
Non-utility income - other	2,383
Tap-on fees	39,578
Contributions from customers and developers	2,086
Total non-operating revenues (expenses)	(289,225)
Changes in net position	421,133
 TOTAL NET POSITION	 6,615,544
 TOTAL NET POSITION - ENDING	 \$ 7,036,677

The notes to financial statements are an integral part of this statement.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Collections from customers	\$ 2,914,238
Cash paid to suppliers	(727,203)
Cash paid to employees for salaries and benefits	<u>(785,576)</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>1,401,459</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of property, plant and equipment	(298,389)
Proceeds from debt issued net of issue costs	182,728
Principal payments on debt	(611,294)
Interest payments on debt	(330,063)
Capital contributions	41,664
Non-utility income - other	<u>2,383</u>
CASH FLOWS USED BY CAPITAL ACTIVITIES	<u>(1,012,971)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>310</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>310</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 388,798
 CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	 <u>762,989</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 1,151,787</u></u>

The notes to financial statements are an integral part of this statement.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended December 31, 2021

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 710,358
Adjustments to reconcile net income (loss) to net cash provided by operations:	
Depreciation and amortization	687,810
Changes in operating assets and liabilities:	
Accounts and other receivables	(22,488)
Prepaid expenses	(2,482)
Inventory	(22,065)
Accounts payable	16,405
Accrued and withheld payroll taxes	6,541
Customer deposits	2,055
Pension, OPEB and related deferrals	25,325
NET CASH PROVIDED BY (USED IN)	
OPERATING ACTIVITIES	<u><u>\$ 1,401,459</u></u>

The notes to financial statements are an integral part of this statement.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Principles Determining Scope of Reporting Entity

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

Basis of Presentation

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

Measurement Focus/Basis of Accounting

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

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

Sales of Water

Charges to customers for the sale of water are based on rates approved by the Kentucky Public Service Commission (PSC).

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget

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

- 1) The District submit a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) The District is required to submit a budget to the Department of Rural Development for each fiscal year as stipulated in the bond agreement.

For the year ended December 31, 2021, the District has complied with budgetary guidelines.

Cash Equivalents/ Investments

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

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

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 15 days from the invoice date. Unpaid accounts receivable with invoice mailing dates over 15 days old are subject to a 10% penalty on the outstanding balance. Customers are subject to disconnection after 25 days past invoice date. Reconnections are subject to reconnect fees which are recognized as income when received.

Accounts receivable are stated at amounts billed to the customer plus any accrued penalties. Customer account balances with invoices dated over 120 days old are considered delinquent.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amounts of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews accounts receivable balances that exceed 120 days from invoice date and; based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, for the remaining aggregate accounts, management establishes a general allowance based on historical averages.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at original cost as defined for regulatory purposes. The costs of additions to capital assets and replacement of retirement units are capitalized. Replacements of minor items of property are charged to expense as incurred. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs are charged to income as incurred; significant betterments are capitalized. Land and construction in progress are not depreciated. Estimated useful lives are generally those established by the Public Service Commission of the Commonwealth of Kentucky as the following:

<u>Capital asset classes</u>	<u>Years</u>
Buildings	10-50
Transmission Lines	5-50
Plant and Pumping Equipment	5-10
Meters	5-10
Office Equipment & Furniture	5-10
Vehicles	5

Donated assets are stated at fair value on the date donated. Contributions from customers for the purpose of purchasing service connections to the utility plant are recorded as income when they are received.

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in the category, deferred charges – pensions, and deferred charges – other post-employment benefits (OPEB).

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred pension contribution results from pension contributions subsequent to the measurement date of the pension plan. This amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period. Pension related deferred components include difference between expected and actual experience; the difference between projected and actuarial earnings on pension plan investments results from actual investment earnings above or below actuarial projected earnings; changes in assumptions; and changes in proportion and differences between employer contributions and proportionate share of contributions. These pension related items are deferred and amortized over 3-5 years as a component of the pension expense.

The deferred related pension and OPEB outflows results from pension and OPEB contributions subsequent to the measurement date of the pension plan and OPEB and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items reported in this category, inflows related to the District's pension and OPEB plans that qualify for reporting in this category – deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

Restricted Assets

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

Pensions and Other Postemployment Benefits

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

Net Position

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

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

Use of Estimates

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

Advertising

The District expenses advertising costs as they are incurred. Such expenses primarily relate to advertising in local directories and requests for invitations to bid on contractual services or construction projects.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the year ended December 31, 2021, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

As of December 31, 2021, the GASB has issued the following statements not yet required to be adopted by the District:

GASB Statement No. 92

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 93

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued March 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). The District's management has not yet determined the effect this statement will have on the financial statements.

Subsequent Events

The District has evaluated subsequent events through February 25, 2023, the date which the financial statements were available to be issued.

LEGAL COMPLIANCE

Deficit Net Position

There was not a deficit net position for the year ended December 31, 2021.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE B - DEPOSITS AND INVESTMENTS

1. Net Position

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

	Cash on Hand	Demand Deposits	Investments	Total
Cash equivalents	\$ 200	\$ 226,126	\$ -	\$ 226,326
Investments	-	-	-	-
Restricted – cash equivalents	-	925,461	-	925,461
Total	\$ 200	\$ 1,151,587	\$ -	\$ 1,151,787

2. Deposits

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 40 effective July 1, 2005. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due.

