

**HARDIN COUNTY WATER DISTRICT No. 1
Radcliff, Kentucky**

**FINANCIAL STATEMENTS
December 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hardin County Water District No. 1
Radcliff, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund of the Hardin County Water District No. 1, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Hardin County Water District No. 1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Hardin County Water District No. 1, as of December 31, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hardin County Water District No. 1, 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.

Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 62, Paragraphs 476-500, *Regulated Operations*. Our opinions are not modified with respect to this matter.

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 Hardin County Water District No. 1'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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Water District No. 1'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 Hardin County Water District No. 1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB schedules on pages 4–6 and 28–33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hardin County Water District No. 1's basic financial statements. The budgetary comparison schedules and the combining statements of net position, revenues, expenses, and changes in net position and cash flows, 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. In our opinion, the budgetary comparison schedules and the combining statements of net position, revenues, expenses and changes in net position and cash flows 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 24, 2023, on our consideration of the Hardin County Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hardin County Water District No. 1'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 Hardin County Water District No. 1's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
March 24, 2023

Hardin County Water District No. 1

Serving Hardin County Since 1952

1400 Rogersville Road
Radcliff, KY. 40160

March 24, 2023

TO: Hardin County Water District No. 1
Board of Commissioners

SUBJECT: 2022 Annual Report & Management's Discussion and Analysis

This report is a joint effort of our staff and RFH, PLLC, Certified Public Accountants. For the eighteenth year, we have retained RFH to complete our annual audit. This report includes the Management Discussion & Analysis, the Independent Auditor's Report, the basic financial statements of the District and related supplemental information and audit notes.

I would like to recognize the contribution of our Finance & Accounting Manager, Mr. Scott Schmuck, CGFM, Ms. Jessica Warren (Accountant), Ms. Sara O'Bryant (Accounting Specialist) and Ms. Megan Probst (Accounting Specialist) for their work assisting the auditors in preparing this information. Mr. Jordan U'Wren, CPA was the lead auditor for the firm and field staff to complete the audit.

Financial Performance & Highlights

Consolidated Financial Performance: The financial reports include statements for five distinct enterprise utility funds: County Water, Ft. Knox Water, Ft. Knox Sanitary Sewer, Ft. Knox Storm Sewer and Radcliff Sanitary Sewer. Overall consolidated financial highlights of the year are reviewed first, followed with more specific key items by utility.

For the year, gross plant assets increased by \$5,560,553. Total net position increased by \$2,495,035 (+1.67%) ([percent changes in parentheses represent change from 2021]). Total revenues, including interest income, decreased by (-\$728,392) or (-3.88%) compared to 2021. This decrease is mainly attributable to less FK Water Wholesale revenues in the County Water fund as the MWTP came on line along with losing funding for running two water treatment plants (CWTP) in the FK Water fund. Operating income before depreciation was \$6,836,104 (+ 4.77%) and operating income after depreciation (gross of non-operating income and expenses) was \$2,111,715. This operating income is mainly due to decreased expenses as less water was purchased throughout the year as the MWTP began operations as well as less Pension Expense as the Kentucky Public Pensions Authority had a slight decrease in the employer contribution rate effective July 1, 2022 instead of its normal 12% increase per HB 362. Total Net Income was \$1,886,808. Total net position at the end of the year was \$152,030,169 (+ 1.67%).

Cash used for capital construction was \$7,078,209 (- 59.2%), of which 0.39% was provided by government grants. At year-end, consolidated outstanding debt principal was \$2,706,000 (- 21.9%). Total working capital (unrestricted cash + investments) at year-end decreased by (-1.24%) to \$20,994,402. Of all reserves (cash + investments), 93.8% were unrestricted and available as working capital for capital construction or operations.

Individual Fund Highlights:

County Water: Total operating expenses (excluding debt interest and depreciation) were (+28.2%) or (+\$1,029,202) more than budgeted as a result of purchasing more water to supplement FK Water needs as the MWTP began operation much later than anticipated. Revenues were (-14.1%) less than budgeted due to the Rural Development Loan Rate Adjustment (RD2) not finalized as planned. This was originally budgeted to begin April 2022. Net income/(loss) after depreciation and interest expense was (-\$2,271,530) less than budgeted due to buying more water than anticipated and RD2 rate adjustment not implemented as planned. Water sales decreased by (-9.90%) from 2021 and total net position decreased by (-0.32%). The bond coverage ratio was 2.99 (- 31.4% from 2021) which exceeds the required 1.20.

Ft. Knox Water: Total operating revenues were \$4,194,505 (- 6.32%) including interest income. Operating income before depreciation was +\$1,486,323. Net income after depreciation and amortized expenses was (+\$867,718) mainly due to a decrease in the employer contribution rate from the Kentucky Retirement System. Net position at year-end was \$39,974,933 (+2.24%) and construction in progress was valued at \$19,985,340. Working capital and cash available for capital construction was \$1,101,468 (- 58.2%) due to contractor payments for the MWTP and two water tanks construction.

Ft. Knox Sewer (Sanitary and Storm): Total operating revenues including interest income increased by + 3.60%. Total operating income, before depreciation expense was \$2,149,732 (- 1.29%). Total net position increased by 2.45%. Total expended for construction was \$856,373. At the beginning of 2023, the fund had a balance of \$9,009,979 (+1.79%) available for construction projects and capital improvements.

Radcliff Sewer: Total revenues (including interest income) were \$4,131,625 (+ 2.14%). This increase is attributable to rising interest rates on investments. Total operating expenses (excluding depreciation) were (-7.9%) less than budgeted. This is due to a decrease in the employer contribution rate from the Kentucky Retirement System. Total net position increased 2.03% to \$38,636,234 and at year-end we had construction in progress assets of \$537,776. Of the \$1,083,568 expended for construction, 43.1% was contributed capital. At year-end, the total cash & investment reserve balance was \$8,552,569 (+15.98%) of which 100% was unrestricted and available for capital construction or operations. The fund had net operating income before depreciation and debt interest of \$1,702,167 (- 2.41%) with a net income of \$302,260.

Operational Changes & Statistics

During 2022, a total of 1,280 MG (million gallons) of potable water was treated (+ 20.9%) and a total of 672.4 MG was purchased for resale (- 16.6%). Total water delivered to customers (County and Ft. Knox combined) was 1,813 MG (- 1.7%). The maximum demand day was 8.02 MG (- 6.1%) and occurred on 26-Dec. The average daily water demand for the year was 4.97 MG (- 1.6%). A total of 43 new water services were installed. Wholesale customers purchased 896.2 MG (- 32.4%), which was equivalent to 70% of total water produced and purchased volume.

The two wastewater treatment plants (Ft. Knox and Radcliff) treated 1,401 MG (- 8.92%). This resulted in an average daily flow of clean, recycled water into streams of 3.84 MG. The maximum day treated was 15.5 MG and occurred on 1-Jan.

Other Significant Projects / Changes:

County Water System

Design is complete for a fourth filter construction at Pirtle Spring Water Treatment Plant with construction completion to occur in April 2023.

Rehabilitation of the Grey Lane raw water pump station and construction of the Brizendine Booster Station are in progress. These projects are expected to be completed in the second quarter of 2024.

Fort Knox Water System

The District has been in contract with the U.S. Government for water system ownership and operations since 2012. An Initial System Deficiency Correction (ISDC) project list was part of the original contract. The District has been working towards the completion of the Revised ISDC Projects with the Defense Logistics Agency Energy (DLA). An amendment to the project list was executed on August 10, 2016, thereby setting a proposed project completion date of August 10, 2019. The majority of the amendment is related to the construction of two new 1.5-million-gallon elevated water storage tanks and major improvements and complete renovation to the Muldraugh Water Treatment Plant (WTP).

Construction of the two tanks and the Muldraugh WTP Rehabilitation are complete and in service for the District.

The additional ISDC projects to follow are the demolition of the six existing elevated water storage tanks. The projects are delayed until additional funding is provided by the Government. The surplus of District funds provided by the Government were expended due to cost escalation in commodity prices and delays in construction through the COVID years along with an unforeseen change in scope of the rehabilitation once construction started. The District is in negotiation with the Government for cost recovery in the form of a Request for Equitable Adjustment (REA).

