

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT

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

YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Crittenden-Livingston County Water District as of and for the year ended December 31, 2023, 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, 2023, 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 schedules 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.

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 are presented for purpose of additional analysis and are 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, the budgetary comparison and detail schedule of operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025 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 solely 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

Certified Public Accountants & Consultants
Paducah, Kentucky
February 14, 2025

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

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, 2023. 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, 2023 by \$7,552,573 (Net Position). Of this amount \$966,793 is restricted, and \$7,551,444 is invested in capital assets net of the related debt, leaving an unrestricted net position deficit of \$965,664.
- The District's net position increased by \$214,623 resulting in a December 31, 2023 balance of \$7,552,573. This balance represents an increase of 2.9% in the change of net position over the adjusted December 31, 2022 balance of \$7,337,950.
- The District's 2023 operating revenues of \$3,094,287 decreased 2.0% from the 2022 amount, and operating expenses for 2023 of \$2,708,090 increased 5.2%. Non-operating income for 2023 consisted of interest income of \$13,902, insurance proceeds of \$35,900 and capital contributions consisting of tap on fees of \$24,655.
- The District's unrestricted cash available for operating expenses was \$153,391 at December 31, 2023.
- The District's investment in capital assets was \$15,902,397 net of depreciation at December 31, 2023.

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 \$7,552,573 at December 31, 2023.

For the current year, the District reported a net increase of \$214,623.

During 2023, the District's net capital assets decreased \$619,506, and total debt liabilities decreased by \$725,471. Unrestricted net position increased \$31,954, from a deficit of \$997,618 at December 31, 2022, to a deficit of \$965,664 at December 31, 2023.

The District noted operating revenue of \$3,094,287, a \$64,981 decrease from the 2022 revenue of \$3,159,268. Operating expenses increased \$133,567 from the 2022 amount of \$2,574,523. Interest expense decreased \$89,160 from 2022. The total interest expense recognized in 2023 was \$246,031.

Overall, the District's financial position increased during 2023.

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

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

Assets	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 723,521	\$ 853,865
Restricted assets	966,793	890,089
Capital assets	15,902,397	16,521,903
Other assets	<u>24,395</u>	<u>-</u>
Total Assets	<u>17,617,106</u>	<u>18,265,857</u>
Deferred Outflows of Resources	<u>195,219</u>	<u>233,944</u>
Liabilities		
Current liabilities	207,268	223,442
Current portion of long-term debt	613,475	702,652
Long-term liabilities	<u>8,871,275</u>	<u>10,041,671</u>
Total Liabilities	<u>9,692,018</u>	<u>10,967,765</u>
Deferred Inflows of Resources	<u>567,734</u>	<u>194,086</u>
Net Position		
Net investment in capital assets	7,241,444	7,445,479
Restricted	966,793	890,089
Unrestricted	<u>(965,664)</u>	<u>(997,618)</u>
Total Net Position	<u>\$ 7,552,573</u>	<u>\$ 7,337,950</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 \$965,664.

Analysis of the District's Operations – Overall the District had an increase in net position of \$214,623.

The following table provides a summary of the District's operations for the year ended December 31, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Revenues		
Operating revenues	\$ 3,094,287	\$ 3,159,268
Investment income	13,902	4,639
Gain (loss) on disposal of assets	-	3,000
Insurance proceeds	35,900	-
Capital contributions	<u>24,655</u>	<u>44,080</u>
Total revenues	<u>3,168,744</u>	<u>3,210,987</u>
Expenses		
Depreciation and amortization	720,391	715,519
Transmission and distribution expenses	1,184,794	927,281
Administrative and general expenses	457,083	625,669
Interest on debt and other, net	246,031	335,191
Water treatment expenses	223,822	191,861
Source of supply purchases	50,552	45,380
Payroll and other taxes	45,329	48,156
Bad debt expense (recovery)	(611)	(3,523)
Customer accounts expenses	<u>26,730</u>	<u>24,180</u>
Total Expenses	<u>2,954,121</u>	<u>2,909,714</u>
Change in net position	214,623	301,273
Net position - January 1	<u>7,337,950</u>	<u>7,036,677</u>
Net position - December 31	<u>\$ 7,552,573</u>	<u>\$ 7,337,950</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 \$3,115,000 and operating expenses of \$2,822,887. Budgeted operating revenues exceeded actual operating revenues by \$20,713, and budgeted operating expenses exceeded actual operating expenses by \$114,794 for a positive variance in operating income of \$94,084.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's investment in capital assets for business-type activities as of December 31, 2023, amounts to \$15,902,397 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plant and facilities, machinery and equipment, and infrastructure.

