

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**

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

**YEAR ENDED DECEMBER 31, 2022**

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## 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Crittenden-Livingston County Water District, as of December 31, 2022, 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 November 22, 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 300  
Kemper CPA Group, LLP  
Paducah, Kentucky  
November 22, 2023

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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, 2022. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

**FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows of resources of the District exceed its total liabilities and deferred inflows of resources at December 31, 2022 by \$7,337,950 (Net Position). Of this amount \$890,089 is restricted, and \$7,445,479 is invested in capital assets net of the related debt, leaving an unrestricted net position deficit of \$997,618.
- The District's net position increased by \$301,273 resulting in a December 31, 2022 balance of \$7,337,950. This balance represents an increase of 4.3% in the change of net position over the adjusted December 31, 2021 balance of \$7,036,677.
- The District's 2022 operating revenues of \$3,159,268 decreased 7.6% from the 2021 amount, and operating expenses for 2022 of \$2,574,523 increased 15.8%. Non-operating income for 2022, consisted of interest income of \$4,639, gain from the sale of capital assets of \$3,000 and capital contributions consisting of tap on fees of \$44,080.
- The District's unrestricted cash available for operating expenses was \$301,192 at December 31, 2022.
- The District's investment in capital assets was \$16,521,903 net of depreciation at December 31, 2022.

**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 pages 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 pages 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 pages 38-41.

**Other Supplemental Information.** In addition to the basic financial statements, accompanying notes, and required supplementary information, this report also presents certain other supplemental information that can be found on pages 42-43.

## **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 \$7,337,950 at December 31, 2022.

For the current year, the District reported a net increase of \$301,273.

During 2022, the District's net capital assets decreased \$622,745, and total debt liabilities decreased by \$824,727. Unrestricted net position increased \$109,022, from a deficit of \$1,106,640 at December 31, 2021, to a deficit of \$997,618 at December 31, 2022.

The District noted operating revenue of \$3,159,268, a \$224,825 increase from the 2021 revenue of \$2,934,443. Operating expenses increased \$350,438 from the 2021 amount of \$2,224,085. Interest expense increased \$1,609 from 2021. The total interest expense recognized in 2022 was \$335,191.

Overall, the District's financial position increased during 2022.

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**

<b>Assets</b>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 853,865	\$ 759,523
Restricted assets	890,089	925,461
Capital assets	<u>16,521,903</u>	<u>17,144,648</u>
Total Assets	<u>18,265,857</u>	<u>18,829,632</u>
 <b>Deferred Outflows of Resources</b>	 <u>233,944</u>	 <u>278,800</u>
 <b>Liabilities</b>		
Current liabilities	223,442	219,041
Current portion of long-term debt	702,652	824,727
Long-term liabilities	<u>10,041,671</u>	<u>10,668,511</u>
Total Liabilities	<u>10,967,765</u>	<u>11,712,279</u>
 <b>Deferred Inflows of Resources</b>	 <u>194,086</u>	 <u>359,476</u>
 <b>Net Position</b>		
Net investment in capital assets	7,445,479	7,217,856
Restricted	890,089	925,461
Unrestricted	<u>(997,618)</u>	<u>(1,106,640)</u>
Total Net Position	<u>\$ 7,337,950</u>	<u>\$ 7,036,677</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 \$997,618.

**Analysis of the District's Operations** – Overall the District had an increase in net position of \$301,273. The following table provides a summary of the District's operations for the year ended December 31, 2022 and 2021.



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

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Operating revenues	\$ 3,159,268	\$ 2,934,443
Investment income	4,639	310
Gain (loss) on disposal of assets	3,000	-
Insurance proceeds	-	2,383
Capital contributions	44,080	41,664
Total revenues	<u>3,210,987</u>	<u>2,978,800</u>
<b>Expenses</b>		
Transmission and distribution expenses	927,281	746,603
Depreciation and amortization	715,519	687,810
Administrative and general expenses	625,669	555,989
Interest on debt and other, net	335,191	333,582
Water treatment	191,861	167,927
Payroll and other taxes	48,156	46,158
Source of supply purchases	45,380	-
Customer accounts expenses	24,180	19,828
Bad debts (recovery)	<u>(3,523)</u>	<u>(230)</u>
Total Expenses	<u>2,909,714</u>	<u>2,557,667</u>
<b>Change in net position</b>	301,273	421,133
<b>Net position - January 1</b>	<u>7,036,677</u>	<u>6,615,544</u>
<b>Net position - December 31</b>	<u>\$ 7,337,950</u>	<u>\$ 7,036,677</u>

