

Hyden–Leslie County Water District  
Hyden, Kentucky

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Independent Auditor's Report  
And Financial Statements  
For the Years Ended  
December 31, 2023 and 2022

Hyden-Leslie County Water District  
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## Independent Auditor's Report

To the Commissioners  
Hyden-Leslie County Water District  
Hyden, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of Hyden-Leslie County Water District (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Hyden-Leslie County Water District, as of December 31, 2023 and 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 Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024 on our consideration of Hyden-Leslie County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hyden-Leslie County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hyden-Leslie County Water District's internal control over financial reporting and compliance.

*Sturgeon Collins CPAs, PLLC*

Sturgeon Collins CPAs, PLLC  
London, Kentucky

March 29, 2024

Hyden-Leslie County Water District  
Statements of Net Position  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 880,585	\$ 507,684
Investments	468,692	449,091
Receivables, less allowance for doubtful accounts of \$5,000	294,989	289,488
Unbilled accounts receivable	51,214	51,957
Inventories	115,706	96,534
Prepaid expenses	31,544	29,499
Other current assets	1,100	4,369
<b>Total Current Assets</b>	<u>1,843,830</u>	<u>1,428,622</u>
<b>Noncurrent Assets</b>		
<b>Restricted Assets</b>		
Customer deposits	76,141	67,910
Depreciation reserves	177,900	170,800
Debt and interest funds	198,766	189,277
PSC surcharge	198,164	130,101
<b>Total Restricted Assets</b>	<u>650,971</u>	<u>558,088</u>
<b>Capital Assets</b>		
Land and improvements	32,169	32,169
Buildings and improvements	5,632,405	5,632,405
Source of supply and pumping	2,624,919	2,552,306
Water treatment equipment	3,651,473	3,649,437
Transmission and distribution plant	22,028,114	22,016,444
Vehicles and other equipment	1,137,588	1,080,207
Construction in progress	305,775	265,438
Less: accumulated depreciation	<u>(13,670,689)</u>	<u>(12,937,699)</u>
<b>Net Capital Assets</b>	<u>21,741,754</u>	<u>22,290,707</u>
<b>Total Noncurrent Assets</b>	<u>22,392,725</u>	<u>22,848,795</u>
<b>Total Assets</b>	<u>24,236,555</u>	<u>24,277,417</u>
<b>Deferred Outflows of Resources</b>		
Pension contributions subsequent to measurement date	61,558	-
<b>Total Deferred Outflows of Resources</b>	<u>61,558</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 24,298,113</u>	<u>\$ 24,277,417</u>

See accompanying notes to financial statements.

Hyden-Leslie County Water District  
 Statements of Net Position (Continued)  
 December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Position		
Current Liabilities		
Current portion of long-term debt	\$ 195,881	\$ 193,139
Accounts payable	59,384	84,033
Accrued interest payable	7,981	8,189
Accrued salaries and taxes payable	58,253	34,243
Other current liabilities	6,612	6,470
Total Current Liabilities	<u>328,111</u>	<u>326,074</u>
Noncurrent Liabilities		
Customer deposits	76,141	67,910
Unearned tap fees	7,300	7,900
Unearned grant revenue	44,156	44,156
Long-term debt, less current portion	5,308,042	5,503,923
Total Noncurrent Liabilities	<u>5,435,639</u>	<u>5,623,889</u>
Total Liabilities	<u>5,763,750</u>	<u>5,949,963</u>
Net Position		
Net investment in capital assets	16,237,831	16,593,645
Restricted	650,971	558,088
Unrestricted	1,645,561	1,175,721
Total Net Position	<u>18,534,363</u>	<u>18,327,454</u>
Total Liabilities and Net Position	<u>\$ 24,298,113</u>	<u>\$ 24,277,417</u>

