EAST CLARK COUNTY WATER DISTRICT

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

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SUMMERS, MCCRARY & SPARKS, P.S.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
East Clark County Water District
Winchester, KY

Opinions

We have audited the accompanying financial statements of the business-type activities of the East Clark County Water District, as of and for the years ended December 31, 2022 and December 31, 2021, and the related notes to the financial statements, which collectively comprise the East Clark County Water District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the East Clark County Water District, as of December 31, 2022 and December 31, 2021, and the respective changes in financial position, and, where applicable, 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. 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 East Clark 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Clark 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.

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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 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 East Clark County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Clark 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 budgetary comparison information 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 and other auditors 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 East Clark County Water District’s basic financial statements. The Statement of Revenue, Expenditures, and Changes in Net Position- Budget to Actual, Statement of Functional Expenses- 2022 and Statement of Functional Expenses – 2021 are presented for purposes 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 by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the Statement of Revenue, Expenditures, and Changes in Net Position- Budget to Actual, Statement of Functional Expenses- 2022 and Statement of Functional Expenses – 2021 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 March 31, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Clark 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 the District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Winchester, KY

March 31, 2023

East Clark County Water District (the District) is presenting the following discussion and analysis to provide an overall review of the District's financial activities for the fiscal years ending December 31, 2022, 2021, and 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

2022 FINANCIAL HIGHLIGHTS

- The District's operating revenues and operating expenses remained consistent with the prior year.
- The District's total assets and deferred outflows of resources decreased $41,756 and total liabilities and deferred inflows of resources decreased $19,835 from 2022 to 2021, resulting in a decrease in total net position of $21,921 or 0.3% from the prior year.
- Interest income for 2022 was $8,691, which is a decrease of $1,549 under interest income in 2021.

GENERAL INFORMATION ABOUT EAST CLARK COUNTY WATER DISTRICT

The District recognized the need for a central water supply for the residents of the eastern section of Clark County, Kentucky early in its history. The District was organized in 1967 pursuant to Chapter 74 of the Kentucky Revised Statutes.

Management is vested in a five-member commission consisting of a chairman and four commissioners appointed by Clark County Fiscal Court.

The District relies on Winchester Municipal Utilities and Kentucky American Water Company for its water supply. Water is pumped to approximately 2600 customers through more than 197 miles of water mains. The Kentucky Public Service Commission (PSC) regulates the District in matters of rates, rules, and levels of service.

DISTRICT FINANCIAL ANALYSIS

The Statements of Net Position includes all the District's assets and liabilities and provides information about the nature and amounts of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District. A summary of the District's Statements of Net Position is presented below

Condensed Statements of Net Position

	2022	2021	2020
Current and other assets	$ 2,293,622	$ 2,092,389	$ 1,986,788
Capital Assets, net of depreciation	7,243,691	7,519,458	7,808,224
Total Assets	9,537,313	9,611,847	9,795,012
Deferred Outflows of resources	347,561	314,783	325,445
Debt outstanding	686,960	769,392	841,824
Other liabilities	1,291,829	1,208,637	1,356,565
Total liabilities	1,978,789	1,978,029	2,198,389
Deferred Inflows of resources	237,736	258,331	69,693
Investment in capital assets, net of depreciation	6,556,731	6,750,066	6,966,400
Restricted net assets	90,520	91,273	82,544
Unrestricted net assets	1,021,098	848,931	803,431
Total net position	$ 7,668,349	$ 7,690,270	$ 7,852,375

Net position decreased $21,921 from 2022 to 2021, a decrease of 0.3%. Debt outstanding decreased $82,432 or 12% from 2021.

Condensed Statements of Revenue, Expenditures, and Changes in Net Position

	2022	2021	2020
Operating revenues	$ 1,690,894	$ 1,526,493	$ 1,464,409
Non-operating revenues	34,422	24,165	23,289
Total revenues	1,725,316	1,550,658	1,487,698
Operating Expenses	1,395,674	1,345,395	1,271,995
Depreciation	378,393	374,951	360,062
Non-operating expense	26,896	32,325	31,390
Total expenses	1,800,963	1,752,671	1,663,447
Net income	(75,647)	(202,013)	(175,749)
Customer connection fees	53,726	39,908	51,735
Change in net position	(21,921)	(162,105)	(124,014)
Beginning net position	7,690,270	7,852,375	7,976,389
Ending net position	$ 7,668,349	$ 7,690,270	$ 7,852,375

In 2022, the District's operating revenue increased $164,401 or 10.77% over 2021. Non-operating revenue consisted of interest income of $8,691, and sale of assets of $25,731 for a total of $34,422. The District's total 2022 revenue increased $174,658 or 11.26% over 2021. In 2021, non-operating revenue consisted of interest income of $7,142, miscellaneous adjustments of $16,438 and sale of scrap of $585. In 2020, non-operating revenue consisted of interest income of $23,289.

Operating expenses increased $50,279 or 3.74% from 2021 to 2022. The increase was due to increases in purchased water, employee compensation and benefits, and transmission/distribution supplies. The increase in depreciation between 2022 and 2021 was $3,442 or 0.92% and is attributed to the purchase of equipment. Non-operating expense consisted solely of interest expense on debt of $26,896, $32,325, and $31,390 for the three years 2022, 2021, and 2020, respectively.

CAPITAL EXPENDITURES

	2022	2021	2020
Capital Assets	$ 14,242,937	$ 14,160,068	$ 14,096,452
Accumulated depreciation	(6,999,246)	(6,640,611)	(6,288,228)
	$ 7,243,691	$ 7,519,458	$ 7,808,224

In 2019, the District began a waterline extension project which was temporarily suspended in 2020 due to the coronavirus pandemic. The project was resumed in early 2022 when it was safe to contact landowners in the area. In 2022, the District began a clean water project. Acquisitions of equipment were financed from the District's reserve funds in 2022, 2021 and 2020. Contributions to capital amounted to $53,726 in 2022, $39,908 in 2021 and $51,735 in 2020 from new tap-on fees to existing lines.

BONDS AND CAPITAL LEASE OBLIGATIONS

	2022	2021	2020
Bonds	$ 675,000	$ 755,000	$ 825,000
Premium/(Discount)	11,960	14,392	16,824
Total	$ 686,960	$ 769,392	$ 841,824

The District made all its scheduled debt payments during 2022, 2021 and 2020.

ECONOMIC FACTORS AND FUTURE BUDGET ISSUES

The District continued to experience new growth from new meter installations on existing waterlines during 2022. The growth is attributed to low interest rates and the increase in new housing starts in Clark County and is expected to continue in 2023.

The District purchases water from Winchester Municipal Utilities and Kentucky American Water Company for distribution to District customers. Water rate increases by these supplies are passed on to District customers as they occur.

Due to the increases in transmission costs and other operating expenses the District has operated at a loss for the past several years. The District has petitioned the Kentucky Public Service Commission for a rate increase. During the year ended December 31, 2022, by order of the Kentucky Public Service Commission the requested rate increase was approved on March 29, 2022.