Sincerely,



Mr. Stephen M. Hogan
General Manager



Mr. Scott Schmuck, CGFM
Finance & Accounting Manager

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF NET POSITION
December 31, 2022

	<u>Water</u> <u>Total</u>	<u>Sewer</u> <u>Total</u>	<u>Storm</u> <u>Water</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,557,634	\$ 14,883,726	\$ 1,763,902	\$ 19,205,262
Investments	874,220	522,516	392,404	1,789,140
Customer accounts receivable, net	617,629	711,508	79,628	1,408,765
Interest receivable	6,066	2,614	1,962	10,642
Other accounts receivable	20,740	-	-	20,740
Note receivable - current	8,290	-	-	8,290
Lease receivable - current	40,164	-	-	40,164
Due to (from) other funds	(1,226,467)	1,213,498	12,969	-
Inventory - materials and supplies	429,435	9,345	-	438,780
Current portion of interfund receivable (payable)	(435,308)	435,308	-	-
Prepaid expenses	108,621	32,564	1,508	142,693
Total current assets	<u>3,001,024</u>	<u>17,811,079</u>	<u>2,252,373</u>	<u>23,064,476</u>
Non-current assets				
Lease receivable	246,189	-	-	246,189
Interfund receivable (payable)	(693,703)	693,703	-	-
Restricted investments - reserve funds	1,428,739	-	-	1,428,739
Unamortized acquisition costs	-	111,099	-	111,099
Regulatory asset - CERS Pension	6,060,228	4,052,420	-	10,112,648
Regulatory asset - CERS OPEB	1,701,635	1,137,867	-	2,839,502
Total non-current assets	<u>8,743,088</u>	<u>5,995,089</u>	<u>-</u>	<u>14,738,177</u>
Capital assets				
Land and easements	338,807	9,544	-	348,351
Construction in progress	20,784,671	835,423	47,330	21,667,424
Plant and lines	76,385,964	143,031,066	7,126,648	226,543,678
Vehicles and equipment	8,225,105	4,332,930	161,922	12,719,957
Leased equipment	42,311	8,059	-	50,370
Total capital assets	105,776,858	148,217,022	7,335,900	261,329,780
Less: accumulated depreciation and amortization	<u>(29,240,868)</u>	<u>(96,017,990)</u>	<u>(1,215,317)</u>	<u>(126,474,175)</u>
Total capital assets, net	<u>76,535,990</u>	<u>52,199,032</u>	<u>6,120,583</u>	<u>134,855,605</u>
Total assets	<u>88,280,102</u>	<u>76,005,200</u>	<u>8,372,956</u>	<u>172,658,258</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	505,426	337,974	-	843,400
Deferred outflows of resources - OPEB	720,738	481,952	-	1,202,690
Total deferred outflows of resources	<u>1,226,164</u>	<u>819,926</u>	<u>-</u>	<u>2,046,090</u>
Total assets and deferred outflows of resources	<u>\$ 89,506,266</u>	<u>\$ 76,825,126</u>	<u>\$ 8,372,956</u>	<u>\$ 174,704,348</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 763,700	\$ 120,044	\$ -	\$ 883,744
Accrued expenses	144,947	109,810	1,014	255,771
Unearned revenue	29,916	-	-	29,916
Customers' deposits	214,595	214,612	-	429,207
Line of credit	2,707,013	-	-	2,707,013
Current portion of lease liability	10,651	2,029	-	12,680
Reserve for unclaimed funds - escheatment	14,408	-	-	14,408
Liabilities payable from restricted assets:				
Current portion of long-term debt	495,000	-	-	495,000
Accrued interest on long-term debt	27,011	-	-	27,011
Total current liabilities	<u>4,407,241</u>	<u>446,495</u>	<u>1,014</u>	<u>4,854,750</u>
Long-term liabilities				
Compensated absences	247,634	59,808	-	307,442
Lease liability	13,771	2,623	-	16,394
Bonds payable	2,211,000	-	-	2,211,000
Net pension liability	6,109,538	4,085,394	-	10,194,932
Net OPEB liability	1,667,614	1,115,119	-	2,782,733
Total long-term liabilities	<u>10,249,557</u>	<u>5,262,944</u>	<u>-</u>	<u>15,512,501</u>
Total liabilities	<u>14,656,798</u>	<u>5,709,439</u>	<u>1,014</u>	<u>20,367,251</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	456,116	305,000	-	761,116
Deferred inflows of resources - OPEB	754,759	504,700	-	1,259,459
Deferred inflows of resources - leases	286,353	-	-	286,353
Total deferred inflows of resources	<u>1,497,228</u>	<u>809,700</u>	<u>-</u>	<u>2,306,928</u>
NET POSITION				
Net investment in capital assets	71,098,555	52,194,380	6,120,583	129,413,518
Restricted	1,428,739	-	-	1,428,739
Unrestricted	824,946	18,111,607	2,251,359	21,187,912
Total net position	<u>73,352,240</u>	<u>70,305,987</u>	<u>8,371,942</u>	<u>152,030,169</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 89,506,266</u>	<u>\$ 76,825,126</u>	<u>\$ 8,372,956</u>	<u>\$ 174,704,348</u>

The accompanying notes are an integral
part of the financial statements.

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2022

	Water Total	Sewer Total	Storm Water	Total
OPERATING REVENUE				
Metered water sales	\$ 7,749,817	\$ -	\$ -	\$ 7,749,817
Wholesale sales	2,113,122	-	-	2,113,122
Sewer billing contract revenue	94,478	-	-	94,478
Sewer service revenue	-	6,652,071	-	6,652,071
Stormwater service revenue	-	-	477,792	477,792
Penalties, service fees and reimbursements	391,654	238,912	-	630,566
Total operating revenue	10,349,071	6,890,983	477,792	17,717,846
OPERATING EXPENSES				
Treatment	1,740,330	1,262,272	-	3,002,602
Transmission and distribution	1,850,195	1,195,229	43,292	3,088,716
Customer service	331,998	641,038	762	973,798
General and administrative expenses	1,791,397	276,914	-	2,068,311
Purchased water	1,565,890	-	-	1,565,890
General maintenance	67,976	64,063	-	132,039
Source of supply	17,080	-	-	17,080
Stormwater	-	-	33,306	33,306
Total operating expense	7,364,866	3,439,516	77,360	10,881,742
Operating income before depreciation and amortization	2,984,205	3,451,467	400,432	6,836,104
Depreciation and amortization expense	(1,968,969)	(2,605,836)	(149,584)	(4,724,389)
OPERATING INCOME (LOSS)	1,015,236	845,631	250,848	2,111,715
Non-operating income (expenses)				
Interest income	61,754	249,592	31,809	343,155
Interest expense	(189,236)	(1,335)	-	(190,571)
Gain (loss) on disposal of equipment	(246,120)	(131,599)	228	(377,491)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	641,634	962,289	282,885	1,886,808
Capital contributions				
Tap fees	76,507	-	-	76,507
Customer contributions	51,849	479,871	-	531,720
CHANGE IN NET POSITION	769,990	1,442,160	282,885	2,495,035
Net position, beginning of year, as restated	72,582,250	68,863,827	8,089,057	149,535,134
NET POSITION, END OF YEAR	\$ 73,352,240	\$ 70,305,987	\$ 8,371,942	\$ 152,030,169

The accompanying notes are an integral
part of the financial statements.

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF CASH FLOWS
for the year ended December 31, 2022

	Water Total	Sewer Total	Storm Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,574,779	\$ 6,667,620	\$ 437,977	\$ 17,680,376
Payments to suppliers	(6,371,676)	(1,744,892)	(77,384)	(8,193,952)
Payments for employee services and benefits	<u>(2,567,968)</u>	<u>(1,696,934)</u>	<u>-</u>	<u>(4,264,902)</u>
Net cash provided by operating activities	<u>1,635,135</u>	<u>3,225,794</u>	<u>360,593</u>	<u>5,221,522</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Receipts (payments) on interfund loans	<u>1,096,232</u>	<u>(1,178,289)</u>	<u>82,057</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>1,096,232</u>	<u>(1,178,289)</u>	<u>82,057</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	(760,000)	-	-	(760,000)
Line of credit proceeds	2,004,665	-	-	2,004,665
Payments on line of credit	(520,000)	-	-	(520,000)
Payments on leased equipment	(11,239)	(2,141)	-	(13,380)
Interest paid	(172,786)	(1,163)	-	(173,949)
Contributions in aid of construction	85,529	481,647	-	567,176
Grants received	27,808	-	-	27,808
Proceeds from sale of equipment	20,279	28,708	621	49,608
Acquisition and construction of capital assets	<u>(5,138,268)</u>	<u>(1,888,766)</u>	<u>(51,175)</u>	<u>(7,078,209)</u>
Net cash (used in) capital and related financing activities	<u>(4,464,012)</u>	<u>(1,381,715)</u>	<u>(50,554)</u>	<u>(5,896,281)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	57,435	248,020	30,628	336,083
Redemption of investments	860,404	517,761	388,833	1,766,998
Purchase of investments	<u>(792,907)</u>	<u>(522,516)</u>	<u>(392,404)</u>	<u>(1,707,827)</u>
Net cash provided by investing activities	<u>124,932</u>	<u>243,265</u>	<u>27,057</u>	<u>395,254</u>
NET INCREASE (DECREASE) IN CASH	(1,607,713)	909,055	419,153	(279,505)
Cash and cash equivalents, beginning of year	<u>4,165,347</u>	<u>13,974,671</u>	<u>1,344,749</u>	<u>19,484,767</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,557,634</u>	<u>\$ 14,883,726</u>	<u>\$ 1,763,902</u>	<u>\$ 19,205,262</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 1,015,236	\$ 845,631	\$ 250,848	\$ 2,111,715
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	1,968,969	2,605,836	149,584	4,724,389
Change in assets and liabilities:				
Accounts receivable	227,450	(223,363)	(39,815)	(35,728)
Notes receivable	8,250	-	-	8,250
Prepaid expenses	(19,223)	(125)	(319)	(19,667)
Inventory	(97,397)	1,078	-	(96,319)
Accounts payable	(1,494,395)	(67,848)	295	(1,561,948)
Unearned revenue	(9,992)	-	-	(9,992)
Accrued expenses	6,358	59,759	-	66,117
Compensated absences	31,077	12,145	-	43,222
Other payables	<u>(1,198)</u>	<u>(7,319)</u>	<u>-</u>	<u>(8,517)</u>
Net cash provided by operating activities	<u>\$ 1,635,135</u>	<u>\$ 3,225,794</u>	<u>\$ 360,593</u>	<u>\$ 5,221,522</u>
Schedule of non-cash capital and financing activities:				
Capital asset additions included in accounts payable, net	<u>\$ (427,076)</u>	<u>\$ (336,399)</u>	<u>\$ -</u>	<u>\$ (763,475)</u>

The accompanying notes are an integral part of the financial statements

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hardin County Water District No. 1 (the District) is organized pursuant to provision of Chapter 74 of the Kentucky Revised Statutes in order to provide a water supply for citizens and residents of Radcliff, Kentucky and parts of Hardin, Meade, and Breckinridge Counties. The District also provides water, sanitary and storm water services to the Fort Knox Army Post adjacent to Radcliff. The District is regulated by the Kentucky Public Service Commission.