**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 \$2,938,000 and operating expenses of \$2,619,000. Final actual operating revenues exceeded budgeted operating revenues by \$221,268, and budgeted operating expenses exceeded actual operating expenses by \$44,477 for a positive variance in operating income of \$65,745.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The District's investment in capital assets for business-type activities as of December 31, 2022, amounts to \$16,521,903 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plant and facilities, machinery and equipment, and infrastructure.

	2022	2021
<b>Business-type activities</b>		
Capital assets, not being depreciated:		
Land	\$ 108,469	\$ 108,469
Total capital assets, not being depreciated	108,469	108,469
Capital assets, being depreciated:		
Transmission and distribution	12,855,807	13,365,908
Buildings	33,984	32,019
Furniture and fixtures	3,893	4,452
Machinery and equipment	3,519,750	3,633,800
Total capital assets, being depreciated	16,413,434	17,036,179
Business-type activities capital assets, net	\$ 16,521,903	\$ 17,144,648

During the year ended December 31, 2022, the District acquired assets totaling \$92,774. This included a new trucks 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 \$9,076,424. Long-term debt at December 31, 2022, was as follows:

	2022	2021
2008 Issue	\$ 410,000	\$ 545,000
2013 Flexible Term Financing	1,900,000	2,135,000
2013 Flexible Term Financing	1,630,000	1,695,000
2013 Reoffering Premium	78,081	97,797
2001 KIA Note Payable	85,609	169,697
2011 KIA Note Payable	172,292	186,900
2016 KIA Note Payable	744,405	789,141
2022 KIA Note Payable	295,720	307,433
KACO - 2017C	1,980,417	2,065,000
KACO - 2018B	1,730,000	1,880,000
KACO Premiums	49,900	55,825
Total	\$ 9,076,424	\$ 9,926,793

Interest expense of \$360,831 was incurred during the year ended December 31, 2022. Amortization of deferred charges related to debt of \$25,640 was recognized against interest expense.

Additional information on the District's long-term debt can be found in Note E 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, 2022**

	<b>2022</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 301,192
Accounts receivable, less allowance for doubtful accounts of \$51,789	265,215
Unbilled revenue	123,980
Other accounts receivable	275
Prepaid expenses	31,698
Inventory, at cost	131,505
Total current assets	853,865
<b>RESTRICTED ASSETS</b>	
Checking and Cash Management Accounts	
Employee benefits and customer deposits	18,748
Depreciation, construction and sinking funds held by District	324,614
Sinking funds held in trust	546,727
Total restricted assets	890,089
<b>NON-CURRENT ASSETS</b>	
Capital Assets	
Capital assets, not being depreciated	108,469
Capital assets, being depreciated, net	16,413,434
Total non-current assets	16,521,903
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges - pensions	102,440
Deferred charges - other post-employment benefits	131,504
Total deferred outflows of resources	233,944
<b>Total Assets</b>	<b>18,499,801</b>

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**December 31, 2022**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable	\$ 67,719
Accrued and withheld payroll taxes	40,533
Accrued interest payable	99,230
Customer deposits	15,960
Debt payable – current	<u>702,652</u>

Total current liabilities	<u>926,094</u>
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**NON-CURRENT LIABILITIES**

Debt payable, non-current	8,373,772
Pension obligations	1,310,259
Other post-employment benefit obligations	<u>357,640</u>
Total long-term debt	10,041,671

Total non-current liabilities	<u>10,041,671</u>
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<b>Total Liabilities</b>	<b><u>10,967,765</u></b>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows - pensions	46,586
Deferred inflows - other post-employment benefits	<u>147,500</u>

Total deferred inflows of resources	<u>194,086</u>
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**NET POSITION**

Invested in capital assets, net of related debt	7,445,479
Restricted for debt service and construction	890,089
Unrestricted (Deficit)	<u>(997,618)</u>

<b>Total Net Position</b>	<b><u>\$ 7,337,950</u></b>
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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, 2022**