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the utility's finances and to demonstrate the utility's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact East Clark County Water District, 118 Hopkins Street, Winchester, KY 40392 or by phone at (859) 745-1458 or by email at wdballard@bellsouth.net.

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	$ 825,748	$ 643,669
Investments	1,120,996	1,115,396
Receivables:		
Customer accounts	127,014	121,440
Unbilled	46,628	46,060
Accrued interest	5,203	2,359
Inventory, at cost	58,803	54,509
Prepaid expenses	18,710	17,683
Total current assets	2,203,102	2,001,116
Restricted assets:		
Cash and cash equivalents	90,520	91,273
Total restricted assets	90,520	91,273
Capital assets:		
Property, plant and equipment, net of depreciation	7,053,423	7,353,040
Construction in progress	100,224	76,374
Land	90,044	90,044
Total capital assets	7,243,691	7,519,458
Total assets	9,537,313	9,611,847
Deferred outflows of resources	347,561	314,783
Total assets and deferred outflows of resources	$ 9,884,874	$ 9,926,630

(CONTINUED)

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET POSITION

	2022	2021
Current liabilities:		
Accounts payable, trade	$ 5,480	$ 16,508
Accrued compensated absences	18,205	25,667
Accrued interest payable	12,591	13,410
Accrued liabilities	34,102	23,153
Refundable customer deposits	136,053	127,004
Revenue bonds - current portion	80,000	80,000
Total current liabilities	286,431	285,742
Long-term liabilities:		
Revenue bonds net of current portion	606,960	689,392
Net OPEB liability	232,736	231,553
Net pension liability	852,662	771,342
Total long-term liabilities	1,692,358	1,692,287
Total liabilities	1,978,789	1,978,029
Deferred inflows of resources	237,736	258,331
Net Position		
Net Investment in capital assets	6,556,731	6,750,066
Restricted:		
Restricted for debt retirement	90,520	91,273
Unrestricted	1,021,098	848,931
Total net position	7,668,349	7,690,270
Total liabilities, net position and deferred inflows of resources	$ 9,884,874	$ 9,926,630

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Operating revenues		
Water sales	$ 1,641,019	$ 1,493,916
Other operating income	49,875	32,577
Total operating revenues	1,690,894	1,526,493
Operating expenses		
Transmission, distribution and services	583,962	558,640
Purchased water	409,899	389,159
General and administrative	401,813	397,596
Depreciation	378,393	374,951
Total operating expenses	1,774,067	1,720,346
Operating income	(83,173)	(193,853)
Non-operating revenues (expenses):		
Customer connection fees	53,726	39,908
Interest income	8,691	7,142
Non-operating revenue	-	16,438
Gain on disposal of assets	25,731	585
Interest expense	(26,896)	(32,325)
Total non-operating revenues (expenses)	61,252	31,748
Change in net position	(21,921)	(162,105)
Net position at the beginning of the year	7,690,270	7,852,375
Net position at the end of the year	$ 7,668,349	$ 7,690,270

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Cash received from customers	$ 1,634,877	$ 1,526,493
Cash payments to suppliers for goods and services	(799,626)	(703,715)
Cash payments to employees and professional contractors for services	(579,780)	(629,275)
Net cash provided by operating activities	310,732	193,503
Cash flows from capital and related financing activities		
Principal payments on bonds and lease obligation	(82,432)	(70,000)
Interest payments on bonds and lease obligations	(26,896)	(34,757)
Purchase of fixed assets	(107,657)	(86,190)
Sale of fixed assets	30,762	585
Customer connection fees	53,726	39,908
Net cash used by capital and related financing activitie	(132,497)	(150,454)
Cash flows from investing activities		
Non-operating revenue	-	16,438
Sale (acquisition) of unrestricted investments	(5,600)	(6,279)
Interest received on cash deposits and investments	8,691	7,142
Net cash provided by investing activities	3,091	17,301
Increase (decrease) in cash and cash equivalents	181,326	60,350

(CONTINUED)

EAST CLARK COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Increase (decrease) in cash and cash equivalents (from page 12)	181,326	60,350
Cash and cash equivalents at the beginning of the yea	734,942	674,592
Cash and cash equivalents at the end of the yeaı	$ 916,268	$ 734,942
Reconciliation of cash and cash equivalents at the end of the yea		
Unrestricted cash and cash equivalents	$ 825,748	$ 643,669
Restricted cash and cash equivalents	90,520	91,273
Total cash and cash equivalents at the end of the yeaı	$ 916,268	$ 734,942
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$ (83,173)	$ (193,853)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	378,393	374,951
(Increase) decrease in:		
Customer accounts receivable	(5,574)	(8,883)
Unbilled receivable	(568)	(10,300)
Interest receivable	(2,844)	1,190
Inventory	(4,294)	(20,212)
Prepaid expenses	(1,027)	(762)
Changes in deferred outflows of resources	(32,778)	188,638
Increase (decrease) in:		
Accounts payable, trade accounts	(11,028)	9,785
Accrued liabilities	10,949	(189)
Accrued interest payable	(819)	(932)
Accrued compensated absences	(7,462)	(310)
Changes in net pension liability	81,320	(109,241)
Changes in net OPEB liability	1,183	(45,606)
Changes in deferred inflows of resources	(20,595)	10,662
Customer deposits	9,049	(1,435)
Net cash provided by operating activities	$ 310,732	$ 193,503

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

East Clark County Water District is a "Class B" water district located in Clark County, Kentucky, with principal offices located at 118 Hopkins Lane, Winchester, Kentucky. It was organized in 1967, under Kentucky Revised Statutes, Chapter 74. It is overseen by a five-member commission consisting of a chairman and four commissioners, all appointed by Clark County Fiscal Court. Water is purchased from Winchester Municipal Utilities and Kentucky American Water Company and resold to approximately 2,600 residential and commercial customers.

Basis of Accounting and Measurement Focus

The District is accounted for as a governmental proprietary fund and as such, its financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The District is financed and operated in a manner similar to a private business where the intent of the governing body is that cost (expenses, including depreciation) of providing goods or services to the public on a continuing basis are financed primarily through user charges.

The District is accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows or resources, liabilities, and deferred inflows or resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering water to customers in connection with the District’s ongoing operations. The principal operating revenues are charges to customers for water sales and services. Operating expenses include the cost of purchased water and other related service expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenues and expenses generally result from contracts with other entities to move existing water lines as required by road and railroad maintenance and improvements.

Property and Equipment

The District capitalizes expenditures for property and equipment of $1,000 or more. Property and equipment are stated at cost. Donations are recorded at their fair market value at the date of transfer. No donated assets were received in the years ended December 31, 2022 and 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the balance sheets. Depreciation is provided for financial statement purposes by the straight-line method over the following estimated useful lives:

Lines and storage	50 years
Building	30 years
Pumps and treatment equipment	20 years
Maintenance equipment and vehicles	3-10 years
Office furniture and equipment	3-5 years

Capital Grants and Subsidies

The purchase of property and equipment acquired by grants and subsidies restricted for that purpose are capitalized and the grant or subsidy is recorded as non-operating revenue. These grants and subsidies are not subject to repayment. Certain plant assets have been contributed by customers. These contributions are not subject to repayment.

