Hyden–Leslie County Water District
Hyden, Kentucky
*****
Independent Auditor's Report
And Financial Statements
For the Years Ended
December 31, 2024 and 2023

Hyden-Leslie County Water District

Table of Contents

STURGEON COLLINS CPAs PLLC

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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Hyden-Leslie County Water District, as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended December 31, 2024, Hyden-Leslie County Water District adopted new accounting guidance, *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 (OPEB).* Our opinion is 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.

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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

Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Pension Contributions, Schedule of the District's Proportionate Share of the Net OPEB Asset, and Schedule of the District's OPEB Contributions on pages 31 – 34 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.

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 May 30, 2025 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

May 30, 2025

Hyden-Leslie County Water District
Statements of Net Position
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 824,382	$ 880,585
Investments	488,764	468,692
Receivables, less allowance for doubtful accounts of $5,000	269,726	294,989
Unbilled accounts receivable	58,868	51,214
Inventories	144,632	115,706
Prepaid expenses	38,496	31,544
Other current assets	1,100	1,100
Total Current Assets	1,825,968	1,843,830
Noncurrent Assets		
Restricted Assets		
Customer deposits	84,484	76,141
Depreciation reserves	185,000	177,900
Debt and interest funds	206,399	198,766
PSC surcharge	264,981	198,164
Total Restricted Assets	740,864	650,971
Capital Assets		
Land and improvements	32,169	32,169
Buildings and improvements	5,632,405	5,632,405
Source of supply and pumping	2,659,727	2,624,919
Water treatment equipment	3,651,473	3,651,473
Transmission and distribution plant	22,070,652	22,028,114
Vehicles and other equipment	1,144,961	1,137,588
Construction in progress	498,075	305,775
Less: accumulated depreciation	(14,487,622)	(13,670,689)
Net Capital Assets	21,201,840	21,741,754
Other Noncurrent Assets		
Net OPEB asset	31,612	-
Total Other Noncurrent Assets	31,612	-
Total Noncurrent Assets	21,974,316	22,392,725
Total Assets	23,800,284	24,236,555
Deferred Outflows of Resources		
Deferred outflows - pension	879,215	61,558
Deferred outflows - OPEB	292,973	-
Total Deferred Outflows of Resources	1,172,188	61,558
Total Assets and Deferred Outflows of Resources	$ 24,972,472	$ 24,298,113

See accompanying notes to financial statements.

Hyden-Leslie County Water District
Statements of Net Position (Continued)
December 31, 2024 and 2023

	2024	2023
Liabilities and Net Position		
Current Liabilities		
Current portion of long-term debt	$ 199,309	$ 195,881
Accounts payable	81,938	59,384
Accrued interest payable	7,765	7,981
Accrued salaries and taxes payable	52,729	58,253
Other current liabilities	7,305	6,612
Total Current Liabilities	349,046	328,111
Noncurrent Liabilities		
Customer deposits	74,159	76,141
Unearned tap fees	6,700	7,300
Unearned grant revenue	-	44,156
Long-term debt, less current portion	5,108,733	5,308,042
Net pension liability	1,091,846	-
Total Noncurrent Liabilities	6,281,438	5,435,639
Total Liabilities	6,630,484	5,763,750
Deferred Inflows of Resources		
Deferred inflows - pension	119,530	-
Deferred inflows - OPEB	299,879	-
Total Deferred Inflows of Resources	419,409	-
Total Liabilities and Deferred Inflows of Resources	7,049,893	5,763,750
Net Position		
Net investment in capital assets	15,893,798	16,237,831
Restricted	740,864	650,971
Unrestricted	1,287,917	1,645,561
Total Net Position	17,922,579	18,534,363
Total Liabilities and Net Position	$ 24,972,472	$ 24,298,113

Hyden-Leslie County Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Water sales	$ 2,396,770	$ 2,318,861
Service charges	9,707	6,303
Tap fees	23,200	21,000
Penalties	26,919	-
PSC surcharge	54,577	67,017
Other revenues	15,405	25,444
Total Operating Revenues	2,526,578	2,438,625
Operating Expenses		
Salaries and wages	647,829	673,108
Employee benefits	775,743	264,673
Utilities	301,435	255,422
Chemicals	115,789	108,859
Materials and supplies	191,795	182,025
Contracted services	30,272	39,132
Vehicle and equipment expenses	58,086	52,337
Insurance	78,540	66,094
Bad debt expense, net of recoveries	31,851	34,972
Depreciation	816,933	808,727
Other operating expenses	152,907	135,534
Total Operating Expenses	3,201,180	2,620,883
Operating Loss	(674,602)	(182,258)
Non-operating Revenues (Expenses)		
Interest income	23,182	22,206
Grant revenue	143,451	471,630
Gain on sale of assets	-	2,984
Interest expense	(103,815)	(107,653)
Total Non-operating Revenues (Expenses)	62,818	389,167
Change in Net Position	(611,784)	206,909
Net Position, Beginning of Year	18,534,363	18,327,454
Net Position, End of Year	$ 17,922,579	$ 18,534,363

See accompanying notes to financial statements.