<b>OPERATING REVENUE</b>	
Sales of water, net of refunds	\$ 3,080,045
Other	79,223
Total operating revenues	3,159,268
 <b>OPERATING EXPENSES</b>	
Depreciation expense	715,519
Transmission and distribution expenses	927,281
Administrative and general expenses	625,669
Water treatment expenses	191,861
Source of supply purchases	45,380
Payroll and other taxes	48,156
Customer accounts expenses	24,180
Bad debt expense	(3,523)
Total operating expenses	2,574,523
<b>Operating income (loss)</b>	584,745
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	4,639
Interest expense	(335,191)
Gain (loss) on disposal of assets	3,000
Tap-on fees	32,355
Contributions from customers and developers	11,725
Total non-operating revenues (expenses)	(283,472)
<b>Changes in net position</b>	301,273
 <b>TOTAL NET POSITION</b>	 7,036,677
 <b>TOTAL NET POSITION - ENDING</b>	 \$ 7,337,950

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, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Collections from customers	\$ 3,147,173
Cash paid to suppliers	(982,952)
Cash paid to employees for salaries and benefits	(867,985)
<b>CASH FLOWS PROVIDED BY</b>	
<b>OPERATING ACTIVITIES</b>	<u>1,296,236</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED</b>	
<b>FINANCING ACTIVITIES</b>	
Purchases of property, plant and equipment	(92,774)
Principal payments on debt	(824,728)
Interest payments on debt	(390,959)
Capital contributions	44,080
Proceeds from disposal of equipment	3,000
<b>CASH FLOWS USED BY</b>	
<b>CAPITAL ACTIVITIES</b>	<u>(1,261,381)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	4,639
<b>CASH FLOWS PROVIDED BY</b>	
<b>INVESTING ACTIVITIES</b>	<u>4,639</u>
 <b>NET INCREASE IN CASH AND</b>	
<b>CASH EQUIVALENTS</b>	
	39,494
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	
	<u>1,151,787</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	
	<u><u>\$ 1,191,281</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, 2022**

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

Operating income (loss)	\$ 584,745
Adjustments to reconcile net income (loss) to net cash provided by operations:	
Depreciation and amortization	715,519
Changes in operating assets and liabilities:	
Accounts and other receivables	(14,343)
Prepaid expenses	(1,855)
Inventory	(3,279)
Accounts payable	34,923
Accrued and withheld payroll taxes	882
Customer deposits	(1,275)
Pension, OPEB and related deferrals	(19,081)
<b>NET CASH PROVIDED BY (USED IN)</b>	
<b>OPERATING ACTIVITIES</b>	<u><u>\$ 1,296,236</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, 2022, 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, 2022, 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, 2022, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements**

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

**GASB Statement No. 96**

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

**GASB Statement No. 99**

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

**GASB Statement No. 100**

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

**GASB Statement No. 101**

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

**LEGAL COMPLIANCE**

**Deficit Net Position**

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

**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:

	<b>Cash on Hand</b>	<b>Demand Deposits</b>	<b>Investments</b>	<b>Total</b>
Cash equivalents	\$ 200	\$ 300,992	\$ -	\$ 301,192
Investments	-	-	-	-
Restricted – cash equivalents	-	890,089	-	890,089
Total	\$ 200	\$ 1,191,081	\$ -	\$ 1,191,281

**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 \$1,191,281, and the bank balances were \$1,271,637. Of the bank balances, \$250,000 was covered by federal depository insurance, with \$474,910 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 \$546,727 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.

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.

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

**NOTE B – DEPOSITS AND INVESTMENTS (Continued)**

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, 2022 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	\$ 159,756	\$ 642,951	\$ 68,635	\$ 9,970	\$ 8,777	\$ 890,089

**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, 2022, the balance of the Depreciation Reserve Fund was \$159,756.

**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, 2022, the balance of the Sinking Fund was \$642,951.

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

**NOTE C – RESTRICTED CASH (Continued)**

**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, 2022, the balance of the Maintenance/Replacement accounts were \$68,635.

**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, 2022, the balance in the Health Reimbursement Account was \$9,970.

**Crittenden Livingston Tenant Deposit Fund** - This account is set aside to account for customer deposits. At December 31, 2022, the restricted balance of the Crittenden Livingston Tenant Deposit Fund was \$8,777.