There are risks inherent in all deposits and investments, and GASB believes that the disclosures required by this Statement provide users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions. Deposit and investment resources often represent significant assets of the governmental fund. These resources are necessary for the delivery of governmental services and programs. GASB 40, as it applies to the District, includes disclosure of the following risks:

- Risks related to custodial credit risk of deposits;
- Deposit and investment policies related to those risks.

Custodial Credit Risk is the risk that in the event of a failure of a depository institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the District's deposits in financial institutions were \$1,151,787, and the bank balances were \$1,168,733. Of the bank balances, \$250,000 was covered by federal depository insurance, with \$387,061 covered by collateral held by the pledging financial institution's agent or trust department in the District's name. The District holds cash deposits in the amount of \$531,672 in the Regions Trust Cash Sweep III (RTCS). RTCS is a bank deposit account offered through Regions Institutional Services. The RTCS does not directly invest in securities. It is a deposit account that is collateralized by government securities. Collateral may include:

- Interest bearing obligations of the U.S. Government
- Senior debt obligations of any U.S. Government Agency
- And/or municipal securities with an underlying rating of A or better.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

RTCS is FDIC Insured up to \$250,000. Deposit account amounts in excess of \$250,000 are secured by perfected liens on Regions Bank's securities in an amount not less than 105% of the total excess deposits. In the event of a default, the collateral reverts to the Collateral Agent to be distributed to the account owners. RTCS deposits are identified as "cash" on client statements; there are no market value fluctuations.

The District does not have deposit and investment policies. However, Kentucky Revised Statutes (KRS 66.480) authorized Kentucky municipalities to invest in:

- a) Obligations of the U.S. Treasury, agencies and instrumentalities. Such investments may be accomplished through repurchase agreements reached with national or state banks chartered in Kentucky;
- b) Bonds or certificates of indebtedness of the state of Kentucky, agencies and instrumentalities;
- c) Savings and loan associations insured by the U.S. government;
- d) Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the U.S. government;
- e) Deposit accounts with banking institutions;
- f) State treasurer investment pool

3. Investments

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not place any limit on the amount that may be invested with one issuer.

NOTE C – RESTRICTED CASH

Restricted cash as of December 31, 2021 consists of the following:

	<u>Depreciation Fund</u>	<u>Sinking Funds</u>	<u>Maintenance/ Replacement</u>	<u>Employee Benefits</u>	<u>Tenant Deposits</u>	<u>Total</u>
Cash equivalents	\$ 131,498	\$ 692,838	\$ 78,840	\$ 12,969	\$ 9,316	\$ 925,461

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE C – RESTRICTED CASH (Continued)

Depreciation Fund - The bond ordinances require Crittenden Livingston Water District to make monthly contributions to this fund after observing the priority of deposits into the Sinking Fund. The funds in the Depreciation Fund can be expended for the purpose of paying the cost of unusual or extra-ordinary maintenance, repairs, renewals or replacements, and the cost of constructing additions and improvements to the system. The District is to contribute monthly to the reserve account until an amount equal to one-thirty-sixth (1/36) of the Depreciation Reserve Requirement. At December 31, 2021, the balance of the Depreciation Reserve Fund was \$131,498.

Crittenden Livingston Water Sinking Fund - The sinking fund was established for the purpose of paying the principal and interest on the Water Revenue Bonds and Revenue Refunding Bonds. The bond ordinances require that the amount deposited each month equals one-sixth of the next succeeding interest requirement and one-twelfth of the principal requirements becoming due on the note on the next succeeding January 1. At December 31, 2021, the balance of the Sinking Fund was \$692,838.

Maintenance/Replacement Reserve Accounts - The Revenue Refunding Bonds, the Kentucky Infrastructure Authority loans for the Moore Hill Water Tank Radio Read Meters require the District to make monthly contributions to a reserve account for maintenance and replacement expenses. The 2018 Revenue Refunding Bonds require one-forty-eight (1/48) of the maximum debt service requirements. The KIA Moore Hill Water Tank loan requires annual contributions of \$2,600 until a balance of \$26,000 is reached. The KIA Radio Read Meters loan requires a 10% contribution of the loan payment amount until a balance of 5% of the original principal amount (\$15,000) is reached. At December 31, 2021, the balance of the Maintenance/Replacement accounts were \$78,840.

Employee Benefits - The District, in an effort to offset rising employee health insurance costs, has established a program, whereby, employees participate in a high-deductible healthcare plan with deductible amounts being paid by the District. At the beginning of each plan year, the amount of each employees deductible is set aside in a separate restricted bank account. As employees incur health care costs, amounts up to the per person deductible are reimbursed to the eligible employee from this account. Any excess left in the account at the end of the plan year is used to fund the maximum amount to be set aside for the following year. As of December 31, 2021, the balance in the Health Reimbursement Account was \$12,969.