Hyden-Leslie County Water District  
Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Water sales	\$ 2,318,861	\$ 2,346,067
Service charges	6,303	2,265
Tap fees	21,000	15,235
PSC surcharge	67,017	67,449
Other revenues	25,444	7,364
Total Operating Revenues	<u>2,438,625</u>	<u>2,438,380</u>
Operating Expenses		
Salaries and wages	673,108	562,663
Employee benefits	264,673	285,389
Utilities	255,422	324,191
Chemicals	108,859	115,423
Materials and supplies	182,025	177,942
Contracted services	39,132	30,674
Vehicle and equipment expenses	52,337	54,167
Insurance	66,094	62,653
Bad debt expense, net of recoveries	34,972	21,667
Depreciation	808,727	798,357
Other operating expenses	135,534	141,640
Total Operating Expenses	<u>2,620,883</u>	<u>2,574,766</u>
Operating Loss	<u>(182,258)</u>	<u>(136,386)</u>
Non-operating Revenues (Expenses)		
Interest income	22,206	1,119
Grant revenue	471,630	4,049
Gain on sale of assets	2,984	-
Interest expense	(107,653)	(111,421)
Total Non-operating Revenues (Expenses)	<u>389,167</u>	<u>(106,253)</u>
Change in Net Position	206,909	(242,639)
Net Position, Beginning of Year	<u>18,327,454</u>	<u>18,570,093</u>
Net Position, End of Year	<u>\$ 18,534,363</u>	<u>\$ 18,327,454</u>

See accompanying notes to financial statements.



Hyden-Leslie County Water District  
Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 2,381,082	\$ 2,419,533
Receipts from other activities	25,444	7,364
Payments to employees	(673,200)	(553,917)
Payments to suppliers	(1,047,164)	(1,051,338)
Payments for other activities	<u>(135,534)</u>	<u>(141,640)</u>
Net Cash Provided by Operating Activities	<u>550,628</u>	<u>680,002</u>
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(261,367)	(32,532)
Proceeds from sale of property, plant and equipment	2,984	-
Principal payments on debt	(193,139)	(190,799)
Interest payments on debt	(107,861)	(111,626)
Grants	<u>471,630</u>	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	<u>(87,753)</u>	<u>(334,957)</u>
Cash Flows From Investing Activities		
Purchases of investments	(1,466,198)	(2,861)
Proceeds from investments	1,447,529	-
Interest on investments	<u>21,578</u>	<u>5,033</u>
Net Cash Provided by Investing Activities	<u>2,909</u>	<u>2,172</u>
Net Increase in Cash and Cash Equivalents	465,784	347,217
Cash and Cash Equivalents at Beginning of Year	<u>1,065,772</u>	<u>718,555</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,531,556</u>	<u>\$ 1,065,772</u>
Reconciliation of cash per Statements of Net Position to cash per Statements of Cash Flows:		
Cash and cash equivalents	\$ 880,585	\$ 507,684
Customer deposits	76,141	67,910
Depreciation reserves	177,900	170,800
Debt and interest funds	198,766	189,277
PSC surcharge	<u>198,164</u>	<u>130,101</u>
Cash and Cash Equivalents per Statements of Cash Flows	<u>\$ 1,531,556</u>	<u>\$ 1,065,772</u>

See accompanying notes to financial statements.

Hyden-Leslie County Water District  
 Statements of Cash Flows (Continued)  
 For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	\$ (182,258)	\$ (136,386)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	808,727	798,357
(Increase) Decrease in operating assets		
Accounts receivable	(5,501)	7,488
Unbilled accounts receivable	743	(3,628)
Inventory	(19,172)	(23,595)
Other current assets and prepaid expenses	920	(1,522)
Deferred outflows - pensions	(61,558)	-
Increase (Decrease) in operating liabilities		
Accounts payable	(23,056)	17,764
Accrued expenses and other liabilities	24,152	15,200
Customer deposits	8,231	6,624
Unearned tap fees	(600)	(300)
Net Cash Provided by Operating Activities	\$ 550,628	\$ 680,002

Hyden-Leslie County Water District  
Notes to Financial Statements  
December 31, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Hyden-Leslie County Water District, of Leslie County, Kentucky (“District”) was created in 1968 under Chapter 74 of the Kentucky Revised Statutes. The District is governed by a five-person board of Commissioners which is appointed by the Leslie County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

The District is a rural water utility system whose purpose is to establish, develop and operate a water supply and distribution system for its customers in Leslie County, Kentucky. The District’s primary source of revenue is from water sales to its customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The District applies all relevant Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails. In addition, the District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

The District considers demand deposits and certificates of deposit with maturities of less than three months to be cash equivalents.