**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, 2022 are as follows:

	<u>Balance as of December 31, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of December 31, 2022</u>
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 108,469	\$ -	\$ -	\$ 108,469
Total capital assets, not being depreciated:	<u>108,469</u>	<u>-</u>	<u>-</u>	<u>108,469</u>
<b><u>Capital assets, being depreciated:</u></b>				
Lake and river intake	888,411	-	-	888,411
Pumping equipment	337,257	-	-	337,257
Water treatment structure	6,900	-	-	6,900
Water treatment equipment	4,402,784	-	-	4,402,784
Transportation equipment	160,106	74,790	(13,294)	221,602
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	135,082	-	-	135,082
Services	6,012,089	-	-	6,012,089
Meters and installation	1,683,047	12,960	-	1,696,007
Communication equipment	183,553	-	-	183,553
Hydrants	228,940	-	-	228,940
Office furniture and fixtures	51,150	-	-	51,150
Office building	74,845	5,024	-	79,869
Total capital assets, being depreciated	<u>30,034,895</u>	<u>92,774</u>	<u>-</u>	<u>30,114,375</u>
Less accumulated depreciation				
Lake and river intake	(264,470)	(17,770)	-	(282,240)
Pumping equipment	(215,357)	(9,131)	-	(224,488)
Water treatment structure	(6,700)	(200)	-	(6,900)
Water treatment equipment	(2,066,685)	(87,965)	-	(2,154,650)
Transportation equipment	(139,467)	(15,181)	13,294	(141,354)
Distribution reservoirs and pipe	(394,351)	(33,496)	-	(427,847)
Small equipment	(19,764)	(1,064)	-	(20,828)
Transmission and distribution	(6,063,015)	(283,577)	-	(6,346,592)
Lab equipment	(5,230)	(35)	-	(5,265)
Power equipment	(71,970)	(9,600)	-	(81,570)
Services	(2,771,497)	(170,584)	-	(2,942,081)
Meters and installation	(693,040)	(67,138)	-	(760,178)
Communication equipment	(85,820)	(11,684)	-	(97,504)
Hydrants	(111,626)	(4,676)	-	(116,302)
Office furniture and fixtures	(46,698)	(559)	-	(47,257)
Office building	(43,026)	(2,859)	-	(45,885)
Total accumulated depreciation	<u>(12,998,716)</u>	<u>(715,519)</u>	<u>13,294</u>	<u>(13,700,941)</u>
Total capital assets, being depreciated, net:	<u>17,036,179</u>	<u>(622,745)</u>	<u>-</u>	<u>16,413,434</u>
<b><u>Total capital assets – net:</u></b>	<u>\$ 17,144,648</u>	<u>\$ (622,745)</u>	<u>\$ -</u>	<u>\$ 16,521,903</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, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2022</u>
<b>Pensions</b>				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 51,680	\$ 61,017	\$ (51,680)	\$ 61,017
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	14,604	-	(8,172)	6,432
<i>Differences between expected and actual experience</i>	13,834	-	(12,433)	1,401
<i>Change of assumptions</i>	16,169	-	(16,169)	-
<i>Difference between projected and actuarial earnings</i>	<u>-</u>	<u>33,590</u>	<u>-</u>	<u>33,590</u>
<i>Pension related deferred outflows</i>	<u>\$ 96,287</u>	<u>\$ 94,607</u>	<u>\$ (88,454)</u>	<u>\$ 102,440</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 13,454	\$ 21,464	\$ -	\$ 34,918
<i>Difference between expected and actuarial experience</i>	11,693	8,961	(8,986)	11,668
<i>Difference between projected and actuarial earnings</i>	<u>160,575</u>	<u>25,533</u>	<u>(186,108)</u>	<u>-</u>
<i>Pension related deferred inflows</i>	<u>\$ 185,722</u>	<u>\$ 55,958</u>	<u>\$ (195,094)</u>	<u>\$ 46,586</u>
<b>Other Post-employment Benefits (OPEB)</b>				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 26,011	\$ 21,734	\$ (26,011)	\$ 21,734
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	3,740	-	(1,047)	2,693
<i>Difference between projected &amp; actual earnings on pension plan investments</i>	56,874	-	(20,875)	35,999
<i>Change of assumptions</i>	95,888	19,254	(58,579)	56,563
<i>Difference between projected and actual earnings on plan investments</i>	<u>-</u>	<u>14,515</u>	<u>-</u>	<u>14,515</u>
<i>OPEB related deferred outflows</i>	<u>\$ 182,513</u>	<u>\$ 55,503</u>	<u>\$ (106,512)</u>	<u>\$ 131,504</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 8,853	\$ 10,024	\$ -	\$ 18,877
<i>Difference between projected &amp; actual earnings on pension plan investments</i>	107,985	12,343	(38,313)	82,015
<i>Change of assumptions</i>	336	46,272	-	46,608
<i>Difference between projected &amp; actual plan investments</i>	<u>56,580</u>	<u>12,308</u>	<u>(68,888)</u>	<u>-</u>
<i>OPEB related deferred inflows</i>	<u>\$ 173,754</u>	<u>\$ 80,947</u>	<u>\$ (107,201)</u>	<u>\$ 147,500</u>