Crittenden Livingston Tenant Deposit Fund - This account is set aside to account for customer deposits. At December 31, 2021, the restricted balance of the Crittenden Livingston Tenant Deposit Fund was \$9,316.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE D - CAPITAL ASSETS

The major classifications and related costs of utility plant assets as of December 31, 2021 are as follows:

	<u>Balance as of December 31, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of December 31, 2021</u>
<u>Capital assets, not being depreciated:</u>				
Construction in progress	\$ 124,705	\$ -	\$ (124,705)	\$ -
Land	108,469	-	-	108,469
Total capital assets, not being depreciated:	<u>233,174</u>	<u>-</u>	<u>(124,705)</u>	<u>108,469</u>
<u>Capital assets, being depreciated:</u>				
Lake and river intake	888,411	-	-	888,411
Pumping equipment	307,236	30,021	-	337,257
Water treatment structure	6,900	-	-	6,900
Water treatment equipment	4,402,784	-	-	4,402,784
Transportation equipment	147,406	12,700	-	160,106
Distribution reservoirs and pipe	1,676,161	-	-	1,676,161
Small equipment	23,073	-	-	23,073
Transmission and distribution	14,165,266	-	-	14,165,266
Lab equipment	6,231	-	-	6,231
Power equipment	73,132	61,950	-	135,082
Services	6,012,089	-	-	6,012,089
Meters and installation	1,364,624	318,423	-	1,683,047
Communication equipment	183,553	-	-	183,553
Hydrants	228,940	-	-	228,940
Office furniture and fixtures	51,150	-	-	51,150
Office building	74,845	-	-	74,845
Total capital assets, being depreciated	<u>29,611,801</u>	<u>423,094</u>	<u>-</u>	<u>30,034,895</u>
Less accumulated depreciation				
Lake and river intake	(246,700)	(17,770)	-	(264,470)
Pumping equipment	(195,764)	(19,593)	-	(215,357)
Water treatment structure	(6,015)	(685)	-	(6,700)
Water treatment equipment	(1,978,720)	(87,965)	-	(2,066,685)
Transportation equipment	(132,961)	(6,506)	-	(139,467)
Distribution reservoirs and pipe	(360,855)	(33,496)	-	(394,351)
Small equipment	(18,671)	(1,093)	-	(19,764)
Transmission and distribution	(5,779,438)	(283,577)	-	(6,063,015)
Lab equipment	(5,195)	(35)	-	(5,230)
Power equipment	(67,164)	(4,806)	-	(71,970)
Services	(2,600,269)	(171,228)	-	(2,771,497)
Meters and installation	(651,869)	(41,171)	-	(693,040)
Communication equipment	(74,136)	(11,684)	-	(85,820)
Hydrants	(106,950)	(4,676)	-	(111,626)
Office furniture and fixtures	(45,943)	(755)	-	(46,698)
Office building	(40,256)	(2,770)	-	(43,026)
Total accumulated depreciation	<u>(12,310,906)</u>	<u>(687,810)</u>	<u>-</u>	<u>(12,998,716)</u>
Total capital assets, being depreciated, net:	<u>17,300,895</u>	<u>(264,716)</u>	<u>-</u>	<u>17,036,179</u>
<u>Total capital assets – net:</u>	<u>\$ 17,534,069</u>	<u>\$ (264,716)</u>	<u>\$ (124,705)</u>	<u>\$ 17,144,648</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE E - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance <u>December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2021</u>
Pensions				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 47,322	\$ 51,680	\$ (47,322)	\$ 51,680
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	7,565	7,039	-	14,604
<i>Differences between expected and actual experience</i>	35,743	-	(21,909)	13,834
<i>Change of assumptions</i>	55,970	-	(39,801)	16,169
<i>Difference between projected and actuarial earnings</i>	<u>35,868</u>	<u>-</u>	<u>(35,868)</u>	<u>-</u>
<i>Pension related deferred outflows</i>	<u>\$ 182,468</u>	<u>\$ 58,719</u>	<u>\$ (144,900)</u>	<u>\$ 96,287</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 25,736	\$ -	\$ (12,282)	\$ 13,454
<i>Difference between expected and actuarial experience</i>	-	17,342	(5,649)	11,693
<i>Difference between projected and actuarial earnings</i>	<u>-</u>	<u>251,420</u>	<u>(90,845)</u>	<u>160,575</u>
<i>Pension related deferred inflows</i>	<u>\$ 25,736</u>	<u>\$ 268,762</u>	<u>\$ (108,776)</u>	<u>\$ 185,722</u>
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 22,744	\$ 26,011	\$ (22,744)	\$ 26,011
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	2,384	1,356	-	3,740
<i>Difference between projected & actual earnings on pension plan investments</i>	75,384	-	(18,510)	56,874
<i>Change of assumptions</i>	78,480	53,460	(36,052)	95,888
<i>Difference between projected and actual earnings on plan investments</i>	<u>14,997</u>	<u>-</u>	<u>(14,997)</u>	<u>-</u>
<i>OPEB related deferred outflows</i>	<u>\$ 193,989</u>	<u>\$ 80,827</u>	<u>\$ (92,303)</u>	<u>\$ 182,513</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 12,058	\$ -	\$ (3,205)	\$ 8,853
<i>Difference between projected & actual earnings on pension plan investments</i>	75,443	64,390	(31,848)	107,985
<i>Change of assumptions</i>	477	-	(141)	336
<i>Difference between projected & actual plan investments</i>	<u>-</u>	<u>90,501</u>	<u>(33,921)</u>	<u>56,580</u>
<i>OPEB related deferred inflows</i>	<u>\$ 87,978</u>	<u>\$ 154,891</u>	<u>\$ (69,115)</u>	<u>\$ 173,754</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE F – LONG-TERM LIABILITIES

In May 2008 Crittenden Livingston Water District issued Waterworks Revenue Bonds of 2008 (Series C) in the amount of \$1,920,000 to current refund revenue bonds 1998, 1991, 1994 & 1996 issuances. The current refunding met the requirement of an in-substance debt defeasance and the revenue bonds were removed from the District's financial statements.