Reporting Entity

Hardin County Water District No. 1's financial statements include the operations of all entities for which the District exercises oversight responsibilities. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The only entity included in these financial statements are the general operations of Hardin County Water District No. 1.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

The District reports all revenue and expenses as operating, except interest income and expense, gains and losses on asset sales or disposals and capital contributions.

Fund Accounting

The District reports three major funds: Water, Sewer and Storm Water. The Water Fund consists of the County Water and Ft. Knox Water operations. The Sewer Fund consists of the Ft. Knox Sewer and Radcliff Sewer operations. The Storm Water Fund consists of the Ft. Knox Storm Water operations.

Accounts Receivable

The County Water and Radcliff Sewer Funds' accounts receivable are net of an allowance for uncollectible accounts of \$53,518 and \$48,744 at December 31, 2022, respectively. The allowance is increased by charges to bad debts and decreased by write-offs. Management's periodic evaluation of the adequacy of the allowance is based on the District's aged accounts receivable balances. The Ft. Knox Water Fund, both sewer funds and the Storm Water Fund do not carry an allowance for doubtful accounts based upon historical experience.

Pension and OPEB

For purposes of measuring the net pension and OPEB liabilities, deferred outflows/inflows of resources, and regulatory assets, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS except that CERS's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Assets

The District's rates are regulated by the Kentucky Public Service Commission. In accordance with GASB Statement No. 62, Paragraphs 476-500, *Regulated Operations*, which requires that the effects of the rate-making process be recorded in the financial statements, the District has elected to record a regulatory asset for the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB. Accordingly, the District recognizes the actuarially determined contribution as the current year pension and OPEB expense. The District, adopted GASB 62, Paragraphs 476-500, *Regulated Operations* during the fiscal year ending December 31, 2022. These changes were incorporated in the District's December 31, 2022, financial statements. See Note 14 for the effect on the beginning net position of the District and the resulting restatement.

Interfund Transactions

The asset "due from other funds" and the liability "due to other funds" represent short-term amounts transferred between the funds owed for personnel and other operating and non-operating expenses. The "due to" and "due from" are offset in the statement of net position.

The asset "interfund receivable" and the liability "interfund payable" represent long-term interfund obligations. The "receivable" and "payable" are offset in the statement of net position.

Inventory

The Water Fund's inventory is composed of chemicals, equipment and supply-type items used for routine maintenance and repairs and new water lines. The Sewer Fund's inventory consists of chemicals. The inventory is stated at the lower of cost (first-in, first-out method) or market.

Restricted Assets

The Water Fund's restricted assets consist of certificates of deposit and non-interest-bearing accounts.

When both restricted and unrestricted resources are available for use, the District's Board of Commissioners makes a determination as to which resource should first be used.

Investments

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and District regulations governing the investment of public funds. As of December 31, 2022, all investments of the District were in certificates of deposit or bank accounts restricted for debt service and were valued at cost.

Capital Assets

The Water, Sewer and Storm Water Funds' property and equipment assets are recorded at cost or, if contributed, at donor cost or appraised value at date of acquisition. Depreciation is computed by the straight-line method based on the estimated useful life of the depreciable property. Plant and lines are capitalized with lives ranging from 5-65 years and vehicles and equipment are capitalized with lives ranging from 5-35 years. Land is not subject to depreciation. Expenditures for maintenance and repairs are charged to expense as incurred whereas expenditures, including associated labor, for installation, renewals or betterments are generally capitalized.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

The Sewer Fund's City of Radcliff sewer acquisition costs are being amortized using the straight-line method over a period of twenty-five years. The costs are being amortized in the Radcliff Sewer Fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Investments classified as restricted assets are not included as cash and cash equivalents. Short-term certificates of deposit mature during the upcoming year, but do not meet the definition of a cash equivalent and therefore, are not classified as such.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation benefits up to a maximum of 240 hours, which are eligible for payment upon separation. Vested or accumulated vacation leave is reported as an expense and a liability of the fund that will pay it. Earned but unused sick leave may be accumulated up to a maximum of 960 hours. Up to 25% of accumulated sick leave hours may be eligible for payment upon separation, depending on years of service. Vested or accumulated sick leave is reported as an expense and a liability of the fund that will pay it.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

New Authoritative Accounting Guidance Pending Adoption

The Governmental Accounting Standards Board (GASB) issued Statement No. 96 *Subscription-Based Information Technology Arrangements* which requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Under this statement, government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* will be effective for governmental entities with fiscal years beginning after June 15, 2022. At this time, the District has not determined the impact of this update on its financial statements.

Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through March 24, 2023, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2022, have not been evaluated by the District.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The majority of the District's deposits and investments at December 31, 2022, were covered by federal depository insurance or by collateral held by the custodial banks in the District's name. At December 31, 2022, the District had \$22,879,710 in banks, of which \$1,598,099 was uncollateralized. The entire uncollateralized balance consisted of certificates of deposit held at a single financial institution which is rated in one of the three highest categories by a nationally recognized rating agency.

The following is a detail of the District's deposit coverage at December 31, 2022:

FDIC insured (or equivalent)	\$ 753,086
Collateralized by securities held by the bank in the District's name	20,527,985
Uncollateralized certificates of deposit	<u>1,598,099</u>
Total cash and investments in banks	<u>\$ 22,879,170</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments are classified as follows as of December 31, 2022:

Unrestricted:	
Cash and cash equivalents:	
Revenue fund	\$ 19,200,477
Other	<u>4,785</u>
	19,205,262
Short-term investments:	
Certificates of deposit	<u>1,789,140</u>
Total unrestricted	<u>20,994,402</u>
Restricted:	
Long-term reserved funds:	
2016 Sinking fund interest	8,188
2016 Sinking fund principal	158,334
2016 Debt service reserve	419,606
2016 Depreciation fund	761,388
2019 RD Sinking fund	37,339
2019 RD Depreciation reserve	58,959
2017 Bond construction account	<u>(15,075)</u>
Total restricted	<u>1,428,739</u>
Total reported cash and investments	<u>\$ 22,423,141</u>

3. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

During 2019, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. Based on the status of existing lease agreements with Sprint and T-Mobile as of January 1, 2019, the District recognized both a lease receivable and a deferred inflow of resources related to various cell phone tower lease agreements totaling \$610,589. Each lease agreement has an initial term of five years, with various five-year renewal options at the option of the lessee. The District has calculated the present value of future lease payments based on an incremental borrowing rate of 3%. At December 31, 2022, the District reassessed the present value of future lease payments due to modified lease terms for the agreements with Sprint, which are terminating effective May 27, 2023 and May 27, 2024. The present value of expected future minimum leases payments are as follows:

Calendar Year	Principal	Interest	Total
2023	\$ 40,164	\$ 1,816	\$ 41,980
2024	28,223	734	28,957
2025	18,708	1,098	19,806
2026	18,586	2,497	21,083
2027	19,151	1,932	21,083
2028-2032	102,158	8,177	110,335
2033-2035	<u>59,363</u>	<u>2,480</u>	<u>61,843</u>
Total	<u>\$ 286,353</u>	<u>\$ 18,734</u>	<u>\$ 305,087</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

4. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

Additionally, the District recognized deferred inflows of resources related to the above leases that totaled \$286,353 as of December 31, 2022. The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2022, the District recognized \$2,285 of interest revenue and \$53,570 of lease revenue from the lease agreements.

4. CAPITAL ASSETS

A summary of capital asset activity during the year follows:

	Balance				Balance
	Jan. 1, 2022	Additions	Retirements		Dec. 31, 2022
Capital assets not depreciated:					
Land and easements	\$ 348,351	\$ -	\$ -		\$ 348,351
Construction in process	27,451,793	5,306,706	(11,091,075)		21,667,424
Capital assets that are depreciated:					
Plant and lines	217,071,695	10,081,669	(609,686)		226,543,678
Vehicles and equipment	10,847,018	2,017,455	(144,516)		12,719,957
Leased equipment	<u>50,370</u>	<u>-</u>	<u>-</u>		<u>50,370</u>
Total plant and equipment	255,769,227	17,405,830	(11,845,277)		261,329,780
Less: accumulated amortization	9,444	12,593	-		22,037
Less: accumulated depreciation	<u>122,076,526</u>	<u>4,702,697</u>	<u>(327,085)</u>		<u>126,452,138</u>
Capital assets, net	<u>\$ 133,683,257</u>	<u>\$ 12,690,540</u>	<u>\$ (11,518,192)</u>		<u>\$ 134,855,605</u>

Depreciation and amortization expense for all combined funds totaled \$4,724,389 for the year ended December 31, 2022.