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

**NOTE F – LONG-TERM LIABILITIES**

**Revenue Bonds Payable**

The Crittenden Livingston Water District Waterworks Revenue Bonds of 1995 (Series A) were issued in the amount of \$884,000 to finance the cost of the Phase 5 construction project (system additions). The bond maturity dates are January 1, 1998-2035. The interest rate is 4.5%. This issue was purchased by United States Department of Agriculture Rural Economic and Community Development.

The Crittenden Livingston Water District Waterworks Revenue Bonds of 2000 (Series A) in the amount of \$2,000,000 were issued to finance the cost of the Phase 6b construction project (water plant). The bond maturity dates are January 1, 2003-2040. The interest rate is 4.5%. This issue was purchased by the United States Department of Agriculture Rural Economic and Community Development.

The 1995 and 2000 USDA Refunding bonds were refinanced through a lease agreement with Kentucky Association of Counties Finance Corporation on May 1, 2018.

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:

Year	Rate	Year	Rate
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.

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

**NOTE F - LONG-TERM LIABILITIES (Continued)**

The following is a summary of changes in bonds payable for the year ended December 31, 2022:

<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	\$ 545,000	\$ -	\$ (135,000)	\$ 410,000	\$ 145,000
2013 Flexible Term Financing	2,135,000	-	(235,000)	1,900,000	245,000
2013 Flexible Term Financing	1,695,000	-	(65,000)	1,630,000	65,000
2013 Reoffering Premium	97,796	-	(19,715)	78,081	-
Total Long-Term Payables	<u>\$ 4,472,796</u>	<u>\$ -</u>	<u>\$ (454,715)</u>	<u>\$ 4,018,081</u>	<u>\$ 455,000</u>

The annual debt service requirements to maturity for bonds payable as of December 31, 2022, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	410,000	77,103	487,103
2028-2032	1,080,000	223,863	1,303,863
2033-2037	500,000	117,434	617,434
2038-2040	345,000	21,986	366,986
Total	<u>\$ 3,940,000</u>	<u>\$ 899,451</u>	<u>\$ 4,839,451</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%.

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

**NOTE F - LONG-TERM LIABILITIES (Continued)**

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	\$ 169,697	\$ -	\$ (84,088)	\$ 85,609	\$ 85,609
2011 KIA note payable	186,900	-	(14,608)	172,292	14,902
2016 KIA note payable	789,141	-	(44,736)	744,405	45,520
2022 KIA note payable	<u>307,433</u>	-	<u>(11,713)</u>	<u>295,720</u>	<u>12,038</u>
Total Notes Payables	<u>\$ 1,453,171</u>	<u>\$ -</u>	<u>\$ (155,145)</u>	<u>\$ 1,298,026</u>	<u>\$ 158,069</u>

The annual debt service requirements to maturity for notes payable as of December 31, 2022, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2023	\$ 158,069	\$ 28,163	\$ 186,232
2024	73,893	25,405	99,298
2025	75,355	23,770	99,125
2026	76,847	21,103	97,950
2027	78,370	20,402	98,772
2028-2032	415,809	75,249	491,058
2033-2037	344,084	30,888	374,972
2038-2041	<u>75,599</u>	<u>5,108</u>	<u>80,707</u>
Total	<u>\$ 1,298,026</u>	<u>\$ 230,088</u>	<u>\$ 1,528,114</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.