The bond maturity dates are January 1, 2009-2030. This issue was purchased by Morgan, Keegan, and Company, Inc. Interest rates are shown below:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2009	2.35%	2020	4.050%
2010	2.55%	2021	4.050%
2011	3.05%	2022	4.175%
2012	3.05%	2023	4.175%
2013	3.30%	2024	4.300%
2014	3.30%	2025	4.300%
2015	3.55%	2026	4.300%
2016	3.55%	2027	4.425%
2017	4.05%	2028	4.425%
2018	4.05%	2029	4.550%
2019	4.05%	2030	4.550%

The bonds are secured and payable from an exclusive pledge of a fixed portion of gross revenues of the Waterworks System as now or hereafter constituted and additionally secured by a statutory lien on the Waterworks System.

In March 2013, the District entered into a flexible term finance program with Kentucky Rural Water to refinance the 2004 D Kentucky Rural Water Finance Corporation Bonds, with an interest rate of 3.12% to 4.62%, and the 2000 B, with an interest rate of 4.75%, and 2000 C Rural Development Bonds with an interest rate of 4.50%. The total loan amount of \$5,780,000 is divided into two separate loans. The amount of \$3,690,000 is a 15 year loan with a variable interest rate of 2.30% to 4.80%. Principal repayment began in 2014, and the loan will be paid out in 2029. The remaining loan amount of \$2,090,000 is a 27 year loan with a variable interest rate of 2.30% to 4.80%. Principal repayment began in 2014, and the loan will be paid out in 2040.

The following is a summary of changes in bonds payable for the year ended December 31, 2021:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds Payable:					
2008 Issue	\$ 675,000	\$ -	\$ (130,000)	\$ 545,000	\$ 135,000
2013 Flexible Term Financing	2,335,000	-	(200,000)	2,135,000	235,000
2013 Flexible Term Financing	1,755,000	-	(60,000)	1,695,000	65,000
2013 Reoffering Premium	119,696	-	(21,900)	97,796	-
Total Long-Term Payables	<u>\$ 4,884,696</u>	<u>\$ -</u>	<u>\$ (411,899)</u>	<u>\$ 4,472,796</u>	<u>\$ 435,000</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE F - LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for bonds payable as of December 31, 2021, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 435,000	\$ 161,026	\$ 596,026
2023	455,000	141,291	596,291
2024	365,000	122,176	487,176
2025	390,000	105,144	495,144
2026	395,000	90,454	485,454
2027-2031	1,400,000	266,989	1,666,989
2032-2036	485,000	135,561	620,561
2037-2040	450,000	37,834	487,834
Total	<u>\$ 4,375,000</u>	<u>\$ 1,060,475</u>	<u>\$ 5,435,475</u>

Kentucky Infrastructure Authority Notes Payable

Kentucky Infrastructure Authority (KIA) note dated November 1, 2001, at 1.80%, payable in 40 semiannual payments including principal and interest. Loan funds advanced were used on an interim basis to finance the construction of extensions, additions, and improvements to the existing waterworks system.

In August 2011, Crittenden Livingston Water District was approved for a loan to replace all existing meters with meters utilizing radio-read technology. The total cost of the project is not to exceed \$300,000 and will be financed by the Kentucky Infrastructure Authority under a loan bearing interest at 2.00%.

In July 2016, Crittenden Livingston Water District was approved for a loan to construct the Moore Hill water tank. The total cost of the project was \$978,850 and will be financed by the Kentucky Infrastructure Authority under a loan bearing interest at 1.75%.

In March 2021, Crittenden Livingston Water District was approved for a loan to install radio read meters. The total loan proceeds received were \$307,433 and will be financed by the Kentucky Infrastructure Authority bearing interest at 2.75%.

The schedule of notes payable and the maturity schedule follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable:					
2001 KIA note payable	\$ 252,291	\$ -	\$ (82,594)	\$ 169,697	\$ 84,088
2011 KIA note payable	201,220	-	(14,320)	186,900	14,609
2016 KIA note payable	833,103	-	(43,962)	789,141	44,735
2022 KIA note payable	-	307,433	-	307,433	11,713
Total Notes Payables	<u>\$ 1,286,614</u>	<u>\$ 307,433</u>	<u>\$ (140,876)</u>	<u>\$ 1,453,171</u>	<u>\$ 155,145</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE F - LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for notes payable as of December 31, 2021, are as follows:

Years Ending December 31,	Principal	Interest & Fees	Total
2022	\$ 155,144	\$ 30,645	\$ 185,789
2023	158,069	27,578	185,647
2024	73,893	24,843	98,736
2025	75,355	23,234	98,589
2026	76,847	21,592	98,439
2027-2031	407,713	82,147	489,860
2032-2036	383,984	37,949	421,933
2037-2041	122,166	7,485	129,651
Total	<u>\$ 1,453,171</u>	<u>\$ 255,473</u>	<u>\$ 1,708,644</u>

Leases

The Fiscal Court of Livingston County, Kentucky, in an Ordinance passed and adopted on August 24, 2010, authorized a plan to payoff a short term note of the Crittenden Livingston Water District in the amount of \$2,500,000 with funds provided to the County by the Kentucky Association of Counties Finance Corporation through a financing agreement between the County and KACO. The Series 2010A Lease was refinanced in 2017.