5. LONG-TERM LIABILITIES

Publicly issued bonds payable

Some of the construction costs of the District's water and sewer facilities have been financed by issuance of revenue bonds and revolving notes authorized under Kentucky Revised Statutes.

Bonds payable of the County Water Fund consist of the following at December 31, 2022:

2017 Revenue bonds, various semi-annual principal, and interest payments at 2.75% through January 1, 2059, secured by the revenues of the District.	\$ 1,261,000
2016 Revenue bonds, various semi-annual principal, and interest payments at 1.4% - 1.7% through September 1, 2025, secured by the revenues of the District.	<u>1,445,000</u>
Total debt	2,706,000
Less: current portion	<u>495,000</u>
Total long-term debt	<u>\$ 2,211,000</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

5. LONG-TERM LIABILITIES (CONTINUED)

Debt maturities for the County Water Fund are as follows:

Calendar Year	Principal	Interest	Total
2023	\$ 495,000	\$ 58,968	\$ 553,968
2024	500,500	50,336	550,836
2025	511,000	41,605	552,605
2026	22,000	32,684	54,684
2027	22,500	32,072	54,572
2028-2032	121,500	150,638	272,138
2033-2037	139,500	132,722	272,222
2038-2042	159,000	112,228	271,228
2043-2047	182,500	88,791	271,291
2048-2052	209,000	61,915	270,915
2053-2057	239,500	31,109	270,609
2058-2059	<u>104,000</u>	<u>2,859</u>	<u>106,859</u>
	<u>\$ 2,706,000</u>	<u>\$ 795,927</u>	<u>\$ 3,501,927</u>

Lease liability – office phones

During 2021, the District entered into a lease agreement for office phones. The District recorded a leased equipment asset and a related lease liability for the office phones totaling \$50,370. Payments on the lease will be made over a period of four years. The liability and related leased equipment asset have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 3%.

Amortization expense for the office phones during 2022 totaled \$12,593.

The annual principal and interest requirements to maturity for the lease liability is as follows:

Calendar Year	Principal	Interest	Total
2023	\$ 12,680	\$ 700	\$ 13,380
2024	13,067	313	13,380
2025	<u>3,327</u>	<u>17</u>	<u>3,344</u>
	<u>\$ 29,074</u>	<u>\$ 1,030</u>	<u>\$ 30,104</u>

Changes in long-term liabilities for the District are as follows:

	Balance Jan. 1, 2022	Additions	Retirements	Balance Dec. 31, 2022	Due within one year
Publicly issued bonds	\$ 3,466,000	\$ -	\$ (760,000)	\$ 2,706,000	\$ 495,000
Lease liability	41,380	-	(12,306)	29,074	12,680
Net pension liability	9,929,646	265,286	-	10,194,932	-
Net OPEB liability	2,980,875	-	(198,142)	2,782,733	-
Compensated absences	<u>264,220</u>	<u>43,222</u>	<u>-</u>	<u>307,442</u>	<u>-</u>
Total long-term liabilities	<u>\$ 16,682,121</u>	<u>\$ 308,508</u>	<u>\$ (970,448)</u>	<u>\$ 16,020,181</u>	<u>\$ 507,680</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

6. COMPLIANCE WITH BOND INDENTURE

Under covenants of the bond ordinance, certain funds have been established. These funds and their current financial requirements are presented in summary as follows:

Sinking Funds – There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2016 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2016 issue as of December 31, 2022, was \$166,522. There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2017 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2017 issue as of December 31, 2022, was \$37,339.

Debt Service Reserve Funds – A fund was established with the 2016 revenue bond issue and is required to have an amount equal to the lesser of: 10% of the proceeds of the bond issue, the maximum annual debt service of the bond issue, or 125% of the average annual debt service of the issue. The amount required to be held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2022, was \$416,500. The amount held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2022, was \$419,606. Additionally, a fund was established for the 2017 bond issue and is required to deposit \$470 a month until the account reaches \$56,400. The amount held in the Debt Service Reserve Fund for the 2017 bond issue as of December 31, 2022, was \$58,959.

Depreciation Fund – This fund receives \$8,500 monthly after the above transfers have been made until the total sum of \$750,000 has been established and maintained. This fund also receives the proceeds from the sale of any property and equipment. This fund may be used to purchase new or replacement property and equipment. Monies from this account are held by the bond custodian. At December 31, 2022, the District was fully funded with a balance of \$761,388.

Operating and Maintenance Fund – This fund receives, on a monthly basis, the remaining balance in the Revenue Fund after the above transfers have been made. This fund is used to pay operating expenditures. Any surplus left, after operating expenses have been met, may be added to the Debt Service Reserve.

The bond ordinance calls for “net annual revenues” to exceed the maximum annual debt requirements of fixed rate bonds by 1.20 for the Water Fund. For the year ended December 31, 2022, the Water Fund ratio was 2.99.

7. LINE OF CREDIT

During 2016, the District opened up a line of credit at a local bank with a limit of \$5,000,000 that bears interest at a variable rate determined by the Wall Street Journal Prime Rate which can change daily, not to decrease below the initial interest rate of 3.25% at the time of renewal. The line of credit was opened to provide short-term financing for various projects taken on by the District and is expected to be paid down shortly after each draw is taken. The line of credit was renewed in September 2021 and matures in September 2023. The entire balance of the line of credit as of December 31, 2022, is considered short-term debt.

Activity for the line of credit during the year is as follows:

	Balance			Balance
	Jan. 1, 2022	Additions	Payments	Dec. 31, 2022
Line of credit	<u>\$ 1,222,348</u>	<u>\$2,004,665</u>	<u>\$ (520,000)</u>	<u>\$ 2,707,013</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the district also carries commercial insurance for all other risks of loss such as worker's compensation and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

9. RETIREMENT PLAN

Hardin County Water District No. 1 is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended December 31, 2022, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended December 31, 2022, participating employers contributed 26.95% through June 30th and 26.79% thereafter, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 10. For the year ended December 31, 2022, plan members contributed 22.78% through June 30th and 23.40% thereafter to the pension for non-hazardous job classifications. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

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 in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended December 31, 2022, the District contributed \$921,069 or 100% of the required contribution for non-hazardous job classifications.

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

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

9. RETIREMENT PLAN (CONTINUED)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 1 month of service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2022, the District reported a liability of \$10,194,932 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the District's proportion was .141028 percent, which was a decrease of .014712 percent from its proportion measured as of June 30, 2021.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

9. RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2022, the District would have recognized pension expense of \$789,986; However, this expense was offset by increasing a regulatory asset described further in Note 11. During 2022, the District recognized the actuarially determined contribution of \$921,069 as the current year pension expense. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 10,900	\$ 90,790
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	261,361	-
Changes in proportion and differences between District contributions and proportionate share of contributions	99,101	670,326
District contributions subsequent to the measurement date	472,038	-
Total	\$ 843,400	\$ 761,116

The \$472,038 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2023	\$ (283,265)
2024	\$ (310,433)
2025	\$ (85,672)
2026	\$ 289,616

Actuarial Assumptions – The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation

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

The actuarial assumption used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

9. RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining closed 29-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	\$ 12,742,402
Current discount rate	6.25%	\$ 10,194,932
1% increase	7.25%	\$ 8,087,965

Payable to the Pension Plan – The District reported a payable of \$108,936 as of December 31, 2022, for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the District participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2022, the employer’s contribution was 4.17% through June 30th and 3.39% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended December 31, 2022, the District contributed \$150,583 or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

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

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2022, the District reported a liability for its proportionate share of the net OPEB liability of \$2,782,733. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2022 was .141004 percent, which was an increase of .014701 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the District would have recognized OPEB expense of \$468,509; However, this expense was offset by increasing a regulatory asset described further in Note 11. During 2022, the District recognized the actuarially determined contribution of \$150,583 as the current year pension expense. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 280,105	\$ 638,145
Changes of assumptions	440,109	362,647
Net difference between projected and actual earnings on Plan investments	112,945	-
Changes in proportion and differences between District contributions and proportionate share of contributions	200,818	258,667
District contributions subsequent to the measurement date	168,713	-
Total	\$ 1,202,690	\$ 1,259,459

The \$168,713 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2023. This includes an adjustment of \$100,329 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending December 31,	
2023	\$ 41,115
2024	\$ (18,665)
2025	\$ (209,842)
2026	\$ (38,090)

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions – The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30 to 10.30%, varies by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65	Initial trend starting at 9.00% in January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

The actuarial assumption used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.58%

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022, was 5.70%, for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2022, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate		Proportionate share of net OPEB liability
1% decrease	4.70%	\$	3,720,070
Current discount rate	5.70%	\$	2,782,733
1% increase	6.70%	\$	2,007,867

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the District’s proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability
1% decrease	\$ 2,068,900
Current trend rate	\$ 2,782,733
1% increase	\$ 3,639,912

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

11. ACCOUNTING FOR THE EFFECTS OF RATE REGULATION

The District is subject to the provisions of GASB Statement No. 62 Paragraph 476-500, *Regulated Operations*, Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements. Paragraph 476-500, *Regulated Operations* recognizes the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulating entities. Accordingly, the District records these future economic benefits and obligations as regulatory assets and regulatory liabilities.