	<u>2023</u>	<u>2022</u>
Business-type activities		
Capital assets, not being depreciated:		
Land	\$ 108,469	\$ 108,469
Construction in progress	<u>70,500</u>	<u>-</u>
Total capital assets, not being depreciated	<u>178,969</u>	<u>108,469</u>
Capital assets, being depreciated:		
Transmission and distribution	12,345,998	12,855,807
Buildings	30,498	33,984
Furniture and fixtures	3,334	3,893
Machinery and equipment	<u>3,343,598</u>	<u>3,519,750</u>
Total capital assets, being depreciated	<u>15,723,428</u>	<u>16,413,434</u>
Business-type activities capital assets, net	<u>\$ 15,902,397</u>	<u>\$ 16,521,903</u>

During the year ended December 31, 2023, the District acquired assets totaling \$100,885. This included a new truck, meter installs, and construction in progress.

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 \$8,350,953. Long-term debt at December 31, 2023, was as follows:

	<u>2023</u>	<u>2022</u>
2008 Issue	\$ 265,000	\$ 410,000
2013 Flexible Term Financing	1,655,000	1,900,000
2013 Flexible Term Financing	1,565,000	1,630,000
2013 Reoffering Premium	60,910	78,081
2001 KIA Note Payable	-	85,609
2011 KIA Note Payable	157,390	172,292
2016 KIA Note Payable	698,884	744,405
2022 KIA Note Payable	283,683	295,720
KACO - 2017C	1,890,834	1,980,417
KACO - 2018B	1,730,000	1,730,000
KACO Premiums	<u>44,252</u>	<u>49,900</u>
Total	<u>\$ 8,350,953</u>	<u>\$ 9,076,424</u>

The District entered into a new lease agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds, 2023E to finance the new clear well project. The new bonds were issued for \$310,000 and carry an interest rate of 4.319%. As of December 31, 2023, the District has taken no draws on the debt although the funds are readily available.

Interest expense of \$246,031 was incurred during the year ended December 31, 2023.

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 Abbie Adamson, Superintendent, Crittenden-Livingston County Water District, 620 East Main Street, Salem, KY 42078.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 153,391
Accounts receivable, less allowance for doubtful accounts of \$71,181	254,928
Unbilled revenue	145,370
Other accounts receivable	275
Prepaid expenses	35,253
Inventory, at cost	<u>134,304</u>
Total current assets	<u>723,521</u>

RESTRICTED ASSETS

Checking and Cash Management Accounts	
Employee benefits and customer deposits	15,360
Depreciation, construction and sinking funds held by District	491,650
Sinking funds held in trust	<u>459,783</u>
Total restricted assets	<u>966,793</u>

NON-CURRENT ASSETS

Other post-employment benefit asset	24,395
Capital Assets	
Capital assets, not being depreciated	178,969
Capital assets, being depreciated, net	<u>15,723,428</u>
Net capital assets	<u>15,902,397</u>
Total non-current assets	<u>15,926,792</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pensions	120,589
Deferred outflows - other post-employment benefits	<u>74,630</u>
Total deferred outflows of resources	<u>195,219</u>

Total Assets	<u>17,812,325</u>
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The notes to financial statements are an integral part of this statement.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
December 31, 2023

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	70,365
Accrued and withheld payroll taxes	30,377
Accrued interest payable	89,366
Customer deposits	17,160
Debt payable - current	<u>613,475</u>
Total current liabilities	<u>820,743</u>

NON-CURRENT LIABILITIES

Debt payable, non-current	7,737,478
Pension obligations	<u>1,133,797</u>
Total non-current liabilities	<u>8,871,275</u>

Total Liabilities	<u><u>9,692,018</u></u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pensions	161,304
Deferred inflows - other post-employment benefits	<u>406,430</u>
Total deferred inflows of resources	<u>567,734</u>

NET POSITION

Invested in capital assets, net of related debt	7,551,444
Restricted for debt service and construction	966,793
Unrestricted (Deficit)	<u>(965,664)</u>
Total Net Position	<u><u>\$ 7,552,573</u></u>

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, 2023

OPERATING REVENUE

Sales of water, net of refunds	\$ 3,013,742
Other	80,545
Total operating revenues	<u>3,094,287</u>