Receivables

All receivables are reported at their gross value. Estimated un-billed revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. No allowance for doubtful accounts is provided. The District identifies and writes off uncollectible accounts as they occur. Amounts written off as of December 31, 2022 and 2021 were $2,275 and $5,541, respectively.

Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Paid vacation time accrues at the rate of one to three weeks based on the length of employment. Unused vacation time may be carried forward from one year to the next with certain limitations. Other compensated absences do not vest and are recorded as expenditures when they are paid.

Pensions

GASB Statement No. 68 requires recognition of the employer's (the District) obligation for the net long-term pension liabilities, deferred inflows of resources, deferred outflows of resources, and pension expense associated with both the cost-sharing and single-employer plans offered to District employees. Statement No. 68 also prescribes the accounting and reporting requirements for measuring and reporting these liabilities. The District reports its proportionate share of the collective balances and information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and additions to/deductions from fiduciary net position, based on an analysis prepared by Kentucky Public Pensions Authority ("KPPA"), the CERS cost-sharing plan administrator.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

More information about these plans and the related balances is provided in Note 7 – Pension. KPPA publishes a CAFR that includes the CERS plans which is available on their website at https://www.kyret.ky.gov/ Publications/Books/2022%20Annual%20Report.pdf

Other Postemployment Benefits (OPEB)

Beginning in fiscal year 2018, the District implemented GASB Statement No. 75, which requires recognition of the employer's (the District) obligation for the net long-term OPEB liabilities, deferred inflows of resources, deferred outflows of resources, and OPEB expense associated with both the cost-sharing and single-employer plans offered to District employees. The District reports its proportionate share of the collective balances for the cost-sharing plan and information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and additions to/deductions from fiduciary net position, based on an analysis prepared by Kentucky Public Pensions Authority, the CERS cost- sharing plan administrator. More information about these plans and the related balances is provided in Note 8—Other Postemployment Benefit Plans. CERS OPEB plans are included in the KPPA CAFR published on their website at https://www.kyret.ky.gov/Publications/Books/2022%20Annual%20Report.pdf The GASB 68 and 75 actuary reports are available at https://kyret.ky.gov/Employers/GASB/Pages/default.aspx.

Cash and Cash Equivalents

The District includes in cash and cash equivalents, cash on hand and unrestricted cash in checking, money market accounts, federated treasury obligation funds, and unrestricted certificates of deposit with maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market value on a first-in, first-out basis.

Investments

Investments consist of certificates of deposits with maturity dates of three months or more. Management believes the face value of the certificates approximates their market value. Certificates of deposit in excess of FDIC insurance are collateralized by securities held by the pledging institution.

Interest

Interest is charged to expense as incurred except for interest related to loans used for construction projects, which is capitalized net of interest earned on such borrowed construction funds. Interest capitalization ceases when the construction project is substantially complete. There was no capitalized interest during 2022 and 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category includes amounts related to pensions and other post-employment benefits (OPEB) for certain actuarially determined differences between projected and actual investment earnings and/or other differences between projected and actual demographic experience, as well as contributions made by the District subsequent to the measurement date.

The Statement of Net Position includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. This category includes amounts related to pensions and OPEB for certain actuarially determined differences between projected and actual demographic experience and/or projected and actual investment earnings.

Net Position Classifications

The District records restrictions for portions of its net position which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation. Unrestricted portions of net position indicate amounts which are available for appropriation in future periods. Restrictions in net position are classified as follows:

- **Net Investment in Capital Assets** includes the District's capital assets, (net of accumulated depreciation) reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The net investment in capital assets also reflects any related balances in deferred outflows or inflows of resources.

- **Restricted for Debt Service** includes assets that have been set aside as required by statute or bond covenant for the future payment of the District's Debt.

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 they are needed.

Recent Pronouncements

The District has implemented the following new accounting pronouncements:

GASB Statement No. 87-In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of the governments. This Statement was effective for reporting periods beginning after December 15, 2019; however, GASB 95 deferred this GASB for 18 months for reporting periods beginning after June 15, 2021. There was no effect to the District's financial statements as of December 31, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Pronouncements (Continued)

GASB Statement No. 91-In May, 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by users, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement was effective for reporting periods beginning after December 15, 2020; however, GASB 95 deferred this GASB for one year for reporting periods beginning after December 15, 2021. There was no effect to the District's financial statements as of December 31, 2022.

GASB Statement No. 92-In January, 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2021. There was no effect to the District's financial statements as of December 31, 2022.

GASB Statement No. 97-In June 2020 the GASB issued statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2021. There was no effect to the District's financial statements as of December 31, 2022.

GASB Statement No. 98-In October 2021 the GASB issued statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. There was no effect to the District's financial statements as of December 31, 2022.

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 94-In March 2020 the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 96-In May 2020 the GASB issued Statement No.96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99-In April 2022 the GASB issued Statement No.99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100-In June 2022 the GASB issued Statement No.100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. 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 Statement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101-In June 2022 the GASB issued Statement No.101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance 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 requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 – CUSTODIAL CREDIT RISK- DEPOSITS

The District investment policies conform to state statutes. The District deposits its funds in banks insured by the Federal Deposit Insurance Corporation (FDIC). Investments include certificates of deposit with maturities of one year with banks. Collateral is required for all deposits in excess of FDIC insurance at 100% of the carrying amount at the bank. Collateral consists of obligations of the United States and Kentucky Revenue Bonds. The District's deposits and investments are collateralized with securities held by the bank's trust department in the District's name or letter of credit held by a third party in the District's name. As of December 31, 2022 the District's funds held with one financial institution were underinsured by $169,350.

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the District's deposits and/or investments may not be returned to it. The District's policy on custodial credit risk requires banks to pledge additional bank assets as collateral on District's deposits that exceed FDIC insurance.

As of December 31, 2022, and 2021, District's total deposits at banks of $2,037,263 and $1,850,338 respectively, were exposed to custodial credit risk as follows:

	2022	2021
Insured by FDIC coverage	$ 500,000	$ 500,000
Insured by collateral held by a third party in the District's name	800,000	500,000
Insured by collateral held by the bank's trust department in the District's name	995,188	1,230,193
	$ 2,295,188	$ 2,230,193

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's fair value measurements are all based upon Level 1 inputs.

NOTE 3 - CREATION OF FUNDS AND RESTRICTIONS ON CASH

The Bond Resolutions require the creation of various separate deposit accounts, each designated for a specific purpose, as defined in the resolution. A summary of the required accounts and their significant provisions follows:

Bond and Interest Sinking Funds

The Bond and Interest Sinking Funds were established to provide sources of funds for the payment of bond principal and interest, currently due. Each month funds equal to the total of (1) one-sixth of the next succeeding semiannual interest payment plus (2) one-twelfth of the next annual bond principal payments are to be transferred to the funds. For the years ended December 31, 2022 and 2021 the required Sinking Fund Reserve balances were $90,520 and $91,273, respectively.