Regulatory assets represent probable future revenues associated with previously incurred costs that are expected to be recovered from customers. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be refunded to customers through the ratemaking process.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

11. ACCOUNTING FOR THE EFFECTS OF RATE REGULATION (CONTINUED)

In order for the District to apply the provisions of GASB Statement No. 62, Paragraph 476-500, *Regulated Operations*, it must meet the following three criteria:

1. The entities' rates for regulated services provided to its customers must be established by an independent third-party regulator or its own governing board empowered by a statute to establish rates that bind customers;
2. The regulated rates must be designed to recover the specific entities cost of providing the regulated services;
3. In view of the demand for the regulated services and the level of competition, it is reasonable to assume that the rates set at levels that will recover the entities' cost can be charged to and collected from customers.

Based on the District's management evaluation of the three criteria discussed above in relation to its operations, and the effects of competition on its ability to recover its costs, the District believes that GASB Statement No. 62 applies and has elected to apply the guidance to its pension and OPEB liabilities. The District believes these liabilities will be recovered through rates charged to customers in future periods. As of December 31, 2022, the District had regulatory assets of \$10,112,648 and \$2,839,502, which equates to the net impact of pension and OPEB expense on the balance sheet.

12. CONSTRUCTION COMMITMENTS

Initial System Deficiency Correction Project

The District has been in contract with the U.S. Government for water system ownership and operations since 2012. An Initial System Deficiency Correction (ISDC) project list was part of the original contract. The District has been working towards the completion of the Revised ISDC Projects with the Defense Logistics Agency Energy (DLA). An amendment to the project list was executed on August 10, 2016, thereby setting a proposed project completion date of August 10, 2019. The majority of the amendment is related to the construction of two new 1.5-million-gallon elevated water storage tanks and major improvements and complete renovation to the Muldraugh Water Treatment Plant (WTP).

Construction of the two tanks and the Muldraugh WTP Rehabilitation are complete and in service for the District.

The additional ISDC projects to follow completion of the Muldraugh WTP are the demolition of the six existing elevated water storage tanks. The projects are delayed until additional funding is provided by the Government. The surplus of District funds provided by the Government were expended due to cost escalation in commodity prices and delays in construction through the COVID years along with an unforeseen change in scope of the rehabilitation once construction started. The District is in negotiation with the Government for cost recovery in the form of a Request for Equitable Adjustment (REA).

13. COVID-19 PANDEMIC

Since early 2020, various restrictions have been placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The District is continuously evaluating the impact of COVID-19 and related responses on the operations and finances of the District. Restrictions placed on the District could negatively impact the District's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

14. RESTATEMENT OF NET POSITION

Implementation of GASB Statement No. 62

During 2022, the District implemented GASB Statement No. 62, Paragraphs 476-500, *Regulated Operations*, as described more fully in Note 1 and Note 11. The District had previously recorded pension expense for the District's change in proportionate share of net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB. Following the implementation of GASB 62, Paragraphs 476-500, the proportionate share of net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are offset by regulatory assets for pension and OPEB effective January 1, 2022, which resulted in a restatement of beginning net position as follows:

Water Funds	County Water	Ft. Knox Water	Water Total
Net position, beginning of year	\$ 29,075,986	\$ 35,821,218	\$ 64,897,204
Beginning regulatory asset - pension	3,535,442	2,628,259	6,163,701
Beginning regulatory asset - OPEB	<u>872,629</u>	<u>648,716</u>	<u>1,521,345</u>
Net position, beginning of year, as restated	<u>\$ 33,484,057</u>	<u>\$ 39,098,193</u>	<u>\$ 72,582,250</u>

Sewer Funds	Ft. Knox Sewer	Radcliff Sewer	Sewer Total
Net position, beginning of year	\$ 28,732,368	\$ 34,783,875	\$ 63,516,243
Beginning regulatory asset - pension	1,815,803	2,473,164	4,288,967
Beginning regulatory asset - OPEB	<u>448,182</u>	<u>610,435</u>	<u>1,058,617</u>
Net position, beginning of year, as restated	<u>\$ 30,996,353</u>	<u>\$ 37,867,474</u>	<u>\$ 68,863,827</u>

15. SUBSEQUENT EVENTS

In August 2022, the District was approved to receive a Rural Utilities Service loan by USDA Rural Development in the amount of \$995,000 at an interest rate of 2.25% to be paid over 40 years. The purpose of the loan is for improvements to a certain water treatment plant and raw water pump station. Total project costs are estimated to be \$2,157,500 and will be funded via the Rural Utilities Service loan, American Rescue Plan Act's State and Local Fiscal Recovery Fund grant proceeds awarded from Hardin County Fiscal Court in the amount of \$1,000,000, and reserves.

In September 2022, the District was awarded Kentucky Cleaner Water Program funds through the Kentucky Infrastructure Authority made available by American Rescue Plan Act's State and Local Fiscal Recovery Fund. The District was awarded \$205,000 for the sewer funds and \$1,000,000 for the water funds. The purpose of the grants is for construction of certain facilities and improvements to the District's water and sewer systems. As of December 31, 2022, the District had yet to receive or expend any of these funds.

REQUIRED SUPPLEMENTARY INFORMATION

**HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Nine Years**

Reporting Year End (Measurement Date)	December 31, 2014 (June 30, 2014)	December 31, 2015 (June 30, 2015)	December 31, 2016 (June 30, 2016)	December 31, 2017 (June 30, 2017)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)	December 31, 2022 (June 30, 2022)
District's proportion of the net pension liability	0.087998%	0.087805%	0.112389%	0.113469%	0.142783%	0.154218%	0.152133%	0.155740%	0.141028%
District's proportionate share of the net pension liability (asset)	\$ 2,855,000	\$ 3,775,211	\$ 5,533,595	\$ 6,641,690	\$ 8,695,921	\$ 10,846,221	\$ 11,668,472	\$ 9,929,646	\$ 10,194,932
District's covered employee payroll	\$ 2,018,811	\$ 2,045,178	\$ 2,675,993	\$ 2,758,851	\$ 3,538,859	\$ 3,890,025	\$ 3,896,779	\$ 4,015,112	\$ 3,948,607
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	141.42%	184.59%	206.79%	240.74%	245.73%	278.82%	299.44%	247.31%	258.19%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%

Notes:

The above schedule will present 10 years of historical data, once available.

HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS - PENSION
Last Ten Calendar Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 244,914	\$ 278,406	\$ 275,816	\$ 350,063	\$ 438,748	\$ 586,243	\$ 695,909	\$ 760,991	\$ 803,870	\$ 921,069
Contributions relative to contractually required employer contribution	<u>244,914</u>	<u>278,406</u>	<u>275,816</u>	<u>350,063</u>	<u>438,748</u>	<u>586,243</u>	<u>695,909</u>	<u>760,991</u>	<u>803,870</u>	<u>921,069</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered employee payroll	\$ 1,981,572	\$ 2,097,077	\$ 2,291,730	\$ 2,696,840	\$ 3,066,388	\$ 3,814,416	\$ 3,915,602	\$ 3,942,959	\$ 3,973,535	\$ 3,988,417
Employer contributions as a percentage of covered-employee payroll	12.36%	13.28%	12.04%	12.98%	14.31%	15.37%	17.77%	19.30%	20.23%	23.09%

**HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Seven Years**

Reporting Year End (Measurement Date)	December 31, 2016 (June 30, 2016)	December 31, 2017 (June 30, 2017)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)	December 31, 2022 (June 30, 2022)
District's proportion of the net OPEB liability	0.113469%	0.113469%	0.142777%	0.154177%	0.152089%	0.155704%	0.141004%
District's proportionate share of the net OPEB liability (asset)	\$ 1,789,239	\$ 2,281,115	\$ 2,534,975	\$ 2,593,205	\$ 3,672,487	\$ 2,980,875	\$ 2,782,733
District's covered employee payroll	\$ 2,675,993	\$ 2,758,851	\$ 3,538,859	\$ 3,890,025	\$ 3,896,779	\$ 4,015,112	\$ 3,948,607
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	66.86%	82.68%	71.63%	66.66%	94.24%	74.24%	70.47%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%

Notes:

The above schedule will present 10 years of historical data, once available.

HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS - OPEB
Last Ten Calendar Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 134,489	\$ 104,351	\$ 110,888	\$ 132,117	\$ 147,156	\$ 190,193	\$ 196,108	\$ 187,685	\$ 209,310	\$ 150,583
Contributions relative to contractually required employer contribution	<u>134,489</u>	<u>104,351</u>	<u>110,888</u>	<u>132,117</u>	<u>147,156</u>	<u>190,193</u>	<u>196,108</u>	<u>187,685</u>	<u>209,310</u>	<u>150,583</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered employee payroll	\$ 1,981,572	\$ 2,097,077	\$ 2,291,730	\$ 2,696,840	\$ 3,066,388	\$ 3,814,416	\$ 3,915,602	\$ 3,942,959	\$ 3,973,535	\$ 3,988,417
Employer contributions as a percentage of covered-employee payroll	6.79%	4.98%	4.84%	4.90%	4.80%	4.99%	5.01%	4.76%	5.27%	3.78%

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Contributions - Pensions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of Contributions - OPEB.

Payroll

The District's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Proportionate Share of the Net OPEB Liability is for the corresponding measurement date of the net liabilities and differs from the District's calendar year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

December 31, 2022 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

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

December 31, 2021 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

December 31, 2020 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023.