On September 21, 2017, the District entered into an agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds, 2017 First Series C. The proceeds were used to replace the Series 2010A Lease with Kentucky Association of Counties Finance Corporation, a short term note, the proceeds of which were used to run approximately 90 miles of waterline in Crittenden and Livingston County. The new bonds were issued for \$2,445,000, carry an interest rate of 3.03%, and matures January 1, 2039. These bonds were issued with a lease premium of \$27,882, which will be recognized over the life of the bond.

On May 1, 2018, the District entered into a lease agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds, 2018 Series B. The proceeds were used to replace the 1995 and 2000 USDA Bonds. The new bonds were issued for \$2,090,000, carry an interest rate of 3.44%, and will mature on January 1, 2040. These bonds were issued with a premium of \$54,033, which will be recognized over the life of the bond.

The schedule of leases payable and the maturity schedule follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Leases Payable:					
KACO – 2017C	\$ 2,145,000	\$ -	\$ (80,000)	\$ 2,065,000	\$ 84,582
KACO – 2018B	1,880,000	-	-	1,880,000	150,000
Premium	62,019	-	(6,194)	55,825	-
Total Leases Payables	<u>\$ 4,087,019</u>	<u>\$ -</u>	<u>\$ (86,194)</u>	<u>\$ 4,000,825</u>	<u>\$ 234,582</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE F - LONG-TERM LIABILITIES (Continued)

The annual debt service requirements to maturity for leases payable as of December 31, 2021, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2022	\$ 234,582	\$ 152,687	\$ 387,269
2023	164,583	143,746	308,329
2024	174,583	135,543	310,126
2025	184,583	126,452	311,035
2026	194,583	116,849	311,432
2027-2031	1,108,333	437,301	1,545,634
2032-2036	1,257,917	257,659	1,515,576
2037-2040	<u>625,836</u>	<u>31,620</u>	<u>657,456</u>
Total	<u>\$ 3,945,000</u>	<u>\$ 1,401,857</u>	<u>\$ 5,346,857</u>

Interest expense recognized in the year ending December 31, 2021 is \$333,582.

Line of Credit

In August 2017, the District entered into a line of credit agreement with Farmers Bank for the remodel of their office. The line of credit has a limit of \$50,000 with an interest rate of 5.0%. This is a twelve-month revolving line of credit that is re-evaluated at each maturity. There are no payments required. Principal and interest are due at maturity. As of December 31, 2021, the line of credit had a zero balance.

NOTE G - EMPLOYEE RETIREMENT DISTRICT

The District provides retirement benefits to its employees through a multi-employer public employee retirement fund administered by the Kentucky County Employees Retirement District (CERS). Information regarding this plan is as follows:

County Employees' Retirement District

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

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)

Non-hazardous members:

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

Hazardous members:

Tier 1	Participation date Unreduced retirement Reduced retirement	Prior to September 1, 2008 20 years of service and any age Minimum 5 years of service and 55 years old Minimum 15 years of service and 50 years old
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 Minimum 5 years of service and 60 years old 25 years of service and any age Minimum 15 years of service and 50 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 Minimum 5 years of service and 60 years old 25 years of service and any age Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirements are 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 non-service related disability benefits.

Plan Funding – State statute requires active members to contribute a % of creditable compensation based on their tier:

	<u><i>Non-hazardous</i></u>
	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)

Employers are required by state statute (KRS 78.545(33)) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the Board of Trustees annually based upon actuarial valuations. For the year ended December 31, 2021, the employer contribution rate was 19.30% for the period January 1, 2021 to June 30, 2021; and 21.17% for the period July 1, 2021 to December 31, 2021, respectively of the members' nonhazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution requirements and the amounts contributed to CERS for the year ending December 31, 2021, were \$122,924. Of this amount, \$97,511 is considered contributed to the pension requirement and \$25,413 is considered contributed to the health insurance requirement.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2021, the District reported a liability of \$1,204,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating share of the Collective Pension Amounts for employers that participate in KERS Nonhazardous plan is based upon their allocation of the amortization cost, as specified under the revised statutes. It is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2021. The final proportionate share calculation, which represents an employer's share of the long-term contribution effort assumes amortization cost is approximately 90% of the aggregate required contribution for the fund. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions. At June 30, 2021, the District's proportion was .018896%. The amount recognized by the District as its proportionate share of the net pension liability that was associated with the District was as follows:

	2021
CERS net pension liability associated with the District	\$ 1,204,768

Pension Expense – As a result of its requirement to contribute to CERS, the District recognized pension expenses of \$115,092 for the year ended December 31, 2021. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,834	\$ 11,693
Changes in assumptions	16,169	-
Net difference between projected and actual earnings on pension plan investments	-	160,575
Changes in proportion and differences between District contributions and proportionate share of contributions	14,604	13,454
District contributions subsequent to the measurement date	51,680	-
Total	\$ 96,287	\$ 185,722

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)

The District reported \$51,680 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the plan year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Plan Year Ending June 30</u>	
	<u>Non- Hazardous</u>
2021	\$ (21,110)
2022	\$ (34,028)
2023	\$ (35,693)
2024	\$ (50,284)

Actuarial assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods.