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

**NOTE F - LONG-TERM LIABILITIES (Continued)**

The schedule of leases 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>
Leases Payable:					
KACO – 2017C	\$ 2,065,000	\$ -	\$ (84,583)	\$ 1,980,417	\$ 89,583
KACO – 2018B	1,880,000	-	(150,000)	1,730,000	-
Premium	<u>55,825</u>	-	<u>(5,925)</u>	<u>49,900</u>	-
Total Leases Payables	<u>\$ 4,000,825</u>	<u>\$ -</u>	<u>\$ (240,508)</u>	<u>\$ 3,760,317</u>	<u>\$ 89,583</u>

The annual debt service requirements to maturity for leases payable as of December 31, 2022, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2023	\$ 89,583	\$ 72,277	\$ 161,860
2024	174,583	135,543	310,126
2025	184,583	126,452	311,035
2026	194,583	116,849	311,432
2027	204,583	106,734	311,317
2028-2032	1,143,750	399,155	1,542,905
2033-2037	1,257,917	212,936	1,470,853
2038-2040	<u>460,835</u>	<u>7,754</u>	<u>468,589</u>
Total	<u>\$ 3,710,417</u>	<u>\$ 1,177,700</u>	<u>\$ 4,888,117</u>

Interest expense recognized in the year ending December 31, 2022 is \$335,191.

**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, 2022, 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/>.

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

**NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)**

*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:

***Non-hazardous members:***

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	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><b>Required Contribution</b></u>	
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers are required by state statute (KRS) 78.545(33)) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the Board of Trustees annually based upon actuarial valuations. For the year ended December 31, 2022, the employer contribution rate was 22.78% for the period January 1, 2022 to June 30, 2022; and 23.40% for the period July 1, 2022 to December 31, 2022, respectively of 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, 2022, were \$139,139. Of this amount, \$119,579 is considered contributed to the pension requirement and \$19,560 is considered contributed to the health insurance requirement.

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

**NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At December 31, 2022, the District reported a liability of \$1,310,259 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. There have been no actuarial assumptions or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012. The proportionate share of the Collective Pension Amounts for employers that participate in KERS Nonhazardous plan is based upon their allocation of the amortization cost, as specified under the revised statutes. It is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2022. The final proportionate share calculation, which represents an employer's share of the long-term contribution effort assumes amortization cost is approximately 90% of the aggregate required contribution for the fund. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions. At June 30, 2022, the District's proportion was .018125%.

The amount recognized by the District as its proportionate share of the net pension liability that was associated with the District was as follows:

	<u>2022</u>
CERS net pension liability associated with the District	<u>\$ 1,310,259</u>

*Pension Expense* – As a result of its requirement to contribute to CERS, the District recognized pension expenses of \$83,711 for the year ended December 31, 2022. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,401	\$ 11,668
Changes in assumptions	33,590	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	6,432	34,918
District contributions subsequent to the measurement date	<u>61,017</u>	<u>-</u>
Total	<u>\$ 102,440</u>	<u>\$ 46,586</u>



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

**NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)**

*Deferred Outflows of Resources.* The District reported \$61,017 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, 2022. 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>
2023	\$ (15,838)
2024	\$ (15,535)
2025	\$ (11,011)
2026	\$ 37,221

*Actuarial assumptions* – For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (CRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on the actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending June 20, 2022, using generally accepted actuarial principles.

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

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

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e. higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll-forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases.

The actuarial assumptions are:

	<u>2022</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

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.

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

**NOTE G – EMPLOYEE RETIREMENT DISTRICT (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Real Return (Diversified Inflation Strategies)	13.00%	4.07%
Real Estate	7.00%	3.67%
Core Bonds	10.00%	0.28%
Cash Equivalent	0.00%	(0.91)%
Total	<u>100.00%</u>	

*Discount rate* – The projection of cash flows used to determine the discount rate of 6.25% for CERS nonhazardous and CERS hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

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

<b>For plan year ended June 30, 2019</b>	<b><u>1% Decrease</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1% Increase</u></b>
<b>CERS</b>	5.25%	6.25%	7.25%
Non-hazardous’ proportionate share of net pension liability	\$ 1,637,661	\$ 1,310,259	\$ 1,039,470

*Payables to the pension plan.* At December 31, 2022, the financial statements include \$10,694 in contractually required employee and employer contributions primarily for the month ended December 31, 2022. The obligation was paid within prescribed time limits.