Investments

Investments consist of a government money market fund.

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Receivables include amounts due from customers for water services. These receivables are due at the time the services are billed and are considered past due on the first day of the following month. Accounts receivable are presented net of uncollectible accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2023 and 2022, the allowance for doubtful accounts was \$5,000.

Unbilled Accounts Receivable

Estimated unbilled revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year.

Inventories and Prepaid Expenses

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost and are recorded as an expense at the time individual items are used. Prepaid expenses include payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost. The District has established a capitalization threshold of \$2,000. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Depreciation expense for the years ended December 31, 2023 and 2022 was \$808,727 and \$798,357, respectively.

Estimated useful lives for depreciable assets are as follows:

Asset Classification	Range of Lives
Structures and improvements	35-40 years
Transmission distribution mains	50-75 years
Plant equipment	10-60 years
Meters and services	30-50 years
Other equipment and vehicles	7-25 years

Compensated Absences

The District grants annual vacation of 80 hours to regular full-time employees. Time is accrued in January of each year. Employees may be paid out for a maximum of 80 hours each calendar year for unused earned vacation time at the employee's regular rate of pay. A maximum of 160 hours of unused vacation time may be rolled over to the next year. An employee who terminates employment in good standing will receive pay for unused vacation time earned at the time of termination. The District's accrued compensated absences as of December 31, 2023 and 2022 were \$17,977 and \$15,325, respectively.

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Customer Deposits

The District collects and holds in escrow a \$74 (\$30 prior to November 2020) deposit from customers to ensure collection of its water charges. Interest at an annual rate of 4.34% is paid on these deposits.

Net Position

Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. Restricted assets are those with limits on their use that are externally imposed constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District would typically use restricted assets first, but reserves the right to selectively spend unrestricted assets first.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

New Accounting Principles

During 2023, the District joined the Kentucky Public Pensions Authority (KPPA) retirement system and, therefore, implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of GASB Statements No. 68 and 75 was to improve accounting and financial reporting by state and local governments for pensions and postemployment benefits other than pensions (OPEB). The District joined the retirement system in August 2023 which was after the most current measurement period for net pension liability, net OPEB liability, pension and OPEB expense, and deferred outflows and inflows related to pensions and OPEB. As the District was not a participant in the retirement plan during the measurement period, the District's information was not included in the actuarially calculated amounts. See Notes 8 and 9 for additional information related to the pension and OPEB plans.

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 2 – Restricted Assets

Under the terms of all loan resolutions, the District is required to maintain certain accounts and funds for the benefit and protection of the creditors. In addition, the District is also required to collect reasonable and sufficient rates and charges for services rendered, prohibited from selling, leasing or mortgaging any part of the system without prior approval, required to maintain the operating system in good condition and to carry adequate insurance on all properties to protect against loss or damage.

The resolutions require the District to establish a depreciation fund or reserve to be used to finance the cost of unusual repairs, renewals and replacements not included in the annual budget and to pay for future system extensions. The balance of these accounts at December 31, 2023 and 2022 was \$376,666 and \$360,077, respectively. The balance of customer deposits held at December 31, 2023 and 2022 was \$76,141 and \$67,910, respectively.

In conjunction with approval of the District's rate increase that was effective November 2020, the Public Service Commission (PSC) established a requirement of the District to assess a monthly surcharge of \$1.53 per customer for 48 months, or until \$263,124 has been assessed, whichever occurs first, to fund its unaccounted for water loss reduction efforts. Surcharge collections are required to be deposited in a separate interest-bearing account which was opened during 2021. The balance of the PSC surcharge account at December 31, 2023 and 2022 was \$198,164 and \$130,101, respectively.

Note 3 – Kentucky Revised Statute

At December 31, 2023 and 2022, \$1,666,487 and \$979,102, respectively, of the cash and investments of the District was covered by federal depository insurance and securities pledged as collateral on behalf of the District. In accordance with Kentucky Revised Statute (KRS) 91A.060, the deposits are to be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), financial institutions shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS 66.480, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, interest bearing deposits of insured savings and loans, or interest-bearing deposits of insured national or state banks. For additional cash descriptive information, see Note 1.