OPERATING EXPENSES

Depreciation expense	720,391
Transmission and distribution expenses	1,184,794
Administrative and general expenses	457,083
Water treatment expenses	223,822
Source of supply purchases	50,552
Payroll and other taxes	45,329
Customer accounts expenses	26,730
Bad debt expense (recovery)	(611)
Total operating expenses	<u>2,708,090</u>

Operating income (loss)	<u>386,197</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest income	13,902
Interest expense	(246,031)
Non-utility income - other	35,900
Non-utility expenses - debt issue costs	-
Gain (loss) on disposal of assets	-
Tap-on fees	24,655
Total non-operating revenues (expenses)	<u>(171,574)</u>

Changes in net position	214,623
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TOTAL NET POSITION	<u>7,337,950</u>
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TOTAL NET POSITION - ENDING	<u><u>\$ 7,552,573</u></u>
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The notes to financial statements are an integral part of this statement.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Collections from customers	\$ 3,084,995
Cash paid to suppliers	(1,250,771)
Cash paid to employees for salaries and benefits	(897,526)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>936,698</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Purchases of property, plant and equipment	(100,885)
Principal payments on debt	(702,652)
Interest payments on debt	(278,714)
Capital contributions	24,655
Proceeds from insurance claims	35,900
CASH FLOWS USED BY CAPITAL ACTIVITIES	<u>(1,021,696)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>13,902</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>13,902</u>

**NET INCREASE IN CASH AND
CASH EQUIVALENTS**

(71,096)

CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR

1,191,280

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 1,120,184

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, 2023

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

Operating income (loss)	\$ 386,197
Adjustments to reconcile net income (loss) to net cash provided by operations:	
Depreciation and amortization	720,391
Changes in operating assets and liabilities:	
Accounts and other receivables	(11,102)
Prepaid expenses	(3,555)
Inventory	(2,799)
Accounts payable	2,646
Accrued and withheld payroll taxes	(10,156)
Customer deposits	1,200
Pension, OPEB and related deferrals	(146,124)
NET CASH PROVIDED BY (USED IN)	
OPERATING ACTIVITIES	<u><u>\$ 936,698</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 in the accounts 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, 2023, 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, 2023, 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 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 Public Pensions Authority (KPPA) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KPPA. 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 the District's 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, 2023, 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)

Current Accounting Pronouncements

As of December 31, 2023, the GASB has issued the following statements required to be adopted by the District:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. The provisions of this statement is to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs). There was no effect on the District's current financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in 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 the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. There was no effect on the District's current financial statements.

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. There was no effect on the District's current financial statements.

Recent Accounting Pronouncements

As of December 31, 2023, the GASB has issued the following pronouncements not yet required to be adopted by the District:

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 periods beginning after June 15, 2023. The primary objective of this Statement is to enhance 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 determined the effect, if any, this will have on the District's financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The objective 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 determined the effect, if any, this will have on the District's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued December 2023. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The District's management has not determined the effect, if any, this will have on the District's financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued April 2024. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The District's management has not determined the effect, if any, this will have on the District's financial statements.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEGAL COMPLIANCE

Deficit Net Position

There was not a deficit net position for the year ended December 31, 2023.

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:

	<u>Cash on Hand</u>	<u>Demand Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 200	\$ 153,191	\$ -	\$ 153,391
Investments	-	-	-	-
Restricted – cash equivalents	-	966,793	-	966,793
Total	<u>\$ 200</u>	<u>\$ 1,119,984</u>	<u>\$ -</u>	<u>\$ 1,120,184</u>

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 \$1,120,184, and the bank balances were \$1,205,949. Of the bank balances, \$250,000 was covered by federal depository insurance, with \$496,166 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 \$459,783 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)

2. Deposits (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, 2023 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	\$ 187,617	\$ 645,148	\$ 118,668	\$ 7,426	\$ 7,934	\$ 966,793

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 extraordinary 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, 2023, the balance of the Depreciation Reserve Fund was \$187,617.

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, 2023, the balance of the Sinking Fund was \$645,148.

**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, 2023, the balance of the Maintenance/Replacement accounts were \$118,668.

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, 2023, the balance in the Health Reimbursement Account was \$7,426.

Crittenden Livingston Tenant Deposit Fund - This account is set aside to account for customer deposits. At December 31, 2023, the restricted balance of the Crittenden Livingston Tenant Deposit Fund was \$7,934.