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Activity for plant and equipment, which is capitalized by the District for the year ended December 31, 2022 and 2021, is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
Non depreciable assets:				
Land	$ 90,044	$ -	$ -	$ 90,044
Construction in Progress	76,374	23,850	-	100,224
Total non-depreciable assets	166,418	23,850	-	190,268
Depreciable assets:				
Buildings & improvements	585,727	7,960	-	593,687
Pumps	98,539	-	-	98,539
Lines & storage	11,419,344	-	-	11,419,344
Meters	1,204,610	53,726	-	1,258,336
Office equipment	90,209	-	-	90,209
Vehicles	271,381	14,990	16,000	270,371
Maintenance equipment	323,840	7,127	8,790	322,177
Total depreciable assets	13,993,650	83,803	24,790	14,052,663
Less accumulated depreciation				
Buildings & improvements	286,380	21,755	-	308,135
Pumps	81,276	2,841	-	84,117
Lines & storage	5,116,831	254,553	-	5,371,384
Meters	712,608	53,609	-	766,217
Office equipment	51,600	5,898	-	57,498
Vehicles	157,123	22,926	12,800	167,249
Maintenance equipment	234,792	16,811	6,963	244,640
Total accumulated depreciation	6,640,610	378,393	19,763	6,999,240
Depreciable assets, net	7,353,040	(294,590)	5,027	7,053,423
Total capital assets, net of depreciation	$ 7,519,458	$ (270,740)	$ 5,027	$ 7,243,691

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

	Balance Dec. 31, 2020	Additions	Retirements	Balance Dec. 31, 2021
Non depreciable assets:				
Land	$ 90,044	$ -	$ -	$ 90,044
Construction in Progress	76,374	-	-	76,374
Total non-depreciable assets	166,418	-	-	166,418
Depreciable assets:				
Buildings and improvements	581,152	7,300	2,725	585,727
Pumps	98,539	-	-	98,539
Lines and storage	11,413,345	5,999	-	11,419,344
Meters	1,164,691	39,919	-	1,204,610
Office equipment	90,209	-	-	90,209
Vehicles	259,402	31,823	19,844	271,381
Maintenance equipment	322,696	1,144	-	323,840
Total depreciable assets	13,930,034	86,185	22,569	13,993,650
Less Accumulated depreciation:				
Buildings and improvements	268,017	21,088	2,725	286,380
Pumps	78,435	2,841	-	81,276
Lines and storage	4,862,389	254,442	-	5,116,831
Meters	659,161	53,447	-	712,608
Office equipment	45,312	6,288	-	51,600
Vehicles	157,017	19,950	19,844	157,123
Maintenance equipment	217,897	16,895	-	234,792
Total accum. Depreciation	6,288,228	374,951	22,569	6,640,610
Depreciable assets, net	7,641,806	(288,766)	-	7,353,040
Total capital assets, net of depreciation	$ 7,808,224	$ (288,766)	$ -	$ 7,519,458

NOTE 5 – LONG TERM DEBT AND LEASES

The District issues revenue bonds to finance improvements and extensions to water lines. During 2022 and 2021 the District issued no new revenue bonds.

At December 31, 2022 and 2021, East Clark County Water District had the following long-term debt and leases outstanding:

NOTE 5 – LONG TERM DEBT AND LEASES (CONTINUED)

2022 Bonds:

Description	Beginning Balance	New Issue	Principal Payment	Ending Balance	Due Within One Year
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2010C Bonds, with interest of 2.2% to 4.35% payable 1/1 and 7/1	$ 405,000	$ -	$ 40,000	$ 365,000	$ 40,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2012C Bonds, with interest of 2.15% to 4.275% payable 1/1 and 7/1	305,000	-	25,000	280,000	25,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2013C Bonds, with interest of 2.3% to 4.8% payable 1/1 and 7/1	45,000	-	15,000	30,000	15,000
Bond Premiums	14,392	-	2,432	11,960	-
	$ 769,392	$ -	$ 82,432	$ 686,960	$ 80,000

2021 Bonds:

Description	Balance Dec. 31, 2020	New Issue	Principal Payment	Balance Dec. 31, 2021	Due within one year
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2010C Bonds, with interest of 2.2% to 4.35% payable January 1 and July 1	$ 440,000	$ -	$ 35,000	$ 405,000	$ 40,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2012C Bonds, with interest of 2.15% to 4.275% payable January 1 and July 1	330,000	-	25,000	305,000	30,000
East Clark County Water District Water Works Refunding Bonds, Series 2013C, with interest of 2.3% to 4.8% payable January 1 and July 1	55,000	-	10,000	45,000	10,000
Bond Premium	16,824	-	2,432	14,392	-
	$ 841,824	$ -	$ 72,432	$ 769,392	$ 80,000

NOTE 6 – INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and customers; or acts of God. The District insures against these risks through insurance policies obtained from commercial vendors. The District has pooled its risk for worker's compensation insurance. The District pays an annual premium for insurance coverage and is liable for additional premium assessments as determined by the pool. At December 31, 2022 and 2021, no additional premium assessment had been made. Other insurable risks are covered by policies with conventional insurance companies.

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS)

Plan Description

CERS was established by Kentucky Revised Statute 78.520. The CERS system is comprised of two plans - CERS Nonhazardous plan and CERS Hazardous plan. The CERS Nonhazardous plan was established to provide retirement benefits to 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 CERS. The membership of the CERS Hazardous plan includes employees whose position is considered hazardous with principal job duties including, but are not limited to, active law enforcement, probation and parole officers, detectives, pilots, paramedics, and emergency medical technicians, with duties that require frequent exposure to a high degree of danger and also require a high degree of physical condition.

The responsibility for the general administration and operation of the plans within CERS is vested in the CERS Board of Trustees. The CERS Board of Trustees consists of 9 members. Six trustees are appointed by the governor and three are elected by CERS members (active, inactive, and/or retired). The six appointed trustees are selected from a list of candidates provided to the Governor's Office by one of three employer advocacy groups: Kentucky League of Cities, Kentucky Association of Counties, or Kentucky School Board Association. Of the six appointed trustees, three must have investment experience and three must have retirement experience as defined by statute. All appointments by the governor are subject to Senate confirmation.

The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from https://kyret.ky.gov/publications/pages/default.aspx.

Benefits Provided

CERS provides pension, health insurance, death, and disability benefits to Plan employees or beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes employees are grouped into three tiers based on hire date. The following table summarizes retirement eligibility for Plan employees:

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (Continued)

Retirement Eligibility for Nonhazardous Employees		
Age	**Years of Service**	**Allowance Reduction**
Tier 1 Members Whose Participation Began Before 9/1/2008		
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2 Members Whose Participation Began On or After 9/1/2008 but before 1/1/2014		
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age
		plus years of service)
Tier 3 Members Whose Participation Began On or After 1/1/2014		
65	5	None
57	Rule of 87	None

Retirement Eligibility for Hazardous Employees		
Age	**Years of Service**	**Allowance Reduction**
Tier 1 Members Whose Participation Began Before 9/1/2008		
55	1 month	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.
Tier 2 Members Whose Participation Began On or After 9/1/2008 but before 1/1/2014		
60	5	None
Any	25	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.
Tier 3 Members Whose Participation Began On or After 1/1/2014		
60	5	None
Any	25	None

Cost of Living Adjustments (COLAs)

SB 2 passed during the 2013 legislative session, eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (Continued)

Pre-Retirement Death Benefits

The beneficiary, which shall be the spouse unless another person was named beneficiary after the date of marriage, of a deceased active member is eligible for a monthly benefit if the member died while in the line of duty, or a duty-related injury, with one month of service credit. The beneficiary of a deceased active member who did not die in the line of duty, or a duty-related injury, is eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 65 for Nonhazardous members and under age 55 for Hazardous members with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump-sum payment of the member's accumulated account balance.