The actuarial assumptions used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

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

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan. This change does not impact the calculation of the total pension liability, but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective Pension Amounts in the KERS Nonhazardous pension plan from 2020 to 2021.

House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provision to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their employees. As such, there is no material impact on the total pension liability due to this legislation. There were no other material plan provision changes.

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

	<u>2021</u>
Inflation	2.30%
Payroll growth rate	2.00% for CERS Nonhazardous
Projected salary increases	3.30% to 10.30% varies by service
Investment rate of return, net of investment expense & inflation	6.25% for CERS Nonhazardous

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE G – EMPLOYEE RETIREMENT DISTRICT (Continued)

The mortality table used for active members was Pub-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for non-disabled retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years. 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 return are developed for each asset class. The ranges were combined by weighing 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 are summarized in the following table:

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, as provided by CERS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Real Return (Diversified Inflation Strategies)	10.00%	4.55%
Opportunistic	0.00%	N/A
Real Estate	10.00%	5.40%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	(0.60)%
Total	<u>100.00%</u>	

Discount rate – For the plan years ended June 30, 2021 the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25% in 2021. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

For plan year ended June 30, 2019	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
Non-hazardous’ proportionate share of net pension liability	\$ 1,545,172	\$ 1,204,768	\$ 923,092

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the CERS. <https://kyret.ky.gov>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

CERS Medical Insurance Plan

Plan description – The District is a participant in the Commonwealth of Kentucky’s County Employees’ Retirement System (CERS), a cost-sharing multiple-employer defined benefit postemployment benefit plan (OPEB) administered by the Kentucky Public Pensions Authority (KPPA). The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute (“KRS”) Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees.

Benefits provided – The CERS Nonhazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB plan that covers substantially all regular full-time members employed in positions of each participating county, city, 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. A publicly available financial report can be obtained at www.kyret.ky.gov.

Contributions – Per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District’s required contribution rate for non-hazardous employees was 4.76% for the period January 1, 2021 to June 30, 2021; and 5.78% for the period July 1, 2021 to December 31, 2021.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs At December 31, 2021, the District reported a liability for its proportionate share of the net OPEB liability of \$361,678 for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District’s proportion was 0.018892% for nonhazardous classified employees.

District’s proportionate share of the CERS medical insurance liability \$ 361,678

For the year ended December 31, 2021, the District recognized OPEB expenses of \$44,678. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 56,874	\$ 107,985
Changes in assumptions	95,888	336
Net difference between projected and actual earnings on OPEB plan investments	-	56,580
Changes in proportion and differences between District contributions and proportionate share of contributions	3,740	8,853
District contributions subsequent to the Measurement date	26,011	-
Total	\$ 182,513	\$ 173,754

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The \$26,011 of deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date and the December 31, 2021 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

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

<u>FY Ending June 30</u>	<u>Amortization/(Accretion)</u>
2022	\$ 7,018
2023	\$ (1,575)
2024	\$ (2,052)
2025	\$ (20,643)

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00% CERS Non-hazardous
Salary Increase	3.30% - 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at Jan 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% at Jan 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	Pub-2010 General Mortality table, for the Nonhazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience form 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The mortality table used for active members was Pub-2010 General Mortality table, for Nonhazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for non-disabled retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KERS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Real Return (Diversified Inflation Strategies)	10.00%	4.55%
Opportunistic	0.00%	0.00%
Real Estate	10.00%	5.40%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	(0.60)%
Total	<u>100.00%</u>	

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan’s anticipated long-term healthcare costs. There were no other material assumption changes.

House Bill 1 passed during the 2019 Special Legislative Session allows certain employers in the KERS Nonhazardous plan to elect to cease participating in the KERS Nonhazardous Plan as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their current employees. As such, there is no material impact on the total OPEB liability due to this legislation.

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

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “total and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Additionally, House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Plan. This change does not impact the calculation amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective OPEB amounts in the KERS Nonhazardous insurance plan from 2020 to 2021. Additional information is provided in Section 1 of the GASB 75 KERS report. There were no other material plan provision changes.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District’s share, as well as what the plan’s net position liability would be if discount rate is 1% point lower or 1% point higher:

	1% Decrease	Current Discount Rate	1% Increase
District and State’s proportionate share of net OPEB liability	\$ 496,581	\$ 361,678	\$ 250,968

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate – The following presents the Board’s proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, as well as what Service’s proportionate share of the liability if it were calculated using rates that are 1% point lower or 1% point higher than current rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of net OPEB liability	\$ 260,365	\$ 361,678	\$ 483,964

Payables to the OPEB plan - At December 31, 2021, the financial statements include \$2,667 in contractually required employee and employer OPEB contributions primarily for the month ended December 31, 2021. The obligation was paid within prescribed time limits.

NOTE I - COMMITMENTS

Sales Contracts

In 2000, the District entered into a 40-year sales agreement with the City of Grand Rivers, Kentucky. The agreement is for the City to purchase five million gallons per month. The City purchased water totaling \$220,199 in the year ending December 31, 2021.