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, 2023 are as follows:

	<u>Balance as of</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of</u> <u>12/31/2023</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 108,469	\$ -	\$ -	\$ 108,469
Construction in progress	-	70,500	-	70,500
Total capital assets, not being depreciated:	<u>108,469</u>	<u>70,500</u>	<u>-</u>	<u>178,969</u>
<u>Capital assets, being depreciated:</u>				
Lake and river intake	888,411	-	-	888,411
Pumping equipment	337,257	5,730	-	342,987
Water treatment structure	6,900	-	-	6,900
Water treatment equipment	4,402,784	-	-	4,402,784
Transportation equipment	221,602	-	-	221,602
Distribution reservoirs and pipe	1,676,161	-	-	1,676,161
Small equipment	23,073	-	-	23,073
Transmission and distribution mains	14,165,266	-	-	14,165,266
Lab equipment	6,231	-	-	6,231
Power operated equipment	135,082	-	-	135,082
Services	6,012,089	-	-	6,012,089
Meters and installation	1,696,007	24,655	-	1,720,662
Communication equipment	183,553	-	-	183,553
Hydrants	228,940	-	-	228,940
Office furniture and fixtures	51,150	-	-	51,150
Office building	79,869	-	-	79,869
Total capital assets, being depreciated	<u>30,114,375</u>	<u>30,385</u>	<u>-</u>	<u>30,144,760</u>
Less accumulated depreciation				
Lake and river intake	(282,240)	(17,770)	-	(300,010)
Pumping equipment	(224,488)	(8,580)	-	(233,068)
Water treatment structure	(6,900)	-	-	(6,900)
Water treatment equipment	(2,154,650)	(87,965)	-	(2,242,615)
Transportation equipment	(141,354)	(20,529)	-	(161,883)
Distribution reservoirs and pipe	(427,847)	(33,496)	-	(461,343)
Small equipment	(20,828)	(993)	-	(21,821)
Transmission and distribution mains	(6,346,592)	(283,577)	-	(6,630,169)
Lab equipment	(5,265)	(35)	-	(5,300)
Power operated equipment	(81,570)	(9,600)	-	(91,170)
Services	(2,942,081)	(170,291)	-	(3,112,372)
Meters and installation	(760,178)	(67,149)	-	(827,327)
Communication equipment	(97,504)	(11,684)	-	(109,188)
Hydrants	(116,302)	(4,676)	-	(120,978)
Office furniture and fixtures	(47,257)	(559)	-	(47,816)
Office building	(45,885)	(3,487)	-	(49,372)
Total accumulated depreciation	<u>(13,700,941)</u>	<u>(720,391)</u>	<u>-</u>	<u>(14,421,332)</u>
Total capital assets, being depreciated, net:	<u>16,413,434</u>	<u>(690,006)</u>	<u>-</u>	<u>15,723,428</u>
<u>Total capital assets – net:</u>	<u>\$ 16,521,903</u>	<u>\$ (619,506)</u>	<u>\$ -</u>	<u>\$ 15,902,397</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 December 31, 2022	Additions	Reductions	Balance December 31, 2023
Pensions				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 61,017	\$ 61,474	\$ (61,017)	\$ 61,474
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	6,432	-	(6,011)	421
<i>Differences between expected and actual experience</i>	1,401	90,421	(33,128)	58,694
<i>Difference between projected and actuarial earnings</i>	33,590	-	(33,590)	-
<i>Pension related deferred outflows</i>	<u>\$ 102,440</u>	<u>\$ 151,895</u>	<u>\$ (133,746)</u>	<u>\$ 120,589</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 34,918	\$ 3,926	\$ -	\$ 38,844
<i>Difference between expected and actuarial experience</i>	11,668	-	(8,587)	3,081
<i>Change of assumptions</i>	-	103,913	-	103,913
<i>Difference between projected and actuarial earnings</i>	-	54,881	(39,415)	15,466
<i>Pension related deferred inflows</i>	<u>\$ 46,586</u>	<u>\$ 162,720</u>	<u>\$ (48,002)</u>	<u>\$ 161,304</u>
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 21,734	\$ 7,968	\$ (21,734)	\$ 7,968
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	2,693	-	(1,046)	1,647
<i>Difference between projected & actual earnings on pension plan investments</i>	35,999	-	(18,992)	17,007
<i>Change of assumptions</i>	56,563	21,226	(29,781)	48,008
<i>Difference between projected and actual earnings on plan investments</i>	14,515	-	(14,515)	-
<i>OPEB related deferred outflows</i>	<u>\$ 131,504</u>	<u>\$ 29,194</u>	<u>\$ (86,068)</u>	<u>\$ 74,630</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 18,877	\$ 2,049	\$ -	\$ 20,926
<i>Difference between projected & actual earnings on pension plan investments</i>	82,015	377,102	(112,732)	346,385
<i>Change of assumptions</i>	46,608	-	(13,151)	33,457
<i>Difference between projected & actual plan investments</i>	-	21,829	(16,167)	5,662
<i>OPEB related deferred inflows</i>	<u>\$ 147,500</u>	<u>\$ 400,980</u>	<u>\$ (142,050)</u>	<u>\$ 406,430</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:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2009	2.35%	2020	4.05%
2010	2.55%	2021	4.05%
2011	3.05%	2022	4.175%
2012	3.05%	2023	4.175%
2013	3.30%	2024	4.30%
2014	3.30%	2025	4.30%
2015	3.55%	2026	4.30%
2016	3.55%	2027	4.425%
2017	4.05%	2028	4.425%
2018	4.05%	2029	4.55%
2019	4.05%	2030	4.55%