Insurance Benefits

For members participating prior to July 1, 2003, CERS, KERS, and SPRS pay a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008, are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be $10 for each year of Nonhazardous and $15 for each year of Hazardous earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Benefit Changes since the Prior Valuation

SB 27 allows part-time adjunct instructors for the Kentucky Fire Commission, meeting specific conditions, to retire from CERS without terminating employment as part-time instructors.

Employer Contributions

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.635. The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky.

For the fiscal year ended June 30, 2022, participating employers of CERS Nonhazardous and Hazardous contributed a percentage of each employee's creditable compensation. The actuarially determined rates set by the Boards for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs of KPPA are financed through employer contributions and investment earnings. See the chart below for the fiscal year employer contribution rates, including the actuarially recommended rates.

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (Continued)

Contribution Rate Breakdown by Fund As of June 30, 2022

Fund	Employer Contribution Rates	Actuarially Recommended Rates
CERS Nonhazardous**	22.78%	22.78%
CERS Hazardous**	35.60%	35.60%

***House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.*

Employee Contributions

Employees' required contributions are dependent upon the same tier system as outlined in the Benefits Provided section.

Tier 1:

Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2:

Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014, are required to contribute 6% (Nonhazardous) or 9% (Hazardous) of their annual creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

Tier 3:

Tier 3 plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% (Nonhazardous) or 8% (Hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% (Non-Hazardous) or 7.5% (Hazardous) of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (Continued)

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

At December 31, 2022 the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability for the Plan year ended June 30, 2022

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2022, using generally accepted actuarial principles.

The District's proportion of the net pension liability for CERS was determined using the employers' actual contributions for the fiscal year ending June 30, 2022. This method is expected to be reflective of the employers' long-term contribution effort as well as be transparent to individual employers and their external auditors. At December 31,2022, the District's proportion was 0.011795% of the nonhazardous plan. For the year ended December 31, 2022, the District recognized pension expense of $11,223 for nonhazardous members in CERS. At December 31, 2022, District reported deferred outflows and inflows of resources related to pensions from the following sources:

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	912	7,593
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	116,022	94,163
Changes in proportion and differences between District's contributions and proportionate share of contributions	17,762	12,366
District's contributions subsequent to the measurement date	77,097	-
Totals	211,793	114,122

$77,097 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date for the 2022 plan year will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended 12/31	Amortization of Pension Deferred Outflows (Inflows) of Resources
2023	8,464
2024	(4,947)
2025	(7,165)
2026	24,223
2027	-
Thereafter	-
	20,575

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (Continued)

Actuarial Assumptions

KPPA's actuary, Gabriel, Roeder, Smith & Co. (GRS), completed the actuarial valuation for the calculation of the employer contribution rates for the CERS, KERS, SPRS and Insurance Fund for the period ended June 30, 2022. The last experience study for the five-year period ended June 30, 2018, was completed prior to the June 2019 valuation. At that time, the actuary made changes to the actuarial assumptions used in the annual valuation. For example, one of the more significant changes was to the mortality assumption rate, which presumes improvement in life expectancy. The 2021 valuation utilized the same assumptions. There have been no changes in actuarial assumptions since June 30, 2021. Based on the June 30, 2020, actuarial valuation report, the actuarial methods and assumptions used to calculate these contributions rates are:

- Investment Return - 6.25% for CERS Nonhazardous, and CERS Hazardous, KERS Hazardous, 5.25% for KERS Nonhazardous and SPRS.
- Inflation - 2.30% for all plans.
- Salary Increases - 3.30% to 10.30% for CERS Nonhazardous, 3.55% to 19.05% for CERS Hazardous, 3.30% to 15.30% for KERS Nonhazardous, 3.55% to 20.05% for KERS Hazardous, and 3.55% to 16.05% for SPRS, varies by service.
- Payroll Growth - 2% for CERS Nonhazardous and Hazardous, 0% for KERS Nonhazardous and Hazardous, and SPRS.
- Mortality - System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Target Asset Allocation

The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables on the following page.

Target Asset Allocation - CERS Pension and Insurance as of June 30, 2022

Allocations apply to All Pension and Insurance Funds maintained by CERS

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Equity		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income		
Core Fixed Income	10.00%	0.28%
Specialty Credit	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected		
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%

NOTE 7 – COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS) (Continued)

Discount Rate

A single discount rate of 6.25% was used for the CERS Nonhazardous pension plan, and the CERS Hazardous pension plan to measure the total pension liability for the fiscal year ending June 30, 2022. These single discount rates were based on the expected rate of return on pension plan investments. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Except where noted below, future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy. The assumed future employer contributions for the CERS plans reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the District calculated using the discount rates selected by the pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
5.25%	6.25%	7.25%
$1,065,722	$852,662	$676,444

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB standards require the separation of healthcare benefits (OPEB) provided to retirees from the service-related pension benefits if these benefits are provided in conjunction with a defined benefit plan. As we noted in Note 1 — Summary of Significant Accounting Policies, GASB Statement No. 75 required the District to recognize their proportionate share of the collective net OPEB liability for the CERS cost-sharing plan for the fiscal year ended June 30, 2022.

Plan Description

The Insurance Fund was established by Kentucky Revised Statute 61.701 for the purpose of providing hospital and medical insurance benefits for eligible members receiving benefits from CERS Nonhazardous and CERS Hazardous (the Insurance Fund). The responsibility for the general administration and operation of the Insurance Fund is vested with the CERS Board of Trustees. Each of the OPEB funds: CERS Nonhazardous and CERS Hazardous is legally separated with benefits only eligibility to be paid for each of the respective membership groups.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Benefits Provided

The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The KPPA Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KPPA submits the premium payments to DEI and Humana. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2022, insurance premiums withheld from benefit payments for KPPA's members were $24.0 million and $3.7 million for CERS Nonhazardous and Hazardous, respectively.

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service. Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits have been calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, Nonhazardous employees whose participation began on or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service. Hazardous employees whose participation began on or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a Hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned Hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The Insurance Plan pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum benefit are as follows:

Portion Paid by Insurance Fund as of June 30, 2022	
Years of Service	**Paid by Insurance Fund (%)**
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating on or after July 1, 2003, the dollar amounts of the benefit per year of service are as follows:

Dollar Contribution for Fiscal Year 2022 For Member participation dates on or after July 1, 2003	**(in Whole $)**
CERS Nonhazardous	$14
CERS Hazardous	$21

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Benefit Changes since the Prior Valuation

SB 209 increases the non-Medicare eligible subsidy by $5 for each year worked beyond the defined career threshold for members eligible for the fixed-dollar retiree health subsidy. The annual increase will only occur if the most recent actuarial valuation determines the funding level of the retiree health benefits is at least 90% and will remain at that level for the year. Additionally, the bill allows members eligible for the fixed-dollar health subsidy to be reimbursed for health insurance premiums other than those administered by KPPA.