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 4 – Custodial Credit Risk - Deposits

The fair market value of deposits was equivalent to the carrying values as of December 31, 2023 and 2022. All deposits were checking or savings accounts. The carrying amounts of the District's bank deposits were \$1,531,121 and \$1,065,337 for the years ended December 31, 2023 and 2022, respectively. The bank balances were \$1,537,825 and \$1,096,844 for the years ended December 31, 2023 and 2022, respectively. The bank balances were covered by \$250,000 of FDIC insurance for each year. As of December 31, 2023 and 2022, \$340,030 and \$471,260, respectively, of the remaining bank balances were uninsured and not collateralized by obligations permitted by KRS 41.240. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, and 2022, \$1,287,825 and \$846,844, respectively, of the District's total deposits at banks were exposed to custodial credit risk as follows:

	<u>2023</u>	<u>2022</u>
Uninsured and uncollateralized	\$ 340,030	\$ 471,260
Uninsured and collateral held by pledging bank	947,795	375,584
Uninsured and collateral held by pledging bank's trust department not in the District's name	-	-
<b>Total</b>	<b>\$ 1,287,825</b>	<b>\$ 846,844</b>

The District also held \$435 of petty cash on hand for the years ended December 31, 2023 and 2022.

Note 5 – Investments

The investments of the District have been categorized to give an indication of the level of risk assumed by the District at year end. The risk categories are described as follows:

- Risk category 1 – Investments that are insured, registered, or for which the securities are held by the District or its agents in the District's name.
- Risk category 2 – Uninsured and unregistered investments for which the securities are held by the bank's trust department or agents in the District's name.
- Risk category 3 – Uninsured and unregistered investments for which the securities are held by the banks, or by their trust departments or agents, but not in the District's name.

As of December 31, 2023, and 2022, the District had the following investments, categorized by level of risk:

	<u>Rating</u>	<u>Risk Category</u>	<u>Fair Value</u>	
			<u>2023</u>	<u>2022</u>
Government Money Market Fund	Not Rated	1	\$ 468,692	\$ 353,519
Corporate Bonds	A	1	-	95,572
<b>Total</b>			<b>\$ 468,692</b>	<b>\$ 449,091</b>

*Interest Rate Risk – Investments.* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

*Concentration of Credit Risk – Investments.* The District places no limit on the amount the District may invest in any one fund. The investment in corporate bonds at December 31, 2022 was 21.28% of the District's total investments. The investments in a government money market fund at December 31, 2023 and 2022 were 100% and 78.72%, respectively, of the District's total investments.

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 6 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2023:

	Balance Dec. 31, 2022	Additions/ CIP Transfers	Dispositions/ CIP Transfers	Balance Dec. 31, 2023
Land and improvements	\$ 32,169	\$ -	\$ -	\$ 32,169
Building and improvements	5,632,405	-	-	5,632,405
Source of supply and pumping	2,552,306	72,613	-	2,624,919
Water treatment equipment	3,649,437	2,036	-	3,651,473
Transmission and distribution plant	22,016,444	11,670	-	22,028,114
Vehicles and other equipment	1,080,207	133,118	75,737	1,137,588
Construction in progress	265,438	94,000	53,663	305,775
Totals at historical cost	<u>35,228,406</u>	<u>313,437</u>	<u>129,400</u>	<u>35,412,443</u>
Less accumulated depreciation for:				
Building and improvements	1,492,973	150,197	-	1,643,170
Source of supply and pumping	1,010,245	91,097	-	1,101,342
Water treatment equipment	1,030,793	124,527	-	1,155,320
Transmission and distribution plant	8,706,995	367,271	-	9,074,266
Vehicles and other equipment	696,693	75,635	75,737	696,591
Total accumulated depreciation	<u>12,937,699</u>	<u>808,727</u>	<u>75,737</u>	<u>13,670,689</u>
Capital assets - net	<u>\$ 22,290,707</u>	<u>\$ (495,290)</u>	<u>\$ 53,663</u>	<u>\$ 21,741,754</u>