*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Public Pensions Authority and can be found at <https://kyret.ky.gov>.

**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. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial report containing CERS information that can be obtained from <https://kyret.ky.gov>.

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

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

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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs* At December 31, 2022, the District reported a liability for its proportionate share of the net OPEB liability of \$357,640 for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2022, 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, 2022, the District’s proportion was 0.018122% for nonhazardous classified employees.

For the year ended December 31, 2022, the District recognized OPEB expenses of \$48,907. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 35,999	\$ 82,015
Changes in assumptions	56,563	46,608
Net difference between projected and actual earnings on OPEB plan investments	14,515	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,693	18,877
District contributions subsequent to the Measurement date	21,734	-
Total	<u>\$ 131,504</u>	<u>\$ 147,500</u>

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

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

The \$21,734 of deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date and the December 31, 2022 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2023.

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

<u>FY Ending June 30</u>	<u>Amortization/(Accretion)</u>
2023	\$ (5,993)
2024	\$ (6,430)
2025	\$ (24,177)
2026	\$ (1,130)

*Actuarial assumptions* – The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending June 30, 2022, using the generally accepted actuarial principles.

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

Inflation	2.30%
Payroll Growth Rate	2.00% CERS Non-hazardous
Salary Increase	3.30% - 10.30%, varies by service
Investment Rate of Return	6.25%
<b>Healthcare Trend Rates</b>	
Pre-65	Initial trend starting at 6.40% at Jan 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement
Post-65	Initial trend starting at 6.30% at Jan 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.9% increase in Medicare premiums at January 1, 2022.
<b>Mortality</b>	
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 from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The Single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan’s anticipated long-term healthcare costs. There were not other material assumption changes.

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	<u>100.00%</u>	

*Discount Rate.* The single discount rate of 5.70% for CERS nonhazardous plans were used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

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

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

*Implicit Subsidy.* The fully-insured premiums paid for Kentucky Employee’s Health Plan are blended rates based on the combined experience of the active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. GASB Statement No. 75 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB liability. The District’s implicit subsidy for the year ended December 31, 2022, was \$12,894.

*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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
District and State’s proportionate share of net OPEB liability	\$ 478,108	\$ 357,640	\$ 258,053

*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.

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
District’s proportionate share of net OPEB liability	\$ 265,897	\$ 357,640	\$ 467,806

*Payables to the OPEB plan* - At December 31, 2022, the financial statements include \$1,545 in contractually required employee and employer OPEB contributions primarily for the month ended December 31, 2022. 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 \$234,120 in the year ending December 31, 2022.

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 \$43,488 in the year ending December 31, 2022.

In 2021, 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 \$110,780 in the year ending December 31, 2022.

In 2016, 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 \$23,982 of water in the year ending December 31, 2022.

In 1971, the District entered into a 60-year sales agreement with the City of Salem, Kentucky. The agreement does not have per month minimum. The City purchased \$67,561 of water in the year ending December 31, 2022.

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

**NOTE I – COMMITMENTS (Continued)**

In 2022, the District entered into a 3-year sales agreement with the City of Marion, Kentucky. The agreement does not have per month minimum. The City purchased \$93,610 of water in the year ending December 31, 2022.

**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 2022 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 November 22, 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\***

<u>Year Ended June 30</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<b><u>CERS Nonhazardous</u></b>					
2022	0.181250%	\$ 1,310,259	\$ 481,581	272.0745%	52.4200%
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
<b><i>CERS Nonhazardous</i></b>					
2022	\$ 119,579	\$ 119,579	\$ -	\$ 517,833	23.0922%
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, 2022**

***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% - 10.30%, 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. *Gain/losses incurring after 2019 will be amortized over a separate closed 20-year amortization bases.*

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

**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
<b><u>CERS Nonhazardous</u></b>					
2022	0.18122%	\$ 357,640	\$ 481,581	74.2637%	60.9500%
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
<b><i>CERS Nonhazardous</i></b>					
2022	\$ 19,560	\$ 19,560	\$ -	\$ 517,833	3.7773%
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, 2022**

***Changes of Benefit Terms:***

None

***Changes of assumptions:***

The discount rate was 5.70%.