Employer Contributions

Local government participating employers are required to contribute an actuarially determined rate for CERS insurance fund contributions. The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky.

For the fiscal year ended June 30, 2022, participating employers of CERS Nonhazardous and Hazardous contributed a percentage of each employee's creditable compensation. The actuarially determined rates set by the Boards for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs of KPPA are financed through employer contributions and investment earnings. See the chart below for the fiscal year employer contribution rates, including the actuarially recommended rates.

Contribution Rate Breakdown by Fund as of June 30, 2022

	Insurance	
Fund	Employer Contribution Rates	Actuarially Recommended Rates
CERS Nonhazardous**	4.17%	4.17%
CERS Hazardous**	8.73%	8.73%

***House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.*

Employee Contributions

Employees' required contributions are dependent upon the same tier system as outlined in the Benefits Provided section of Note 12.

Tier 1:

Tier 1 plan members who began participating prior to September 1, 2008, are not required to contribute a portion of their annual creditable compensation to the Insurance Fund.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Tier 2:
Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014, are required to contribute 6% (Nonhazardous) or 9% (Hazardous) of their annual creditable compensation. 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. The 1% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

Tier 3:
Tier 3 plan members, who began participating on or after January 1, 2014, are required to contribute 1% of their monthly creditable compensation to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable.

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

At December 31, 2022 the District reported a liability for its proportionate share of the net OPEB liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability for the Plan year ended June 30, 2022

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2022, using generally accepted actuarial principles.

The District's proportion of the net OPEB liability for CERS was determined using the employers' actual contributions for the fiscal year ending June 30, 2022. This method is expected to be reflective of the employers' long-term contribution effort as well as be transparent to individual employers and their external auditors. At December 31,2022, the District's proportion was 0.011793% of the nonhazardous plan. For the year ended December 31, 2022, the District recognized OPEB expense of $17,907 for nonhazardous members in CERS. At December 31, 2022, District reported deferred outflows and inflows of resources, related to OPEB, from the following sources:

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	23,427	53,372
Changes of assumptions	36,809	30,330
Net difference between projected and actual earnings on pension plan investments	43,338	33,892
Changes in proportion and differences between District's contributions and proportionate share of contributions	13,179	6,020
District's contributions subsequent to the measurement date	19,015	-
Totals	135,768	123,614

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

$19,015 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date for the 2022 plan year will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

Year Ended 12/31	Amortization of Pension Deferred Outflows (Inflows) of Resources
2023	4,364
2024	2,181
2025	(13,343)
2026	(64)
2027	-
Thereafter	-
	(6,861)

Actuarial assumptions

The discount rates used to calculate the total OPEB liability increased for each fund since the prior year (see further discussion on the calculation of the single discount rates later in this section). There were no other material assumption changes and it is GRS' opinion that these procedures are reasonable and appropriate, and comply with applicable requirements under GASB No. 74.

The actuarially determined contribution rates effective for fiscal year ended 2022 that are documented in the schedules were calculated as of June 30, 2020. Based on the June 30, 2020, actuarial valuation reports the actuarial methods and assumptions used to calculate the required contributions are:

- Investment Return - 6.25%.
- Inflation - 2.30%.
- Salary Increases - 3.30% to 10.30% for CERS Nonhazardous, 3.55% to 19.05% for CERS Hazardous
- Payroll Growth - 2.00% for CERS Nonhazardous and CERS Hazardous
- Mortality - System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- Health Care Trend Rates:
  - Pre-65 - Initial trend starting at 6.40% on January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
  - Post-65 - Initial trend starting at 6.30% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Provisions

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

To model the financial impact of the requirement for the funds to be 90% funded, GRS assumed the increase in the insurance dollar contribution is payable in all calendar years for the CERS plans, as they were above or approaching 90% funded as of the June 30, 2021 Actuarial Valuation.

Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. In general, allowing members to receive reimbursement to participate in health plans other than those administered by KPPA would increase the utilization of the dollar benefit. The current election assumption for future members receiving the dollar insurance benefit is 100%, so there is no immediate change in the total OPEB liability for active members due to this benefit change. For current retirees and beneficiaries eligible for the dollar insurance benefit who have not yet elected coverage, GRS assumed 50% would elect coverage under this benefit change.

The total OPEB liability as of June 30, 2022 is determined using these updated benefit provisions. There were no other plan provision changes that would materially impact the total OPEB liability.

Implicit Employer Subsidy for non-Medicare retirees

The fully-insured premiums paid for the Kentucky Employees' Health Plan are blended rates based on the combined experience of 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 the non-Medicare eligible retirees. GASB No. 74 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

Discount Rates

The following single discount rates were used to measure the total OPEB liability for the fiscal year ending June 30, 2022.

CERS Nonhazardous	5.70%
CERS Hazardous	5.61%

The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarial determined contributions, and it is our understanding that 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 actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

Additional health care contributions (IRC 401(h) Subaccount)
Based on guidance issued by GASB in connection with GASB Statement No. 74, the 1% of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount is considered an OPEB asset. As a result, the reported fiduciary net position includes these 401(h) assets. Additionally, these member contributions and associated retirement income and administrative expenses are included in the reconciliation of the fiduciary net position.

Sensitivity Analysis
The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.20% for the Nonhazardous plan and 5.05% for the Hazardous plan, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%/4.05%) or 1-percentage-point higher (6.20%/6.05%) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
4.70%	5.70%	6.70%
$311,132	$232,736	$167,930

In addition, GASBS No. 75 requires a sensitivity analysis for the healthcare trend rate for OPEB Plans using the same increase and decrease of 1%. The following table presents the net OPEB liability of the District with these adjustments.

1% Decrease	Current Discount Rate	1% Increase
$173,034	$232,736	$304,427

OPEB plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of the County Employees Retirement System.

NOTE 9 - PURCHASED WATER

The District entered into a written agreement to purchase a majority of its water from Winchester Municipal Utilities (WMU). The term of the contract is for forty years ending October 3, 2059 with the right to renew and extend for an additional twenty years. The District purchases water at $1.72 per 100 cubic feet of water. This rate is subject to periodic increases by WMU. With the approval of the Public Service Commission, the District may pass these rate increases along to its customers. Water is delivered to the District by meters maintained by WMU.

NOTE 10 – SUBSEQUENT EVENT

The District has evaluated subsequent events through March 31, 2023, the date on which these financial statements were available to be issued.

NOTE 11 – RISKS AND UNCERTAINTIES

Prior to the year ended December 31, 2022 local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to ECCWD as of March 31, 2023, management does not believe that a material impact on ECCWD's financial position and results of future operations is reasonably possible.