The following is a summary of capital asset transactions for the year ended December 31, 2022:

	Balance Dec. 31, 2021	Additions	Dispositions	Balance Dec. 31, 2022
Land and improvements	\$ 32,169	\$ -	\$ -	\$ 32,169
Building and improvements	5,632,405	-	-	5,632,405
Source of supply and pumping	2,554,944	2,965	5,603	2,552,306
Water treatment equipment	3,649,437	-	-	3,649,437
Transmission and distribution plant	22,007,177	9,267	-	22,016,444
Vehicles and other equipment	1,080,207	-	-	1,080,207
Construction in progress	231,045	34,393	-	265,438
Totals at historical cost	<u>35,187,384</u>	<u>46,625</u>	<u>5,603</u>	<u>35,228,406</u>
Less accumulated depreciation for:				
Building and improvements	1,342,776	150,197	-	1,492,973
Source of supply and pumping	927,532	88,316	5,603	1,010,245
Water treatment equipment	906,277	124,516	-	1,030,793
Transmission and distribution plant	8,339,721	367,274	-	8,706,995
Vehicles and other equipment	628,639	68,054	-	696,693
Total accumulated depreciation	<u>12,144,945</u>	<u>798,357</u>	<u>5,603</u>	<u>12,937,699</u>
Capital assets - net	<u>\$ 23,042,439</u>	<u>\$ (751,732)</u>	<u>\$ -</u>	<u>\$ 22,290,707</u>



Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 7 – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2023:

	<u>Balance</u> <u>Dec. 31, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2023</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2028; interest payable on a semi-annual basis at the rate of 5.0%	\$ 235,417	\$ -	\$ 40,000	\$ 195,417	\$ 40,000
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2040; interest payable on a semi-annual basis at the rate of 4.5%	209,000	-	7,800	201,200	8,100
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2051; interest payable on a semi-annual basis at the rate of 3.75%	968,500	-	17,000	951,500	18,000
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2051; interest payable on a semi-annual basis at the rate of 2.25%	1,636,000	-	40,000	1,596,000	41,000

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 7 – Long-Term Debt (Continued)

	<u>Balance Dec. 31, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Dec. 31, 2023</u>	<u>Due Within One Year</u>
Loan payable to Kentucky Infrastructure Authority, payable semi-annually in varying principal and interest amounts, interest rate of 0.5%, with final payment due December 1, 2050	\$ 2,648,145	\$ -	\$ 88,339	\$ 2,559,806	\$ 88,781
	<u>\$ 5,697,062</u>	<u>\$ -</u>	<u>\$ 193,139</u>	<u>\$ 5,503,923</u>	<u>\$ 195,881</u>

The following is a summary of long-term debt transactions for the year ended December 31, 2022:

	<u>Balance Dec. 31, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Dec. 31, 2022</u>	<u>Due Within One Year</u>
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2028; interest payable on a semi-annual basis at the rate of 5.0%	\$ 275,417	\$ -	\$ 40,000	\$ 235,417	\$ 40,000
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2040; interest payable on a semi-annual basis at the rate of 4.5%	216,400	-	7,400	209,000	7,800

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 7 – Long-Term Debt (Continued)

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2022</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 2051; interest payable on a semi-annual basis at the rate of 3.75%	\$ 985,000	\$ -	\$ 16,500	\$ 968,500	\$ 17,000
Loan payable to United States Department of Agriculture, payable annually in variable principal amounts, with final payment due June 1, 2051; interest payable on a semi-annual basis at the rate of 2.25%	1,675,000	-	39,000	1,636,000	40,000
Loan payable to Kentucky Infrastructure Authority, payable semi-annually in varying principal and interest amounts, interest rate of 0.5%, with final payment due December 1, 2050	2,736,044	-	87,899	2,648,145	88,339
	<u>\$ 5,887,861</u>	<u>\$ -</u>	<u>\$ 190,799</u>	<u>\$ 5,697,062</u>	<u>\$ 193,139</u>

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 7 – Long-Term Debt (Continued)