December 31, 2019 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

December 31, 2018 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

2. CHANGES OF ASSUMPTIONS (CONTINUED)

December 31, 2017 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

December 31, 2016 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

December 31, 2015 – Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

December 31, 2014 – Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

December 31, 2013 – Pension

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

SUPPLEMENTARY INFORMATION

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
COUNTY WATER FUND
for the year ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Metered water sales	\$ 4,915,100	\$ 4,915,100	\$ 3,584,299	\$ (1,330,801)
Wholesale sales	1,809,000	1,809,000	2,113,122	304,122
Sewer billing contract revenue	91,700	91,700	94,478	2,778
Penalties, service fees and reimbursements	<u>370,383</u>	<u>370,383</u>	<u>383,322</u>	<u>12,939</u>
Total operating revenue	<u>7,186,183</u>	<u>7,186,183</u>	<u>6,175,221</u>	<u>(1,010,962)</u>
OPERATING EXPENSES				
Treatment	1,342,289	1,342,289	1,231,182	(111,107)
Transmission and distribution	1,030,566	1,030,566	1,060,441	29,875
Customer service	415,333	415,333	331,998	(83,335)
General and administrative expenses	455,329	455,329	402,772	(52,557)
Purchased water	312,600	312,600	1,565,890	1,253,290
General maintenance	72,620	72,620	67,976	(4,644)
Source of supply	<u>19,400</u>	<u>19,400</u>	<u>17,080</u>	<u>(2,320)</u>
Total operating expense	<u>3,648,137</u>	<u>3,648,137</u>	<u>4,677,339</u>	<u>1,029,202</u>
Operating income (loss) before depreciation and amortization	3,538,046	3,538,046	1,497,882	(2,040,164)
Depreciation and amortization expense	<u>(1,395,700)</u>	<u>(1,395,700)</u>	<u>(1,403,239)</u>	<u>(7,539)</u>
OPERATING INCOME (LOSS)	2,142,346	2,142,346	94,643	(2,047,703)
Non-operating income (expenses)				
Interest income	12,600	12,600	41,099	28,499
Interest expense	(109,500)	(109,500)	(138,032)	(28,532)
Gain (loss) on sale of equipment	<u>-</u>	<u>-</u>	<u>(223,794)</u>	<u>(223,794)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	2,045,446	2,045,446	(226,084)	(2,271,530)
Capital contributions				
Grants	31,000	31,000	-	(31,000)
Tap fees	26,500	26,500	76,507	50,007
Customer contributions	<u>-</u>	<u>-</u>	<u>42,827</u>	<u>42,827</u>
CHANGE IN NET POSITION	<u>\$ 2,102,946</u>	<u>\$ 2,102,946</u>	<u>\$ (106,750)</u>	<u>\$ (2,209,696)</u>

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
FORT KNOX WATER FUND
for the year ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Metered water sales	\$ 3,481,200	\$ 3,481,200	\$ 4,165,518	\$ 684,318
Penalties, service fees and reimbursements	<u>5,000</u>	<u>5,000</u>	<u>8,332</u>	<u>3,332</u>
Total operating revenue	<u>3,486,200</u>	<u>3,486,200</u>	<u>4,173,850</u>	<u>687,650</u>
OPERATING EXPENSES				
Treatment	608,027	608,027	509,148	(98,879)
Transmission and distribution	801,277	801,277	789,754	(11,523)
General and administrative expenses	<u>820,937</u>	<u>820,937</u>	<u>1,388,625</u>	<u>567,688</u>
Total operating expense	<u>2,230,241</u>	<u>2,230,241</u>	<u>2,687,527</u>	<u>457,286</u>
Operating income (loss) before depreciation and amortization	1,255,959	1,255,959	1,486,323	230,364
Depreciation and amortization expense	<u>(1,114,800)</u>	<u>(1,114,800)</u>	<u>(565,730)</u>	<u>549,070</u>
OPERATING INCOME (LOSS)	141,159	141,159	920,593	779,434
Non-operating income				
Interest income	1,800	1,800	20,655	18,855
Interest expense	(200)	(200)	(51,204)	(51,004)
Gain (loss) on sale of equipment	<u>-</u>	<u>-</u>	<u>(22,326)</u>	<u>(22,326)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	142,759	142,759	867,718	724,959
Capital contributions				
Customer contribution	<u>5,000</u>	<u>5,000</u>	<u>9,022</u>	<u>4,022</u>
CHANGE IN NET POSITION	<u>\$ 147,759</u>	<u>\$ 147,759</u>	<u>\$ 876,740</u>	<u>\$ 728,981</u>

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
FORT KNOX SEWER FUND
for the year ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Sewer service revenue	\$ 2,907,300	\$ 2,907,300	\$ 2,896,130	\$ (11,170)
Penalties, service fees and reimbursements	<u>1,000</u>	<u>1,000</u>	<u>4,465</u>	<u>3,465</u>
Total operating revenue	<u>2,908,300</u>	<u>2,908,300</u>	<u>2,900,595</u>	<u>(7,705)</u>
OPERATING EXPENSES				
Treatment	646,048	646,048	617,570	(28,478)
Transmission and distribution	360,336	360,336	289,548	(70,788)
Sewer administration	58,152	58,152	10,297	(47,855)
Professional services	16,940	16,940	14,203	(2,737)
Insurance	27,400	27,400	27,015	(385)
Customer service	114,139	114,139	120,341	6,202
Other	<u>93,220</u>	<u>93,220</u>	<u>72,321</u>	<u>(20,899)</u>
Total operating expense	<u>1,316,235</u>	<u>1,316,235</u>	<u>1,151,295</u>	<u>(164,940)</u>
Operating income (loss) before depreciation and amortization	1,592,065	1,592,065	1,749,300	157,235
Depreciation and amortization expense	<u>(1,057,200)</u>	<u>(1,057,200)</u>	<u>(1,107,764)</u>	<u>(50,564)</u>
OPERATING INCOME (LOSS)	534,865	534,865	641,536	106,671
Non-operating income (expenses)				
Interest income	3,800	3,800	108,355	104,555
Interest expense	(400)	(400)	(315)	85
Gain (loss) on sale of equipment	<u>-</u>	<u>-</u>	<u>(89,547)</u>	<u>(89,547)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	538,265	538,265	660,029	121,764
Capital contributions				
Customer contributions	<u>15,000</u>	<u>15,000</u>	<u>13,371</u>	<u>(1,629)</u>
CHANGE IN NET POSITION	<u>\$ 553,265</u>	<u>\$ 553,265</u>	<u>\$ 673,400</u>	<u>\$ 120,135</u>

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
RADCLIFF SEWER FUND
for the year ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Sewer service revenue	\$ 3,870,125	\$ 3,870,125	\$ 3,755,941	\$ (114,184)
Penalties, service fees and reimbursements	<u>233,700</u>	<u>233,700</u>	<u>234,447</u>	<u>747</u>
Total operating revenue	<u>4,103,825</u>	<u>4,103,825</u>	<u>3,990,388</u>	<u>(113,437)</u>
OPERATING EXPENSES				
Treatment	637,924	637,924	644,702	6,778
Transmission and distribution	950,026	950,026	905,681	(44,345)
Professional services	16,388	16,388	14,965	(1,423)
Insurance	29,000	29,000	28,540	(460)
Customer service	615,967	615,967	520,697	(95,270)
Sewer administration	137,398	137,398	92,597	(44,801)
Sewer commission	16,175	16,175	16,976	801
System maintenance	<u>80,514</u>	<u>80,514</u>	<u>64,063</u>	<u>(16,451)</u>
Total operating expense	<u>2,483,392</u>	<u>2,483,392</u>	<u>2,288,221</u>	<u>(195,171)</u>
Operating income (loss) before depreciation and amortization	1,620,433	1,620,433	1,702,167	81,734
Depreciation and amortization expense	<u>(1,425,400)</u>	<u>(1,425,400)</u>	<u>(1,498,072)</u>	<u>(72,672)</u>
OPERATING INCOME (LOSS)	195,033	195,033	204,095	9,062
Non-operating income (expenses)				
Interest income	13,800	13,800	141,237	127,437
Interest expense	(1,300)	(1,300)	(1,020)	280
Gain (loss) on sale of equipment	<u>-</u>	<u>-</u>	<u>(42,052)</u>	<u>(42,052)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	207,533	207,533	302,260	94,727
Capital contributions				
Customer contributions	<u>300</u>	<u>300</u>	<u>466,500</u>	<u>466,200</u>
CHANGE IN NET POSITION	<u>\$ 207,833</u>	<u>\$ 207,833</u>	<u>\$ 768,760</u>	<u>\$ 560,927</u>

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
STORMWATER FUND
for the year ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Stormwater service revenue	\$ 477,800	\$ 477,800	\$ 477,792	\$ (8)
Total operating revenue	<u>477,800</u>	<u>477,800</u>	<u>477,792</u>	<u>(8)</u>
OPERATING EXPENSES				
Transmission and distribution	67,697	67,697	43,292	(24,405)
Professional services	4,932	4,932	3,496	(1,436)
Insurance	4,200	4,200	3,778	(422)
Customer service	947	947	762	(185)
Other	36,143	36,143	26,032	(10,111)
Total operating expense	<u>113,919</u>	<u>113,919</u>	<u>77,360</u>	<u>(36,559)</u>
Operating income before depreciation	363,881	363,881	400,432	36,551
Depreciation expense	<u>(149,600)</u>	<u>(149,600)</u>	<u>(149,584)</u>	<u>16</u>
OPERATING INCOME	<u>214,281</u>	<u>214,281</u>	<u>250,848</u>	<u>36,567</u>
Non-operating income (expenses)				
Interest income	3,700	3,700	31,809	28,109
Gain (loss) on sale of equipment	<u>-</u>	<u>-</u>	<u>228</u>	<u>228</u>
CHANGE IN NET POSITION	<u>\$ 217,981</u>	<u>\$ 217,981</u>	<u>\$ 282,885</u>	<u>\$ 64,904</u>