REQUIRED SUPPLEMENTARY INFORMATION

EAST CLARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM:	Reporting Fiscal Year (Measurement Date) 2022 (6/30/22)	Reporting Fiscal Year (Measurement Date) 12/31/2021 (6/30/21)	Reporting Fiscal Year (Measurement Date) 12/31/2020 (6/30/20)	Reporting Fiscal Year (Measurement Date) 12/31/2019 (6/30/19)	Reporting Fiscal Year (Measurement Date) 12/31/2018 (6/30/18)	Reporting Fiscal Year (Measurement Date) 12/31/2017 (6/30/17)	Reporting Fiscal Year (Measurement Date) 12/31/2016 (6/30/16)	Reporting Fiscal Year (Measurement Date) 12/31/2015 (6/30/15)
NONHAZARDOUS PLAN								
District's proportion of the net pension liability	0.011795%	0.012098%	0.011481%	0.010851%	0.010887%	0.010048%	0.011160%	0.010960%
District's proportionate share of the net pension liability	$ 852,662	$ 771,342	$ 880,583	$ 763,156	$ 663,051	$ 588,140	$ 547,303	$ 471,091
District's covered-employee payroll	$ 334,409	$ 295,991	$ 282,749	$ 263,115	$ 267,268	$ 238,770	$ 255,169	$ 263,636
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	254.98%	260.60%	311.44%	290.05%	248.08%	246.32%	214.49%	178.69%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

EAST CLARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED DECEMBER 31, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM:	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 74,298	$ 72,764	$ 58,215	$ 44,397	$ 39,071	$ 34,127	$ 31,581	$ 32,731
Contributions in relation to the contractually required contribution	74,298	72,764	58,215	44,397	39,071	34,127	31,581	32,731
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 347,187	$ 377,016	$ 301,632	$ 263,115	$ 267,268	$ 238,770	$ 255,169	$ 263,636
District's contributions as a percentage of its covered-employee payroll	21.40%	19.30%	19.30%	16.87%	14.62%	14.29%	12.38%	12.42%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
FOR THE YEAR ENDED DECEMBER 31, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Actuarial Methods and Assumptions:

There have been no changes in actuarial assumptions since June 30, 2021. Based on the June 30, 2020, actuarial valuation report, the actuarial methods and assumptions used to calculate these contributions rates are:

- Investment Return - 6.25% for CERS Nonhazardous, and CERS Hazardous
- Salary Increases - 3.30% to 10.30% for CERS Nonhazardous, 3.55% to 19.05% for CERS Hazardous
- Payroll Growth - 2% for CERS Nonhazardous and Hazardous
- Mortality - System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Changes of Benefit Terms:

House Bill (HB) 297 passed during the 2022 legislative session and included language allowing the Systems to provide health insurance coverage through the Kentucky Employees Health Plan (KEHP) for retired reemployed retirees who are Medicare-eligible and affected by the Medicare Secondary Payer Act (MSPA). HB 1 exempts pay raises for public defenders and their staff from pension spiking provisions, while HB 49 adds two pension spiking exemptions on a broader scope: 1. The first one hundred (100) hours of mandated overtime required by an employer during a fiscal year, and 2. Any overtime performed by a local government which the Governor authorizes mobilization of the Kentucky National Guard. HB 76 creates an exception for members "bound by an educational contract prior to December 31, 2003" with the Department of Transportation, to use the start date of the contract to establish the membership date and to purchase service credit after 8/1/2004, allowing the service purchase(s) to apply toward retirement eligibility and health insurance vesting. SB 27 allows part-time adjunct instructors for the Kentucky Fire Commission, meeting specific conditions, to retire from CERS without terminating employment as part-time instructors. Lastly, SB 209 increases the non-Medicare eligible subsidy by $5 for each year worked beyond the defined career threshold for members eligible for the fixed-dollar retiree health subsidy. The annual increase will only occur if the most recent actuarial valuation determines the funding level of the retiree health benefits is at least 90% and will remain at that level for the year. Additionally, the bill allows members eligible for the fixed-dollar health subsidy to be reimbursed for health insurance premiums other than those administered by KPPA.

EAST CLARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM:	Reporting Fiscal Year (Measurement Date) 2022 (6/30/22)	Reporting Fiscal Year (Measurement Date) 12/31/2021 (6/30/21)	Reporting Fiscal Year (Measurement Date) 12/31/2020 (6/30/20)	Reporting Fiscal Year (Measurement Date) 12/31/2019 (6/30/19)	Reporting Fiscal Year (Measurement Date) 12/31/2018 (6/30/18)	Reporting Fiscal Year (Measurement Date) 12/31/2017 (6/30/17)
District's proportion of the net OPEB liability	0.011793%	0.012095%	0.011478%	0.010849%	0.010887%	0.010048%
District's proportionate share of the net OPEB liability	$ 232,736	$ 231,553	$ 277,159	$ 182,475	$ 193,279	$ 201,999
District's covered-employee payroll	$ 334,409	$ 316,852	$ 300,791	$ 279,620	$ 279,813	$ 238,770
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	69.60%	73.08%	92.14%	65.26%	69.07%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

EAST CLARK COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM:	Reporting Fiscal Year (Measurement Date) 2022 (6/30/22)	Reporting Fiscal Year (Measurement Date) 12/31/2021 (6/30/21)	Reporting Fiscal Year (Measurement Date) 12/31/2020 (6/30/20)	Reporting Fiscal Year (Measurement Date) 12/31/2019 (6/30/19)	Reporting Fiscal Year (Measurement Date) 12/31/2018 (6/30/18)	Reporting Fiscal Year (Measurement Date) 12/31/2017 (6/30/17)
District's proportion of the net OPEB liability	0.011793%	0.012095%	0.011478%	0.010849%	0.010887%	0.010048%
District's proportionate share of the net OPEB liability	$ 232,736	$ 231,553	$ 277,159	$ 182,475	$ 193,279	$ 201,999
District's covered-employee payroll	$ 334,409	$ 316,852	$ 300,791	$ 279,620	$ 279,813	$ 238,770
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	69.60%	73.08%	92.14%	65.26%	69.07%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

EAST CLARK COUNTY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
FOR THE YEAR ENDED DECEMBER 31, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Actuarial Methods and Assumptions:

The discount rates used to calculate the total OPEB liability increased for each fund since the prior year. There were no other material assumption changes. The actuarially determined contribution rates effective for fiscal year ended 2022 that are documented in the schedules were calculated as of June 30, 2020. Based on the June 30, 2020, actuarial valuation reports the actuarial methods and assumptions used to calculate the required contributions are:

- Investment Return - 6.25%.
- Inflation - 2.30%.
- Salary Increases - 3.30% to 10.30% for CERS Nonhazardous, 3.55% to 19.05% for CERS Hazardous, 3.30% to 15.30% for KERS Nonhazardous, 3.55% to 20.05% for KERS Hazardous, 3.55% to 16.30% for SPRS, varies by service.
- Payroll Growth - 2.00% for CERS Nonhazardous and CERS Hazardous, 0.00% for KERS Nonhazardous, KERS Hazardous, and SPRS.
- Mortality - System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- Health Care Trend Rates:
  - Pre-65 - Initial trend starting at 6.40% on January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
  - Post-65 - Initial trend starting at 6.30% on January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