The assumed investment rate of return was 6.25%.

The assumed rate of inflation was 2.30%.

Payroll growth assumption was 3.30% - 10.30%, 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. *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.*

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.

**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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUE</b>				
Sales of water, net of refunds	\$2,890,000	\$2,890,000	\$ 3,080,045	\$ 190,045
Other	48,000	48,000	79,223	31,223
Total operating revenues	<u>2,938,000</u>	<u>2,938,000</u>	<u>3,159,268</u>	<u>221,268</u>
<b>OPERATING EXPENSES</b>				
Depreciation expense	750,000	750,000	715,519	34,481
Transmission and distribution expenses	1,054,000	1,054,000	927,281	126,719
Administrative and general expenses	559,400	559,400	625,669	(66,269)
Water treatment expenses	173,000	173,000	191,861	(18,861)
Payroll and other taxes	46,600	46,600	48,156	(1,556)
Source of supply purchases	-	-	45,380	(45,380)
Customer accounts expenses	31,000	31,000	24,180	6,820
Bad debt expense	5,000	5,000	(3,523)	8,523
Total operating expenses	<u>2,619,000</u>	<u>2,619,000</u>	<u>2,574,523</u>	<u>44,477</u>
<b>Operating income (loss)</b>	<u>319,000</u>	<u>319,000</u>	<u>584,745</u>	<u>265,745</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	1,000	1,000	4,639	3,639
Interest expense	(340,000)	(340,000)	(335,191)	4,809
Tap-on fees	20,000	20,000	32,355	12,355
Contributions from customers and developers	-	-	11,725	11,725
Gain (loss) on disposal of assets	-	-	3,000	3,000
Total non-operating revenues (expenses)	<u>(319,000)</u>	<u>(319,000)</u>	<u>(283,472)</u>	<u>35,528</u>
<b>Changes in net position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>301,273</u>	<u>\$ 301,273</u>
<b>TOTAL NET POSITION - BEGINNING</b>			<u>7,036,677</u>	
<b>TOTAL NET POSITION - ENDING</b>			<u>\$ 7,337,950</u>	

See the independent auditors' report.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**DETAIL SCHEDULE OF OPERATING EXPENSES**  
**For the Year Ended December 31, 2022**

<b>Depreciation expense</b>	<u>\$ 715,519</u>
<b>General operating expenses</b>	
Salaries	124,380
Employee pension and benefits	120,924
Employee health insurance	81,245
Repairs and maintenance	139,487
Insurance	54,145
Office supplies	14,483
Fuel	23,473
Legal & professional	16,223
Utilities	22,827
Utility regulation assessment fee	4,892
Seminar	5,206
Bank charges	1,422
Dues & subscriptions	5,410
Uniforms	4,028
Miscellaneous	7,524
Total general operating expenses	<u>625,669</u>
<b>Transmission and distribution expenses</b>	
Salaries	475,082
Repairs and maintenance	259,029
Utilities	172,480
Supplies and materials	20,690
Total transmission and distribution expenses	<u>927,281</u>
<b>Source of Supply purchases</b>	<u>45,380</u>
<b>Payroll and other taxes</b>	<u>48,156</u>
<b>Customer accounts expenses</b>	
Postage	24,180
Total customer accounts expenses	<u>24,180</u>
<b>Water treatment expenses</b>	
Chemicals	176,013
Testing	15,848
Total water treatment expenses	<u>191,861</u>
<b>Bad debt expense</b>	<u>(3,523)</u>
<b>Total operating expenses</b>	<u>\$ 2,574,523</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, 2022, 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 November 22, 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 #2022-001)

**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*.

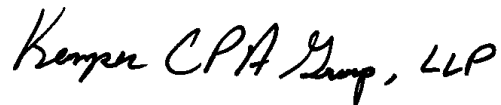


### **Crittenden-Livingston County Water District's Response to Findings**

*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 "Kenner CPA Group, LLP". The signature is written in a cursive, flowing style.

Paducah Certified Public Accountants and Consultants KY  
Paducah, Kentucky  
November 22, 2023

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2022**

**Reference # 2022-001**

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, 2021**

**Reference # 2021-001**

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.