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, 2023:

<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	\$ 410,000	\$ -	\$ (145,000)	\$ 265,000	\$ 45,000
2013 Flexible Term Financing	1,900,000	-	(245,000)	1,655,000	250,000
2013 Flexible Term Financing	1,630,000	-	(65,000)	1,565,000	70,000
2013 Reoffering Premium	78,081	-	(17,171)	60,910	-
Total Bonds Payable	<u>\$ 4,018,081</u>	<u>\$ -</u>	<u>\$ (472,171)</u>	<u>\$ 3,545,910</u>	<u>\$ 365,000</u>

The annual debt service requirements to maturity for bonds payable as of December 31, 2023, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	410,000	63,010	473,010
2029-2033	765,000	191,545	956,545
2034-2038	515,000	98,505	613,505
2039-2040	235,000	10,222	245,222
Total	<u>\$ 3,485,000</u>	<u>\$ 758,159</u>	<u>\$ 4,243,159</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	\$ 85,609	\$ -	\$ (85,609)	\$ -	\$ -
2011 KIA note payable	172,292	-	(14,902)	157,390	15,201
2016 KIA note payable	744,405	-	(45,521)	698,884	46,321
2022 KIA note payable	<u>295,720</u>	<u>-</u>	<u>(12,037)</u>	<u>283,683</u>	<u>12,370</u>
Total Notes Payables	<u>\$ 1,298,026</u>	<u>\$ -</u>	<u>\$ (158,069)</u>	<u>\$ 1,139,957</u>	<u>\$ 73,892</u>

The annual debt service requirements to maturity for notes payable as of December 31, 2023, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2024	\$ 73,892	\$ 25,405	\$ 99,297
2025	75,355	23,770	99,125
2026	76,847	22,103	98,950
2027	78,370	20,402	98,772
2028	79,924	18,666	98,590
2029-2033	414,934	66,022	480,956
2034-2038	283,166	23,547	306,713
2039-2041	<u>57,469</u>	<u>3,010</u>	<u>60,479</u>
Total	<u>\$ 1,139,957</u>	<u>\$ 202,925</u>	<u>\$ 1,342,882</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 mature on 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.

On December 20, 2023, the District entered into a lease agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds, 2023E to finance the new clear well project. The new bonds were issued for \$310,000 and carry an interest rate of 4.319%. As of December 31, 2023, the District has taken no draws on the debt although the funds are readily available.

**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	\$ 1,980,417	\$ -	\$ (89,583)	\$ 1,890,834	\$ 94,583
KACO – 2018B	1,730,000	-	-	1,730,000	80,000
Premium	49,900	-	(5,648)	44,252	-
Total Leases Payables	<u>\$ 3,760,317</u>	<u>\$ 310,000</u>	<u>\$ (95,231)</u>	<u>\$ 3,975,086</u>	<u>\$ 179,583</u>

The annual debt service requirements to maturity for leases payable as of December 31, 2023, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
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	214,583	98,878	313,461
2029-2033	1,178,750	360,740	1,539,490
2034-2038	1,267,083	159,741	1,426,824
2039-2043	202,086	486	202,572
Total	<u>\$ 3,620,834</u>	<u>\$ 1,105,423</u>	<u>\$ 4,726,257</u>

Interest expense recognized in the year ending December 31, 2023 is \$246,031.