Changes of Benefit Terms:

House Bill (HB) 297 passed during the 2022 legislative session and included language allowing the Systems to provide health insurance coverage through the Kentucky Employees Health Plan (KEHP) for retired reemployed retirees who are Medicare-eligible and affected by the Medicare Secondary Payer Act (MSPA). HB 1 exempts pay raises for public defenders and their staff from pension spiking provisions, while HB 49 adds two pension spiking exemptions on a broader scope: 1. The first one hundred (100) hours of mandated overtime required by an employer during a fiscal year, and 2. Any overtime performed by a local government which the Governor authorizes mobilization of the Kentucky National Guard. HB 76 creates an exception for members “bound by an educational contract prior to December 31, 2003” with the Department of Transportation, to use the start date of the contract to establish the membership date and to purchase service credit after 8/1/2004, allowing the service purchase(s) to apply toward retirement eligibility and health insurance vesting. SB 27 allows part-time adjunct instructors for the Kentucky Fire Commission, meeting specific conditions, to retire from CERS without terminating employment as part-time instructors. Lastly, SB 209 increases the non-Medicare eligible subsidy by $5 for each year worked beyond the defined career threshold for members eligible for the fixed-dollar retiree health subsidy. The annual increase will only occur if the most recent actuarial valuation determines the funding level of the retiree health benefits is at least 90% and will remain at that level for the year. Additionally, the bill allows members eligible for the fixed-dollar health subsidy to be reimbursed for health insurance premiums other than those administered by KPPA.

SUPPLEMENTARY INFORMATION

EAST CLARK COUNTY WATER DISTRICT
SUPPLEMENTARY INFORMATION
STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022 Budget	2022 Actual	Favorable (Unfavorable)	2021 Budget	2021 Actual	Favorable (Unfavorable)
Operating revenues:						
Water sales	$ 1,693,000	$ 1,690,894	$ (2,106)	$ 1,500,000	$ 1,526,493	$ 26,493
Total operating revenues	1,693,000	1,690,894	(2,106)	1,500,000	1,526,493	26,493
Operating expenses:						
Operation and maintenance	1,339,209	1,364,911	(25,702)	1,270,000	1,317,483	(47,483)
Depreciation and amortization	371,268	378,393	(7,125)	350,000	374,951	(24,951)
Taxes	30,184	30,763	(579)	29,000	27,912	1,088
Total operating expenses	1,740,660	1,774,067	(33,407)	1,649,000	1,720,346	(71,346)
Operating income	(47,660)	(83,173)	(35,513)	(149,000)	(193,853)	(44,853)
Non-operating revenues (expenses):						
Interest income	8,700	8,691	(9)	7,500	7,142	(358)
Sale/disposal of surplus equipment	23,400	25,731	2,331	500	585	85
Customer connection fees	57,500	53,726	(3,774)	39,000	39,908	908
Non-operating income	-	-	-	-	16,438	16,438
Interest expense	(27,000)	(26,896)	104	(34,000)	(32,325)	1,675
Total non-operating revenues (expenses)	62,600	61,252	(1,348)	13,000	31,748	18,748
Change in net position	$ 14,940	$ (21,921)	$ (36,861)	$ (136,000)	$ (162,105)	$ (26,105)

EAST CLARK COUNTY WATER DISTRICT
SUPPLEMENTARY INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Transmission, Distribution, and Services	Purchased Water		General and Administrative	Depreciation	Total
Purchased water	$ -	$ 409,899		$ -	$ -	$ 409,899
Depreciation	-	-		-	378,393	378,393
Salaries	222,353	-		137,878	-	360,231
Employee benefits	148,891	-		92,326	-	241,217
Supplies	83,905	-		10,236	-	94,141
Repairs and maintenance	23,207	-		5,151	-	28,358
Outside services	18,976	-		13,686	-	32,662
Commissioners' salaries	-	-		30,000	-	30,000
Payroll tax expense	18,988	-		11,775	-	30,763
Professional fees	-	-		24,850	-	24,850
Utilities	26,831	-		8,226	-	35,057
Truck expense	35,460	-		668	-	36,128
Equipment rental	13,741	-		-	-	13,741
Insurance	-	-		35,472	-	35,472
Postage	-	-		15,537	-	15,537
Bad debts	-	-		2,275	-	2,275
Miscellaneous	-	-		2,583	-	2,583
Telephone	3,995	-		1,990	-	5,985
Dues and subscriptions	-	-		2,026	-	2,026
Loading station expense	663	-		-	-	663
Employee training and seminars	-	-		1,508	-	1,508
PSC assessment	-	-		2,231	-	2,231
Uniforms	-	-		3,069	-	3,069
Lab testing	4,891	-		-	-	4,891
Travel and meals expense	-	-		326	-	326
Expenses allocated to capital	(17,939)	-		-	-	(17,939)
	$ 583,962	$ 409,899	#	$ 401,813	$ 378,393	$ 1,774,067

EAST CLARK COUNTY WATER DISTRICT
SUPPLEMENTARY INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Transmission, Distribution, and Services	Purchased Water		General and Administrative	Depreciation	Total
Purchased water	$ -	$ 389,159		$ -	$ -	$ 389,159
Depreciation	-	-		-	374,951	374,951
Salaries	206,789	-		127,951	-	334,740
Employee benefits	147,652	-		91,360	-	239,012
Supplies	98,089	-		7,169	-	105,258
Repairs and maintenance	25,884	-		6,259	-	32,143
Outside services	14,936	-		13,067	-	28,003
Commissioners' salaries	-	-		29,911	-	29,911
Payroll tax expense	17,243	-		10,669	-	27,912
Professional fees	-	-		25,113	-	25,113
Utilities	25,830	-		7,848	-	33,678
Truck expense	24,032	-		-	-	24,032
Equipment rental	2,444	-		-	-	2,444
Insurance	-	-		33,228	-	33,228
Postage	-	-		15,346	-	15,346
Bad debts	-	-		5,541	-	5,541
Miscellaneous	-	-		10,601	-	10,601
Telephone	4,375	-		3,160	-	7,535
Dues and subscriptions	-	-		1,836	-	1,836
Loading station expense	302	-		-	-	302
Employee training and seminars	-	-		1,915	-	1,915
PSC assessment	-	-		2,929	-	2,929
Uniforms	-	-		3,513	-	3,513
Lab testing	5,584	-		-	-	5,584
Travel and meals expense	-	-		180	-	180
Expenses allocated to capital	(14,520)	-		-	-	(14,520)
	$ 558,640	$ 389,159	#	$ 397,596	$ 374,951	$ 1,720,346

SUMMERS, MCCRARY & SPARKS, P.S.C.
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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*

To the Board of Commissioners of
East Clark County Water District
Winchester, 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 East Clark County Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise East Clark County Water District's basic financial statements, and have issued our report thereon dated March 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Clark 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 East Clark County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Clark County Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Clark County Water District's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

Summers, McCrary & Sparks, PSC

Winchester, KY
March 31, 2023