COMBINING FUND STATEMENTS

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF NET POSITION
December 31, 2022

	County Water	Ft. Knox Water	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,456,166	\$ 1,101,468	\$ 2,557,634
Investments	874,220	-	874,220
Customer accounts receivable, net	347,388	270,241	617,629
Interest receivable	6,066	-	6,066
Other accounts receivable	20,740	-	20,740
Note receivable - current	8,290	-	8,290
Lease receivable - current	40,164	-	40,164
Due from other funds	861,106	-	861,106
Inventory - materials and supplies	248,306	181,129	429,435
Prepaid expenses	<u>83,085</u>	<u>25,536</u>	<u>108,621</u>
Total current assets	<u>3,945,531</u>	<u>1,578,374</u>	<u>5,523,905</u>
Non-current assets			
Lease receivable	246,189	-	246,189
Restricted investments - reserve funds	1,428,739	-	1,428,739
Regulatory asset - CERS Pension	3,516,427	2,543,801	6,060,228
Regulatory asset - CERS OPEB	<u>987,367</u>	<u>714,268</u>	<u>1,701,635</u>
Total non-current assets	<u>6,178,722</u>	<u>3,258,069</u>	<u>9,436,791</u>
Capital assets			
Land and easements	338,807	-	338,807
Construction in progress	799,331	19,985,340	20,784,671
Plant and lines	53,337,725	23,048,239	76,385,964
Vehicles and equipment	5,199,750	3,025,355	8,225,105
Leased equipment	<u>32,741</u>	<u>9,570</u>	<u>42,311</u>
Total capital assets	59,708,354	46,068,504	105,776,858
Less: accumulated depreciation and amortization	<u>(24,096,307)</u>	<u>(5,144,561)</u>	<u>(29,240,868)</u>
Total capital assets, net	<u>35,612,047</u>	<u>40,923,943</u>	<u>76,535,990</u>
Total assets	<u>45,736,300</u>	<u>45,760,386</u>	<u>91,496,686</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	293,272	212,154	505,426
Deferred outflows of resources - OPEB	<u>418,207</u>	<u>302,531</u>	<u>720,738</u>
Total deferred outflows of resources	<u>711,479</u>	<u>514,685</u>	<u>1,226,164</u>
Total assets and deferred outflows of resources	<u>\$ 46,447,779</u>	<u>\$ 46,275,071</u>	<u>\$ 92,722,850</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 403,452	\$ 360,248	\$ 763,700
Accrued expenses	111,668	33,279	144,947
Due to other funds	-	2,087,573	2,087,573
Unearned revenue	29,916	-	29,916
Customers' deposits	214,595	-	214,595
Line of credit	2,707,013	-	2,707,013
Current portion of interfund loan	435,308	-	435,308
Current portion of lease liability	8,242	2,409	10,651
Reserve for unclaimed funds - escheatment	14,408	-	14,408
Liabilities payable from restricted assets:			
Current portion of long-term debt	495,000	-	495,000
Accrued interest on long-term debt	<u>27,011</u>	<u>-</u>	<u>27,011</u>
Total current liabilities	<u>4,446,613</u>	<u>2,483,509</u>	<u>6,930,122</u>
Long-term liabilities			
Compensated absences	206,874	40,760	247,634
Lease liability	10,656	3,115	13,771
Bonds payable	2,211,000	-	2,211,000
Net pension liability	3,545,040	2,564,498	6,109,538
Net OPEB liability	967,628	699,986	1,667,614
Interfund loan	<u>693,703</u>	<u>-</u>	<u>693,703</u>
Total long-term liabilities	<u>7,634,901</u>	<u>3,308,359</u>	<u>10,943,260</u>
Total liabilities	<u>12,081,514</u>	<u>5,791,868</u>	<u>17,873,382</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	264,659	191,457	456,116
Deferred inflows of resources - OPEB	437,946	316,813	754,759
Deferred inflows of resources - leases	<u>286,353</u>	<u>-</u>	<u>286,353</u>
Total deferred inflows of resources	<u>988,958</u>	<u>508,270</u>	<u>1,497,228</u>
NET POSITION			
Net investment in capital assets	30,180,136	40,918,419	71,098,555
Restricted	1,428,739	-	1,428,739
Unrestricted	<u>1,768,432</u>	<u>(943,486)</u>	<u>824,946</u>
Total net position	<u>33,377,307</u>	<u>39,974,933</u>	<u>73,352,240</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 46,447,779</u>	<u>\$ 46,275,071</u>	<u>\$ 92,722,850</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2022

	County Water	Fort Knox Water	Total
OPERATING REVENUE			
Metered water sales	\$ 3,584,299	\$ 4,165,518	\$ 7,749,817
Wholesale sales	2,113,122	-	2,113,122
Sewer billing contract revenue	94,478	-	94,478
Penalties, service fees and reimbursements	<u>383,322</u>	<u>8,332</u>	<u>391,654</u>
Total operating revenue	<u>6,175,221</u>	<u>4,173,850</u>	<u>10,349,071</u>
OPERATING EXPENSES			
Treatment	1,231,182	509,148	1,740,330
Transmission and distribution	1,060,441	789,754	1,850,195
Customer service	331,998	-	331,998
General and administrative expenses	402,772	1,388,625	1,791,397
Purchased water	1,565,890	-	1,565,890
General maintenance	67,976	-	67,976
Source of supply	<u>17,080</u>	<u>-</u>	<u>17,080</u>
Total operating expense	<u>4,677,339</u>	<u>2,687,527</u>	<u>7,364,866</u>
Operating income (loss) before depreciation and amortization	1,497,882	1,486,323	2,984,205
Depreciation and amortization expense	<u>(1,403,239)</u>	<u>(565,730)</u>	<u>(1,968,969)</u>
OPERATING INCOME (LOSS)	94,643	920,593	1,015,236
Non-operating income (expenses)			
Interest income	41,099	20,655	61,754
Interest expense	(138,032)	(51,204)	(189,236)
Gain (loss) on sale of equipment	<u>(223,794)</u>	<u>(22,326)</u>	<u>(246,120)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(226,084)	867,718	641,634
Capital contributions			
Tap fees	76,507	-	76,507
Customer contributions	<u>42,827</u>	<u>9,022</u>	<u>51,849</u>
CHANGE IN NET POSITION	(106,750)	876,740	769,990
Net position, beginning of year, as restated	<u>33,484,057</u>	<u>39,098,193</u>	<u>72,582,250</u>
NET POSITION, END OF YEAR	<u>\$ 33,377,307</u>	<u>\$ 39,974,933</u>	<u>\$ 73,352,240</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF CASH FLOWS
for the year ended December 31, 2022

	County Water	Ft. Knox Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 6,303,997	\$ 4,270,782	\$ 10,574,779
Payments to suppliers	(2,963,593)	(3,408,083)	(6,371,676)
Payments for employee services and benefits	<u>(1,734,587)</u>	<u>(833,381)</u>	<u>(2,567,968)</u>
Net cash provided by operating activities	<u>1,605,817</u>	<u>29,318</u>	<u>1,635,135</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Receipts (payments) on interfund loans	<u>(1,603,798)</u>	<u>2,700,030</u>	<u>1,096,232</u>
Net cash provided by (used in) non-capital financing activities	<u>(1,603,798)</u>	<u>2,700,030</u>	<u>1,096,232</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(760,000)	-	(760,000)
Line of credit proceeds	2,004,665	-	2,004,665
Payments on line of credit	(520,000)	-	(520,000)
Payments on leased equipment	(8,697)	(2,542)	(11,239)
Interest paid	(121,786)	(51,000)	(172,786)
Contributions in aid of construction	76,507	9,022	85,529
Grants received	27,808	-	27,808
Proceeds from sale of equipment	13,459	6,820	20,279
Acquisition and construction of capital assets	<u>(893,165)</u>	<u>(4,245,103)</u>	<u>(5,138,268)</u>
Net cash (used in) capital and related financing activities	<u>(181,209)</u>	<u>(4,282,803)</u>	<u>(4,464,012)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	36,780	20,655	57,435
Redemption of investments	860,404	-	860,404
Purchase of investments	<u>(792,907)</u>	<u>-</u>	<u>(792,907)</u>
Net cash provided by investing activities	<u>104,277</u>	<u>20,655</u>	<u>124,932</u>
NET INCREASE (DECREASE) IN CASH	(74,913)	(1,532,800)	(1,607,713)
Cash and cash equivalents, beginning of year	<u>1,531,079</u>	<u>2,634,268</u>	<u>4,165,347</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,456,166</u>	<u>\$ 1,101,468</u>	<u>\$ 2,557,634</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 94,643	\$ 920,593	\$ 1,015,236
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,403,239	565,730	1,968,969
Change in assets and liabilities:			
Accounts receivable	130,518	96,932	227,450
Notes receivable	8,250	-	8,250
Prepaid expenses	(16,839)	(2,384)	(19,223)
Inventory	(29,540)	(67,857)	(97,397)
Accounts payable	(4,925)	(1,489,470)	(1,494,395)
Unearned revenue	(9,992)	-	(9,992)
Accrued expenses	10,917	(4,559)	6,358
Compensated absences	20,744	10,333	31,077
Other payables	<u>(1,198)</u>	<u>-</u>	<u>(1,198)</u>
Net cash provided by operating activities	<u>\$ 1,605,817</u>	<u>\$ 29,318</u>	<u>\$ 1,635,135</u>
Schedule of non-cash capital and financing activities:			
Capital asset additions included in accounts payable, net	<u>\$ 3,470</u>	<u>\$ (430,546)</u>	<u>\$ (427,076)</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF NET POSITION
December 31, 2022