In 2000, the District entered into a 40-year sales agreement with the City of Smithland, Kentucky. The agreement is for the City to purchase one million gallons per month. The City purchased water totaling \$44,950 in the year ending December 31, 2021.

In 2000, the District entered into a 13-year sales agreement with the City of Ledbetter, Kentucky. The agreement is for the City to purchase 2.5 million gallons per month. The City purchased water totaling \$96,185 in the year ending December 31, 2021.

In 2014, the District entered into a 41-year sales agreement with the Lyon County Water District. The agreement does not have per month minimum. The District purchased \$42,399 of water in the year ending December 31, 2021.

In 1971, the District entered into a sales agreement with the City of Salem, Kentucky. The agreement does not have per month minimum. The City purchased \$71,375 of water in the year ending December 31, 2021.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE I – COMMITMENTS (Continued)

In 2019, the District entered into a sales agreement with the Caldwell County Water District. The agreement does not have per month minimum. The District purchased \$1,453 of water in the year ending December 31, 2021.

NOTE J – PUBLIC SERVICE COMMISSION REGULATIONS

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

NOTE K - CONCENTRATION

The majority of the District's revenue consists of charges for water-related services to customers in Crittenden-Livingston County, Kentucky.

NOTE L – COMPENSATED ABSENCES

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

- Anniversary of 1 year of service - 5 days
- Anniversary of 2 years of service - 10 days
- Anniversary of 5 years of service - 15 days
- Anniversary of 10 years of service - 20 days

Vacation must be taken in the calendar year of eligibility. The policy applies to all employees. All employees must make an effort to take their vacation time.

The District's policy on personal days is to allow employees three days per year. This can be used for anything from sickness to family emergencies.

An employee may reserve overtime as comp time. One hour of overtime equals 1 and 1/2 hours of comp time. A maximum of 60 hours may be accumulated.

NOTE M – LITIGATION

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

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2023, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<i>CERS Nonhazardous</i>					
2021	0.018896%	\$ 1,204,768	\$ 485,306	248.2491%	57.3300%
2020	0.01869%	\$ 1,433,354	\$ 488,748	293.2706%	52.1861%
2019	0.01933%	\$ 1,359,769	\$ 494,480	274.9897%	50.4470%
2018	0.01905%	\$ 1,160,386	\$ 471,761	245.9690%	53.5420%
2017	0.01913%	\$ 1,119,767	\$ 443,619	252.4164%	53.3249%
2016	0.00180%	\$ 884,966	\$ 469,149	188.6322%	55.5028%
2015	0.00160%	\$ 689,178	\$ 375,904	183.3388%	59.9684%
2014	0.00865%	\$ 280,671	\$ 393,724	71.2862%	66.8010%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
<u>CERS Nonhazardous</u>					
2021	\$ 97,510	\$ 97,510	\$ -	\$ 481,581	20.2479%
2020	\$ 93,664	\$ 93,664	\$ -	\$ 485,306	19.3000%
2019	\$ 85,368	\$ 85,368	\$ -	\$ 488,748	17.4667%
2018	\$ 75,976	\$ 75,976	\$ -	\$ 494,480	15.3648%
2017	\$ 63,013	\$ 63,013	\$ -	\$ 471,761	13.3570%
2016	\$ 61,650	\$ 61,650	\$ -	\$ 443,619	13.8971%
2015	\$ 47,585	\$ 47,585	\$ -	\$ 469,149	10.1428%
2014	\$ 74,682	\$ 74,682	\$ -	\$ 375,904	19.8673%

* The amounts presented for each fiscal year were determined as of the measurement date June 30 of the prior year.

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

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Changes of Benefit Terms:

None

Changes of assumptions:

The assumed investment rate of return was 6.25%.

The assumed rate of inflation was 2.30%.

Payroll growth assumption was 3.30% - 11.55%, varies by service.

The assumptions were updated as of result of an experience study for the five year period ending June 30, 2018.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

The mortality table used was updated to Pub-2010 General Mortality table

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET MEDICAL
INSURANCE LIABILITY - TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	District's proportion of the net meducal plan liability	District's proportionate share of the net medical plan liability (asset)	District's covered employee payroll	District's share of the net medical plan liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total medical plan liability
<i>CERS Nonhazardous</i>					
2021	0.01889%	\$ 361,678	\$ 485,306	74.5258%	62.9100%
2020	0.01869%	\$ 451,186	\$ 488,748	92.3146%	51.6704%
2019	0.01905%	\$ 325,105	\$ 494,480	65.7468%	60.4382%
2018	0.01905%	\$ 338,282	\$ 471,761	71.7062%	57.6218%
2017	0.01913%	\$ 384,599	\$ 443,619	86.6958%	52.3940%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
<i>CERS Nonhazardous</i>					
2021	\$ 25,413	\$ 25,413	\$ -	\$ 481,581	5.2770%
2020	\$ 23,101	\$ 23,101	\$ -	\$ 485,306	4.7601%
2019	\$ 24,016	\$ 24,016	\$ -	\$ 488,748	4.9138%
2018	\$ 24,661	\$ 24,661	\$ -	\$ 494,480	4.9873%
2017	\$ 20,722	\$ 20,722	\$ -	\$ 471,761	4.3925%

* The amounts presented for each fiscal year were determined as of the measurement date June 30 of the prior year.