The aggregate annual principal repayments on long-term debt are summarized as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 195,881	\$ 97,121	\$ 293,002
2025	199,309	93,259	292,568
2026	206,072	89,392	295,464
2027	208,921	84,770	293,691
2028	190,106	82,156	272,262
2029-2033	875,510	367,368	1,242,878
2034-2038	961,232	287,512	1,248,744
2039-2043	1,007,748	198,485	1,206,233
2044-2048	1,068,467	110,264	1,178,731
2049-2053	590,677	18,472	609,149
	<u>\$ 5,503,923</u>	<u>\$ 1,428,799</u>	<u>\$ 6,932,722</u>

Note 8 – Retirement Plan

As of August 1, 2023, Hyden-Leslie County Water District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute Section 78.782 and 61.645, the Board of Trustees of the Kentucky Public Pensions Authority (KPPA) oversees the administration and operation of the personnel and accounting systems for CERS. Although the assets of the funds are invested as a whole, each plan's (KERS, CERS, and SPRS) assets are accounted for separately, invested according to plan-specific asset allocation goals, and are used only for the payment of benefits to the members of that fund and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 78.630, 61.570, and 16.555. The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be downloaded from the Kentucky Public Pensions Authority website ([kyret.ky.gov](http://kyret.ky.gov)).

*Plan Description*

CERS is a cost sharing, multiple-employer, defined benefit pension plan that covers all regular full-time members employed in non-hazardous and hazardous positions of each participating state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

*Benefits Provided*

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. Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the Plan documents. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature; however, no COLA has been granted since July 1, 2011.

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 8 – Retirement Plan (Continued)

*Contributions*

Funding for the plan is provided through payroll withholdings and contributions by the District. All employees meeting the requirements for membership are required to contribute a percentage of their creditable compensation. For the year ended December 31, 2023, plan members in non-hazardous positions were required to contribute 5% of the employee's total compensation subject to contribution. Employees who began participating after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS.

Participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statutes 78.635. The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statutes 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. Per Kentucky Revised Statutes 61.565 and 16.645(18), normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KRS 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 bases adopted by the KRS Board. The District's required contribution rate for the year ended December 31, 2023 was 23.34% (July through December 2023). Required contribution rates were actuarially determined and adopted by the KPPA Board of Trustees. Administrative costs of the KPPA are financed through employer contributions and investment earnings.

Employees are grouped into three tiers within the retirement plan. As of June 30, 2023, the date of the most recent actuarial valuation, membership consisted of:

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

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

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 8 – Retirement Plan (Continued)

*Contributions (continued)*

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

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's accumulated account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the fund's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if KPPA's GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). It is possible that one fund in KPPA may get an Upside Sharing Interest, while another may not.

Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit balance. Upside Sharing Interest is an additional interest credit. Member accounts automatically earn 4% interest annually. The GANIR is calculated on an individual fund basis.

The District's payroll for the period of August 1, 2023 through December 31, 2023 was \$263,745, all of which was subject to CERS. The District's contribution requirement for the period of August 1, 2023 through December 31, 2023 was \$61,558, which was all allocated to the CERS pension fund. The District contributed 100% of their required contributions for the period of August 1, 2023 through December 31, 2023.

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

The District began participating in the retirement plan as of August 1, 2023 which was after the plan's most recent measurement period of June 30, 2023. Therefore, pension liability, pension expense, and deferred outflows and inflows of resources related to pensions have not been actuarially calculated for the District.

As of December 31, 2023, the District reported deferred outflows of resources related to pensions from contributions subsequent to the measurement date in the amount of \$61,558. This balance will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 8 – Retirement Plan (Continued)

*Payable to the Pension Plan*

At December 31, 2023, the District reported a payable of \$20,388 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2023. The payable includes the employer pension contribution as well as contributions withheld from employees.

Note 9 – Post-Employment Benefits Other Than Pensions (OPEB) Plan

As a participating employer of the County Employees' Retirement System (CERS), beginning August 1, 2023, the District also participates in the County Employees' Retirement System Insurance Fund (Insurance Fund).

*Plan Description*

CERS is a cost sharing, multiple-employer, defined benefit pension plan that covers all regular full-time members employed in non-hazardous and hazardous positions of each participating state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other post-employment benefits or OPEB).