	Ft. Knox Sewer	Radcliff Sewer	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,765,512	\$ 8,118,214	\$ 14,883,726
Investments	88,161	434,355	522,516
Customer accounts receivable, net	472,611	238,897	711,508
Interest receivable	441	2,173	2,614
Inventory - material and supplies	5,850	3,495	9,345
Current portion of interfund receivable	-	435,308	435,308
Due from other funds	209,089	1,004,409	1,213,498
Prepaid expenses	<u>15,064</u>	<u>17,500</u>	<u>32,564</u>
Total current assets	<u>7,556,728</u>	<u>10,254,351</u>	<u>17,811,079</u>
Other assets			
Interfund receivable	-	693,703	693,703
Unamortized Radcliff acquisition costs, net	-	111,099	111,099
Regulatory asset - CERS Pension	1,756,560	2,295,860	4,052,420
Regulatory asset - CERS OPEB	<u>493,219</u>	<u>644,648</u>	<u>1,137,867</u>
Total other assets	<u>2,249,779</u>	<u>3,745,310</u>	<u>5,995,089</u>
Capital assets			
Land and easements	-	9,544	9,544
Construction in progress	297,647	537,776	835,423
Plant and lines	93,102,541	49,928,525	143,031,066
Vehicles and equipment	1,533,365	2,799,565	4,332,930
Leased equipment	<u>4,533</u>	<u>3,526</u>	<u>8,059</u>
Total capital assets	94,938,086	53,278,936	148,217,022
Less: accumulated depreciation and amortization	<u>(70,605,499)</u>	<u>(25,412,491)</u>	<u>(96,017,990)</u>
Total capital assets, net	<u>24,332,587</u>	<u>27,866,445</u>	<u>52,199,032</u>
Total assets	<u>34,139,094</u>	<u>41,866,106</u>	<u>76,005,200</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	146,498	191,476	337,974
Deferred outflows of resources - OPEB	<u>208,907</u>	<u>273,045</u>	<u>481,952</u>
Total deferred outflows of resources	<u>355,405</u>	<u>464,521</u>	<u>819,926</u>
Total assets and deferred outflows of resources	<u>\$ 34,494,499</u>	<u>\$ 42,330,627</u>	<u>\$ 76,825,126</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 115,389	\$ 4,655	\$ 120,044
Accrued expenses	75,772	34,038	109,810
Customers' deposits	-	214,612	214,612
Current portion of lease liability	<u>1,141</u>	<u>888</u>	<u>2,029</u>
Total current liabilities	<u>192,302</u>	<u>254,193</u>	<u>446,495</u>
Long-term liabilities			
Compensated absences	25,784	34,024	59,808
Lease liability	1,476	1,147	2,623
Net pension liability	1,770,853	2,314,541	4,085,394
Net OPEB liability	<u>483,359</u>	<u>631,760</u>	<u>1,115,119</u>
Total long-term liabilities	<u>2,281,472</u>	<u>2,981,472</u>	<u>5,262,944</u>
Total liabilities	<u>2,473,774</u>	<u>3,235,665</u>	<u>5,709,439</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	132,205	172,795	305,000
Deferred inflows of resources - OPEB	<u>218,767</u>	<u>285,933</u>	<u>504,700</u>
Total deferred inflows of resources	<u>350,972</u>	<u>458,728</u>	<u>809,700</u>
NET POSITION			
Net investment in capital assets	24,329,970	27,864,410	52,194,380
Unrestricted	<u>7,339,783</u>	<u>10,771,824</u>	<u>18,111,607</u>
Total net position	<u>31,669,753</u>	<u>38,636,234</u>	<u>70,305,987</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 34,494,499</u>	<u>\$ 42,330,627</u>	<u>\$ 76,825,126</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2022

	Ft. Knox Sewer	Radcliff Sewer	Total
OPERATING REVENUE			
Sewer service revenue	\$ 2,896,130	\$ 3,755,941	\$ 6,652,071
Penalties, service fees and reimbursements	<u>4,465</u>	<u>234,447</u>	<u>238,912</u>
Total operating revenue	<u>2,900,595</u>	<u>3,990,388</u>	<u>6,890,983</u>
OPERATING EXPENSES			
Treatment	617,570	644,702	1,262,272
Transmission and distribution	289,548	905,681	1,195,229
Customer service	120,341	520,697	641,038
General and administrative expenses	123,836	153,078	276,914
General maintenance	<u>-</u>	<u>64,063</u>	<u>64,063</u>
Total operating expenses	<u>1,151,295</u>	<u>2,288,221</u>	<u>3,439,516</u>
Operating income before depreciation and amortization	1,749,300	1,702,167	3,451,467
Depreciation and amortization expense	<u>(1,107,764)</u>	<u>(1,498,072)</u>	<u>(2,605,836)</u>
OPERATING INCOME (LOSS)	641,536	204,095	845,631
Non-operating income (expenses)			
Interest income	108,355	141,237	249,592
Interest expense	(315)	(1,020)	(1,335)
Gain (loss) on sale of equipment	<u>(89,547)</u>	<u>(42,052)</u>	<u>(131,599)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	660,029	302,260	962,289
Capital Contributions			
Customer contributions	<u>13,371</u>	<u>466,500</u>	<u>479,871</u>
CHANGE IN NET POSITION	673,400	768,760	1,442,160
Net position, beginning of year, as restated	<u>30,996,353</u>	<u>37,867,474</u>	<u>68,863,827</u>
NET POSITION, END OF YEAR	<u>\$ 31,669,753</u>	<u>\$ 38,636,234</u>	<u>\$ 70,305,987</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF CASH FLOWS
for the year ended December 31, 2022

	Ft. Knox Sewer	Radcliff Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,664,289	\$ 4,003,331	\$ 6,667,620
Payments to suppliers	(476,091)	(1,268,801)	(1,744,892)
Payments for employee services and benefits	<u>(619,544)</u>	<u>(1,077,390)</u>	<u>(1,696,934)</u>
Net cash provided by operating activities	<u>1,568,654</u>	<u>1,657,140</u>	<u>3,225,794</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Receipts (payments) on interfund loans	<u>(1,156,451)</u>	<u>(21,838)</u>	<u>(1,178,289)</u>
Net cash (used in) non-capital financing activities	<u>(1,156,451)</u>	<u>(21,838)</u>	<u>(1,178,289)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on leased equipment	(1,205)	(936)	(2,141)
Interest paid	(218)	(945)	(1,163)
Contributions in aid of construction	15,147	466,500	481,647
Proceeds from sale of equipment	6,820	21,888	28,708
Acquisition and construction of capital assets	<u>(805,198)</u>	<u>(1,083,568)</u>	<u>(1,888,766)</u>
Net cash (used in) capital and related financing activities	<u>(784,654)</u>	<u>(597,061)</u>	<u>(1,381,715)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	108,090	139,930	248,020
Redemption of investments	87,359	430,402	517,761
Purchase of investments	<u>(88,161)</u>	<u>(434,355)</u>	<u>(522,516)</u>
Net cash provided by investing activities	<u>107,288</u>	<u>135,977</u>	<u>243,265</u>
NET INCREASE (DECREASE) IN CASH			
	(265,163)	1,174,218	909,055
Cash and cash equivalents, beginning of year	<u>7,030,675</u>	<u>6,943,996</u>	<u>13,974,671</u>
CASH AND CASH EQUIVALENTS, END OF YEAR			
	<u>\$ 6,765,512</u>	<u>\$ 8,118,214</u>	<u>\$ 14,883,726</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 641,536	\$ 204,095	\$ 845,631
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	1,107,764	1,498,072	2,605,836
Change in assets and liabilities:			
Accounts receivable	(236,306)	12,943	(223,363)
Prepaid expenses	1,253	(1,378)	(125)
Inventory	819	259	1,078
Accounts payable	(8,743)	(59,105)	(67,848)
Accrued expenses	57,173	2,586	59,759
Compensated absences	5,158	6,987	12,145
Other payables	<u>-</u>	<u>(7,319)</u>	<u>(7,319)</u>
Net cash provided by operating activities	<u>\$ 1,568,654</u>	<u>\$ 1,657,140</u>	<u>\$ 3,225,794</u>
Schedule of non-cash capital and financing activities:			
Capital asset additions included in accounts payable, net	<u>\$ (341,250)</u>	<u>\$ 4,851</u>	<u>\$ (336,399)</u>



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

Board of Commissioners
Hardin County Water District No. 1

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 each major fund of the Hardin County Water District No. 1, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Hardin County Water District No. 1's basic financial statements and have issued our report thereon dated March 24, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hardin County Water District No. 1's internal control over financial reporting (internal control) to determine the 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 the Hardin County Water District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Water District No. 1'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Water District No. 1'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

RFH

RFH, PLLC
Lexington, Kentucky
March 24, 2023