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, 2023, the line of credit had a zero balance.

NOTE G - EMPLOYEE RETIREMENT PLAN

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

County Employees' Retirement System

Plan description - The District is a participant in the County Employees Retirement System (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 PLAN (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 percentage of creditable compensation based on their tier:

	<i>Non-hazardous</i>
	<u>Required Contribution</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, 2023, the employer contribution rate was 23.40% for the period January 1, 2023 to June 30, 2023; and 23.34% for the period July 1, 2023 to December 31, 2023, 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, 2023, were \$129,030. Of this amount, \$120,248 is considered contributed to the pension requirement and \$8,782 is considered contributed to the health insurance requirement.

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

NOTE G - EMPLOYEE RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At December 31, 2023, the District reported a liability of \$1,133,797 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled “2022 Actuarial Experience Study for the Period Ending June 30, 2022,” and include a change in the investment return assumption from 6.25% to 6.50%. The pension liability as of June 30, 2023, is determined using these updated assumptions. 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, 2023. The final proportionate share calculation, which represents an employer’s share of the long-term contribution effort assumes amortization cost is approximately 88% 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, 2023, the District’s proportion was .017670%.

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>2023</u>
CERS net pension liability associated with the District	<u>\$ 1,133,797</u>

Pension Expense – As a result of its requirement to contribute to CERS, the District recognized pension expenses of \$40,584 for the year ended December 31, 2023. At December 31, 2023, 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	\$ 58,694	\$ 3,081
Changes in assumptions	-	103,913
Net difference between projected and actual earnings on pension plan investments	-	15,466
Changes in proportion and differences between District contributions and proportionate share of contributions	421	38,844
District contributions subsequent to the measurement date	<u>61,474</u>	<u>-</u>
Total	<u>\$ 120,589</u>	<u>\$ 161,304</u>

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

NOTE G - EMPLOYEE RETIREMENT PLAN (Continued)

Deferred Outflows of Resources. The District reported \$61,474 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized as pension expense as follows:

<u>Plan Year Ending June 30</u>	
	<u>Non- Hazardous</u>
2024	\$ (63,429)
2025	\$ (53,095)
2026	\$ 25,311
2027	\$ (10,976)

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

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

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

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

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

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022.

The actuarial assumptions are:

	<u>2023</u>
Inflation	2.50%
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	6.50% for CERS nonhazardous

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

NOTE G – EMPLOYEE RETIREMENT PLAN (Continued)

The mortality table used for active members was Pub-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for non-disabled retired members was a system-specific mortality table based on mortality experience from 2018-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2019.

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 2.50% 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%	5.90%
Private Equity	10.00%	11.73%
Specialty Credit	10.00%	3.65%
Real Return	13.00%	5.15%
Real Estate	7.00%	4.99%
Core Fixed Income	10.00%	2.45%
Cash Equivalent	0.00%	1.39%
Total	<u>100.00%</u>	

Discount rate – The projection of cash flows used to determine the discount rate of 6.50% 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 28 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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	<u>1% Decrease 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1% Increase 7.50%</u>
District’s proportionate share of net pension liability	\$ 1,431,487	\$ 1,133,797	\$ 866,405

Payables to the pension plan – At December 31, 2023, the financial statements include \$14,978 in contractually required employee and employer contributions primarily for the month ended December 31, 2023. 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 3.39% for the period January 1, 2023 to June 30, 2023; and 0.00% for the period July 1, 2023 to December 31, 2023.

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, 2023, the District reported a net OPEB asset of \$24,395 for its proportionate share of the CERS net OPEB asset. The collective net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability (asset) used to calculate the collective net OPEB liability (asset) 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, 2023, the District’s proportion was 0.017669% for nonhazardous classified employees.

For the year ended December 31, 2023, the District recognized OPEB expense of (\$64,820). At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,007	\$ 346,385
Changes in assumptions	48,008	33,457
Net difference between projected and actual earnings on OPEB plan investments	-	5,662
Changes in proportion and differences between District contributions and proportionate share of contributions	1,647	20,926
District contributions subsequent to the measurement date	7,968	-
Total	<u>\$ 74,630</u>	<u>\$ 406,430</u>

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

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

The \$7,968 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and the December 31, 2023 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2024.