*Benefits Provided*

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS, KERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The KPPA Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. KPPA submits the premium payments to DEI and Humana. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of benefit paid by the Insurance Fund is based on years of service. Additional details can be found in the publicly available KPPA Comprehensive Annual Financial Report which may be downloaded from the KPPA website.

*Contributions*

Funding for the plan is provided through payroll withholdings and contributions by the District. See Note 8 for a description of the District's covered payroll and contribution requirements as well as the breakdown of contributions between the pension and insurance funds.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.*

As previously described in Note 8, the District began participating in the retirement plan and OPEB plan as of August 1, 2023 which was after the plan's most recent measurement period of June 30, 2023. Therefore, OPEB liability, OPEB expense, and deferred outflows and inflows of resources related to OPEB have not been actuarially calculated for the District.

KPPA has noted that the fiscal year 2024 employer contributions will all be allocated to the pension fund, therefore, none of the District's contributions subsequent to the measurement date have been allocated to the OPEB fund.

Hyden-Leslie County Water District  
Notes to Financial Statements (Continued)  
December 31, 2023 and 2022

Note 10 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Note 11 – Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between participants at the measurement date. GASB Statement No. 72 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

The fair value of the Toronto-Dominion Bank corporate bonds is based on quoted net asset values of the investment held by the District at year-end.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall.

	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>2023</u>				
Corporate Bonds	\$ -	\$ -	\$ -	\$ -
<u>2022</u>				
Corporate Bonds	\$ 95,572	\$ -	\$ 95,572	\$ -

Note 12 - Subsequent Events

Management of the District has evaluated subsequent events through March 29, 2024, the date on which the financial statements were available to be issued.





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*

To the Commissioners  
Hyden-Leslie County Water District  
Hyden, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Hyden-Leslie County Water District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Hyden-Leslie County Water District's basic financial statements and have issued our report thereon dated March 29, 2024.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hyden-Leslie County Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hyden-Leslie County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-1 and 2023-2 that we consider to be material weaknesses.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hyden-Leslie County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-3.

## **Hyden-Leslie County Water District's Response to Findings**

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

### **Purpose of this Report**

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

*Sturgeon Collins CPAs, PLLC*

Sturgeon Collins CPAs, PLLC  
London, Kentucky

March 29, 2024

Hyden-Leslie County Water District  
Schedule of Findings and Responses  
December 31, 2023

Findings – Financial Statements

2023-1

**Criteria:**

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

**Condition:**

During the audit procedures performed, instances of this objective not being completely achieved were noted.

**Cause:**

The District's limited internal resources prevent the preparation of financial statements and related note disclosures in accordance with generally accepted accounting principles.

**Effect:**

The District was unable to prepare their financial statements and related note disclosures in accordance with generally accepted accounting principles.

**Views of responsible officials and planned corrective actions:**

*The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.*

2023-2

**Criteria:**

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

**Condition:**

During the audit procedures performed, instances of this objective not being completely achieved were noted.

**Cause:**

The size of the District's office staff does not allow proper segregation of duties with regard to cash collections, billings and postings to the accounts receivable ledger.

**Effect:**

This condition creates a weakness in internal controls which could result in unauthorized transactions being processed.

**Views of responsible officials and planned corrective actions:**

*The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.*

Hyden-Leslie County Water District  
Schedule of Findings and Responses (Continued)  
December 31, 2023

Findings – Compliance

2023-3

**Criteria:**

As discussed in KRS 41.240, public funds must be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by obligations permitted by KRS 41.240(4) and KRS 66.480. According to KRS 41.240(1)(a), the financial institution shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value of at least equal to the deposits. Organizations should implement procedures to ensure this objective is achieved.

**Condition:**

During the audit procedures performed, instances of this objective not being completely achieved were noted.

**Cause:**

The District's cash balances were not sufficiently insured and/or collateralized in accordance with KRS 41.240 and KRS 66.480.

**Effect:**

This condition creates a risk that in the event of a bank failure, the deposits may not be returned to the District.

**Views of responsible officials and planned corrective actions:**

*The District agrees with this finding. Management has contacted their financial representative and the finding has been corrected.*