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

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Changes of Benefit Terms:

None

Changes of assumptions:

The discount rate decreased from 5.68% to 5.34%.

The assumed investment rate of return was 6.25%.

The assumed rate of inflation was 2.30%.

Payroll growth assumption was 3.30% - 11.55%, varies by service.

The assumptions were updated as of result of an experience study for the five year period ending June 30, 2018.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2019.

The mortality tables used was updated to Pub-2010 General Mortality Table.

OTHER SUPPLEMENTAL INFORMATION

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUE				
Sales of water, net of refunds	\$2,745,000	\$2,745,000	\$ 2,850,871	\$ 105,871
Other	35,000	35,000	83,572	48,572
Total operating revenues	<u>2,780,000</u>	<u>2,780,000</u>	<u>2,934,443</u>	<u>154,443</u>
OPERATING EXPENSES				
Depreciation expense	685,000	685,000	687,810	(2,810)
Transmission and distribution expenses	944,000	944,000	746,603	197,397
Administrative and general expenses	518,400	518,400	555,989	(37,589)
Water treatment expenses	175,000	175,000	167,927	7,073
Payroll and other taxes	46,600	46,600	46,158	442
Customer accounts expenses	25,000	25,000	19,828	5,172
Bad debt expense	8,000	8,000	(230)	8,230
Total operating expenses	<u>2,402,000</u>	<u>2,402,000</u>	<u>2,224,085</u>	<u>177,915</u>
Operating income (loss)	<u>378,000</u>	<u>378,000</u>	<u>710,358</u>	<u>332,358</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	2,000	2,000	310	(1,690)
Interest expense	(395,000)	(395,000)	(333,582)	61,418
Non-utility income - other	-	-	2,383	2,383
Tap-on fees	15,000	15,000	39,578	24,578
Contributions from customers and developers	-	-	2,086	2,086
Total non-operating revenues (expenses)	<u>(378,000)</u>	<u>(378,000)</u>	<u>(289,225)</u>	<u>88,775</u>
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>421,133</u>	<u>\$ 421,133</u>
TOTAL NET POSITION - BEGINNING			<u>6,615,544</u>	
TOTAL NET POSITION - ENDING			<u><u>\$ 7,036,677</u></u>	

See the independent auditors' report.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
DETAIL SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2021

Depreciation expense	<u>\$ 687,810</u>
General operating expenses	
Salaries	138,349
Employee pension and benefits	147,388
Employee health insurance	67,435
Repairs and maintenance	42,809
Insurance	50,310
Office supplies	16,226
Fuel	17,340
Legal & professional	18,063
Utilities	22,127
Utility regulation assessment fee	7,033
Advertising	49
Seminar	3,758
Bank charges	2,616
Dues & subscriptions	3,655
Uniforms	9,088
Miscellaneous	9,743
Total general operating expenses	<u>555,989</u>
Transmission and distribution expenses	
Salaries	418,116
Repairs and maintenance	157,025
Utilities	145,914
Supplies and materials	25,548
Total transmission and distribution expenses	<u>746,603</u>
Payroll and other taxes	<u>46,158</u>
Customer accounts expenses	
Postage	19,828
Total customer accounts expenses	<u>19,828</u>
Water treatment expenses	
Chemicals	158,698
Testing	9,229
Total water treatment expenses	<u>167,927</u>
Bad debt expense	<u>(230)</u>
Total operating expenses	<u><u>\$ 2,224,085</u></u>

See the independent auditors' report.



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

Board of Commissioners
Crittenden-Livingston County Water District
Salem, KY

We have audited, 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, the financial statements of the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crittenden-Livingston County Water District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Crittenden-Livingston County Water District's basic financial statements, and have issued our report thereon dated February 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Crittenden-Livingston 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 Crittenden-Livingston County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Crittenden-Livingston 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 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness (reference #2021-1)

Report on Compliance and Other Matters

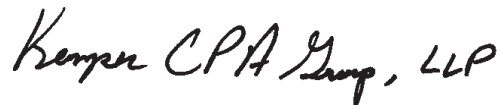
As part of obtaining reasonable assurance about whether Crittenden-Livingston County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Crittenden-Livingston County Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Crittenden-Livingston County Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Crittenden-Livingston County Water District's response was not subjected to the other 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kemper CPA Group, LLP". The signature is written in a cursive, flowing style.

Paducah Certified Public Accountants and Consultants KY
Paducah, Kentucky
February 25, 2023

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2021**

Reference # 2021-1

The District does not have adequate segregation of duties related to recording receipts and disbursements.

Criteria

The basic premise of a good system of internal control is no one person should have access to the entity's assets and responsibility for the related accounting records.

Cause

Due to limit administrative staff size, the District does not have adequate personnel available to properly segregate duties over processing, recording, and reconciling receipts and disbursements to the underlining accounting records.

Effect

There is increased risk of error or misappropriation of receipts and disbursements occurring and not timely detected by management.

Recommendation

We recommend the District consider adding additional personnel in the area of processing, recording, and reconciling receipts and disbursements to the underlining accounting records.

Response

We concur with the recommendation and finding. The District Board will discuss the matter with key personnel.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2020**

Reference # 2020-1

The District does not have adequate segregation of duties over cash receipts and disbursements. The basic premise in a good District of internal control is that an employee should not have access to assets and responsibility for the related accounting records.

Status

This finding is still present.