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>
2024	\$ (86,368)
2025	\$ (103,620)
2026	\$ (81,145)
2027	\$ (68,635)

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

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Inflation	2.50%
Payroll Growth Rate	2.00% CERS Non-hazardous
Salary Increase	3.30% - 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	Pub-2010 General Mortality table, for the Nonhazardous Plans, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2019.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2018-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2019.

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

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

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

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

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

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2022.

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 2.50% 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%	5.90%
Private Equity	10.00%	11.73%
Specialty Credit	10.00%	3.65%
Real Return	13.00%	5.15%
Real Estate	7.00%	4.99%
Core Fixed Income	10.00%	2.45%
Cash Equivalent	0.00%	1.39%
Total	<u>100.00%</u>	

Discount Rate – The single discount rate of 5.93% for CERS nonhazardous plans were used to measure the total OPEB liability as of June 30, 2023. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan 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, 2023, was \$7,968.

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate – The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 5.93%, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.93%	5.93%	6.93%
District’s proportionate share of net OPEB liability (asset)	\$ 45,780	\$ (24,395)	\$ (83,158)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate – The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the current healthcare cost trend rate of 5.93%, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
	4.93%	5.93%	6.93%
District’s proportionate share of net OPEB liability (asset)	\$ (78,190)	\$ (24,395)	\$ 41,687

Payables to the OPEB plan – At December 31, 2023, all contractually required employee and employer OPEB contributions were paid in full.

NOTE I - COMMITMENTS

Sales Contracts

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 \$70,689 of water in the year ending December 31, 2023.

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 \$227,748 in the year ending December 31, 2023.

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 \$63,586 in the year ending December 31, 2023.

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

NOTE I – COMMITMENTS (Continued)

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 \$119,365 in the year ending December 31, 2023.

In 2023, the District entered into a sales agreement with the City of Marion, Kentucky. The agreement does not have per month minimum. The City purchased \$29,435 of water in the year ending December 31, 2023.

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 2023 annual PSC Report as required. Further, the PSC requires that all customer deposit funds be paid with interest. This requirement has been fulfilled.

NOTE K - CONCENTRATION

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

NOTE L – COMPENSATED ABSENCES

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

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

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

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

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

NOTE M – LITIGATION

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

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2025, 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 TEN 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>
<u>CERS Nonhazardous</u>					
2023	0.017669%	\$ 1,133,797	\$ 517,833	218.9503%	57.4759%
2022	0.018125%	\$ 1,310,259	\$ 481,581	272.0745%	52.4175%
2021	0.018896%	\$ 1,204,768	\$ 485,306	248.2491%	57.3300%
2020	0.018688%	\$ 1,433,354	\$ 488,748	293.2706%	52.1861%
2019	0.019334%	\$ 1,359,769	\$ 494,480	274.9897%	50.4470%
2018	0.019053%	\$ 1,160,386	\$ 471,761	245.9690%	53.5420%
2017	0.019131%	\$ 1,119,767	\$ 443,619	252.4164%	53.3249%
2016	0.001797%	\$ 884,966	\$ 469,149	188.6322%	55.5028%
2015	0.001603%	\$ 689,178	\$ 375,904	183.3388%	59.9684%
2014	0.008651%	\$ 280,671	\$ 393,724	71.2862%	66.8010%

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

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

<u>Year Ended June 30</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<u>CERS Nonhazardous</u>					
2023	\$ 120,482	\$ 120,482	\$ -	\$ 515,554	23.3694%
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.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

Changes of Benefit Terms:

None

Changes of assumptions:

The discount rate was 6.50%.

The assumed investment rate of return was 6.50%.

The assumed rate of inflation was 2.50%.

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, 2022.

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 2018-2022, 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 SEVEN FISCAL YEARS*

<u>Year Ended June 30</u>	<u>District's proportion of the net medical plan liability</u>	<u>District's proportionate share of the net medical plan liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net medical plan liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total medical plan liability (asset)</u>
<u>CERS Nonhazardous</u>					
2023	0.017669%	\$ (24,395)	\$ 517,833	-4.7110%	104.2348%
2022	0.018122%	\$ 357,640	\$ 481,581	74.2637%	60.9500%
2021	0.018892%	\$ 361,678	\$ 485,306	74.5258%	62.9100%
2020	0.018685%	\$ 451,186	\$ 488,748	92.3146%	51.6704%
2019	0.019053%	\$ 325,105	\$ 494,480	65.7468%	60.4382%
2018	0.019053%	\$ 338,282	\$ 471,761	71.7062%	57.6218%
2017	0.019131%	\$ 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 SEVEN FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
<u>CERS Nonhazardous</u>					
2023	\$ 8,549	\$ 8,549	\$ -	\$ 515,554	1.6582%
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, 2023**

Changes of Benefit Terms:

None

Changes of assumptions:

The discount rate was 5.93%.