Hyden-Leslie County Water District
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Receipts from customers	$ 2,494,349	$ 2,381,082
Receipts from other activities	15,405	25,444
Payments to employees	(645,034)	(673,200)
Payments to suppliers	(1,211,081)	(1,047,164)
Payments for other activities	(152,907)	(135,534)
Net Cash Provided by Operating Activities	500,732	550,628
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(269,535)	(261,367)
Proceeds from sale of property, plant and equipment	-	2,984
Principal payments on debt	(195,881)	(193,139)
Interest payments on debt	(104,031)	(107,861)
Grants	99,295	471,630
Net Cash Used by Capital and Related Financing Activities	(470,152)	(87,753)
Cash Flows From Investing Activities		
Purchases of investments	(1,816,958)	(1,466,198)
Proceeds from investments	1,800,000	1,447,529
Interest on investments	20,068	21,578
Net Cash Provided by Investing Activities	3,110	2,909
Net Increase in Cash and Cash Equivalents	33,690	465,784
Cash and Cash Equivalents at Beginning of Year	1,531,556	1,065,772
Cash and Cash Equivalents at End of Year	$ 1,565,246	$ 1,531,556
Reconciliation of cash per Statements of Net Position to cash per Statements of Cash Flows:		
Cash and cash equivalents	$ 824,382	$ 880,585
Customer deposits	84,484	76,141
Depreciation reserves	185,000	177,900
Debt and interest funds	206,399	198,766
PSC surcharge	264,981	198,164
Cash and Cash Equivalents per Statements of Cash Flows	$ 1,565,246	$ 1,531,556

See accompanying notes to financial statements.

Hyden-Leslie County Water District
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (674,602)	$ (182,258)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	816,933	808,727
(Increase) Decrease in operating assets		
Accounts receivable	25,263	(5,501)
Unbilled accounts receivable	(7,654)	743
Inventory	(28,926)	(19,172)
Other current assets and prepaid expenses	(6,952)	920
Net OPEB asset and deferred outflows of resources	(1,142,242)	(61,558)
Increase (Decrease) in operating liabilities		
Accounts payable	15,070	(23,056)
Accrued expenses and other liabilities	(4,831)	24,152
Customer deposits	(1,982)	8,231
Unearned tap fees	(600)	(600)
Net pension liability and deferred inflows of resources	1,511,255	-
Net Cash Provided by Operating Activities	$ 500,732	$ 550,628

See accompanying notes to financial statements.

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 and United States Treasury Bills.

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, 2024 and 2023, 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, 2024 and 2023 was $816,933 and $808,727, 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, 2024 and 2023 were $17,044 and $17,977, respectively.

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 5.38% 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, became subject to 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 for 2023. During 2024, the District was a participant during the full measurement period and, therefore, fully implemented GASB No. 68 and No. 75 during 2024. See Notes 8 and 9 for additional pension and OPEB plan information.

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, 2024 and 2023 was $391,399 and $376,666, respectively. The balance of customer deposits held at December 31, 2024 and 2023 was $84,484 and $76,141, 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, 2024 and 2023 was $264,981 and $198,164, respectively.

Note 3 – Kentucky Revised Statute

At December 31, 2024 and 2023, $2,082,690 and $1,666,487, 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.

Note 4 – Custodial Credit Risk - Deposits

The fair market value of deposits was equivalent to the carrying values as of December 31, 2024 and 2023. All deposits were checking or savings accounts. The carrying amounts of the District's bank deposits were $1,564,811 and $1,531,121 for the years ended December 31, 2024 and 2023, respectively. The bank balances were $1,596,362 and $1,537,825 for the years ended December 31, 2024 and 2023, respectively. The bank balances were covered by $250,000 of FDIC insurance for each year. As of December 31, 2024, the remaining bank balances were fully collateralized by the pledging bank. As of December 31, 2023, $340,030 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, 2024, and 2023, $1,346,362 and $1,287,825, respectively, of the District's total deposits at banks were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and uncollateralized	$ -	$ 340,030
Uninsured and collateral held by pledging bank	1,346,362	947,795
Uninsured and collateral held by pledging bank's trust department not in the District's name	-	-
Total	$ 1,346,362	$ 1,287,825

The District also held $435 of petty cash on hand for the years ended December 31, 2024 and 2023.

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, 2024, and 2023, the District had the following investments, categorized by level of risk:

	Rating	Risk Category	Fair Value	
			2024	2023
Government Money Market Fund	Not Rated	1	$ 9,436	$ 468,692
United States Treasury Bills	Not Rated	1	479,328	-
Total			$ 488,764	$ 468,692

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 United States Treasury Bills at December 31, 2024 was 98.07% of the District's total investments. The investments in a government money market fund at December 31, 2024 and 2023 were 1.93% and 100%, respectively, of the District's total investments.