The assumed investment rate of return was 6.50%.

The assumed rate of inflation was 2.50%.

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, 2022.

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 2013-2022, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUE				
Sales of water, net of refunds	\$ 3,060,000	\$ 3,060,000	\$ 3,013,742	\$ (46,258)
Other	55,000	55,000	80,545	25,545
Total operating revenues	<u>3,115,000</u>	<u>3,115,000</u>	<u>3,094,287</u>	<u>(20,713)</u>
OPERATING EXPENSES				
Depreciation expense	777,652	777,652	720,391	57,261
Transmission and distribution expenses	1,064,000	1,064,000	1,184,794	(120,794)
Administrative and general expenses	608,635	608,635	457,083	151,552
Water treatment expenses	190,000	190,000	223,822	(33,822)
Payroll and other taxes	47,600	47,600	45,329	2,271
Source of supply purchases	96,000	96,000	50,552	45,448
Customer accounts expenses	34,000	34,000	26,730	7,270
Bad debt expense	5,000	5,000	(611)	5,611
Total operating expenses	<u>2,822,887</u>	<u>2,822,887</u>	<u>2,708,090</u>	<u>114,797</u>
Operating income (loss)	<u>292,113</u>	<u>292,113</u>	<u>386,197</u>	<u>94,084</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	500	500	13,902	13,402
Interest expense	(312,613)	(312,613)	(246,031)	66,582
Non-utility income - other	-	-	35,900	35,900
Tap-on fees	20,000	20,000	24,655	4,655
Total non-operating revenues (expenses)	<u>(292,113)</u>	<u>(292,113)</u>	<u>(171,574)</u>	<u>120,539</u>
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>214,623</u>	<u>\$ 214,623</u>
TOTAL NET POSITION - BEGINNING			<u>7,337,950</u>	
TOTAL NET POSITION - ENDING			<u><u>\$ 7,552,573</u></u>	

See the independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
DETAIL SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2023

Depreciation expense	<u>\$ 720,391</u>
General operating expenses	
Salaries	142,736
Employee pension and benefits	(24,236)
Employee health insurance	91,276
Repairs and maintenance	57,185
Insurance	61,938
Office supplies	11,958
Fuel	20,541
Legal & professional	36,028
Utilities	27,659
Utility regulation assessment fee	3,024
Advertising	92
Seminar	4,881
Bank charges	1,707
Dues & subscriptions	4,037
Uniforms	9,677
Miscellaneous	8,580
Total general operating expenses	<u>457,083</u>
Transmission and distribution expenses	
Salaries	486,142
Repairs and maintenance	475,323
Utilities	195,878
Supplies and materials	27,451
Total transmission and distribution expenses	<u>1,184,794</u>
Source of Supply purchases	<u>50,552</u>
Payroll and other taxes	<u>45,329</u>
Customer accounts expenses	
Postage	26,730
Total customer accounts expenses	<u>26,730</u>
Water treatment expenses	
Chemicals	213,278
Testing	10,544
Total water treatment expenses	<u>223,822</u>
Bad debt expense	<u>(611)</u>
Total operating expenses	<u><u>\$ 2,708,090</u></u>

See the independent auditors' report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Crittenden-Livingston County Water District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Crittenden-Livingston County Water District's basic financial statements, and have issued our report thereon dated February 14, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit 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 as item #2023-01 that we consider to be a material weakness.

Report on Compliance and Other Matters

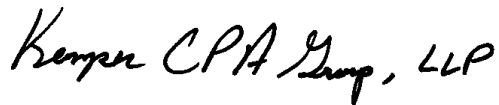
As part of obtaining reasonable assurance about whether Crittenden-Livingston County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

Crittenden-Livingston County Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Crittenden-Livingston County Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Crittenden-Livingston County Water District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

Certified Public Accountants and Consultants
Paducah, Kentucky
February 14, 2025

CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2023

Reference #2023-01

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 that no one person should have access to the entity's assets and responsibility for the related accounting records.

Cause

Due to limited 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 an 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, 2022**

Reference #2022-01

The District does not have adequate segregation of duties over cash receipts and disbursements. The basic premise in a good system 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.