Note 6 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2024:

	Balance Dec. 31, 2023	Additions/ CIP Transfers	Dispositions/ CIP Transfers	Balance Dec. 31, 2024
Land and improvements	$ 32,169	$ -	$ -	$ 32,169
Building and improvements	5,632,405	-	-	5,632,405
Source of supply and pumping	2,624,919	34,808	-	2,659,727
Water treatment equipment	3,651,473	-	-	3,651,473
Transmission and distribution plant	22,028,114	42,538	-	22,070,652
Vehicles and other equipment	1,137,588	7,373	-	1,144,961
Construction in progress	305,775	192,300	-	498,075
Totals at historical cost	35,412,443	277,019	-	35,689,462
Less accumulated depreciation for:				
Building and improvements	1,643,170	150,198	-	1,793,368
Source of supply and pumping	1,101,342	93,171	-	1,194,513
Water treatment equipment	1,155,320	124,590	-	1,279,910
Transmission and distribution plant	9,074,266	367,661	-	9,441,927
Vehicles and other equipment	696,591	81,313	-	777,904
Total accumulated depreciation	13,670,689	816,933	-	14,487,622
Capital assets - net	$ 21,741,754	$ (539,914)	$ -	$ 21,201,840

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	35,228,406	313,437	129,400	35,412,443
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	12,937,699	808,727	75,737	13,670,689
Capital assets - net	$ 22,290,707	$ (495,290)	$ 53,663	$ 21,741,754

Note 7 – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2024:

	Balance Dec. 31, 2023	Additions	Payments	Balance Dec. 31, 2024	Due Within One Year
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%	$ 195,417	$ -	$ 40,000	$ 155,417	$ 42,083
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%	201,200	-	8,100	193,100	7,500
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%	951,500	-	18,000	933,500	18,500
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%	1,596,000	-	41,000	1,555,000	42,000

Note 7 – Long-Term Debt (Continued)

	Balance Dec. 31, 2023	Additions	Payments	Balance Dec. 31, 2024	Due Within One Year
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	$ 2,559,806	$ -	$ 88,781	$ 2,471,025	$ 89,226
	$ 5,503,923	$ -	$ 195,881	$ 5,308,042	$ 199,309

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

	Balance Dec. 31, 2022	Additions	Payments	Balance Dec. 31, 2023	Due Within One Year
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

Note 7 – Long-Term Debt (Continued)

	Balance Dec. 31, 2022	Additions	Payments	Balance Dec. 31, 2023	Due Within One Year
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%	$ 968,500	$ -	$ 17,000	$ 951,500	$ 18,000
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%	1,636,000	-	40,000	1,596,000	41,000
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	2,648,145	-	88,339	2,559,806	88,781
	$ 5,697,062	$ -	$ 193,139	$ 5,503,923	$ 195,881

Note 7 – Long-Term Debt (Continued)

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

Year Ending December 31,	Principal	Interest	Total
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	169,126	79,233	248,359
2030-2034	891,311	352,402	1,243,713
2035-2039	980,692	269,938	1,250,630
2040-2044	1,008,967	181,309	1,190,276
2045-2049	1,088,948	91,089	1,180,037
2050-2054	364,590	8,130	372,720
	$ 5,308,042	$ 1,331,678	$ 6,639,720

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 Statutes Sections 61.505 and 78.782, 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 (CERS – Nonhazardous Pension Plan and CERS – Hazardous Pension Plan) 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. 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).

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 county, city, school board, and any additional eligible local agencies electing to participate.

Plan Membership

The total pension liability is based on the plan membership as of June 30, 2023:

Membership Status	Non-Hazardous
Inactive plan members currently receiving benefits	70,932
Inactive plan members entitled to but not yet receiving benefits	111,086
Active plan members	78,810
Total plan members	260,828

Note 8 – Retirement Plan (Continued)

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.

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 years ended December 31, 2024 and 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. The rates are established by the CERS Board based on Kentucky Revised Statute 78.635. The rates are set each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year and are a percentage of each employee's creditable compensation. The District's required contribution rates for the year ended December 31, 2024 were 23.34% (January through June 2024) and 19.71% (July through December 2024).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 CERS Board of Trustees. Administrative costs are financed through employer contributions and investment earnings.

Employees are grouped into three tiers within the retirement plan. As of June 30, 2024, 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 balance as of June 30 of the previous year 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 5% (Non-hazardous positions) of their annual creditable compensation. Further, members also contribute an additional 1% which is 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 as of June 30 of the previous year 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.

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 CERS'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 plan in CERS 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 in an additional interest credit. Member accounts automatically earn 4% interest annually. The GANIR is calculated on an individual plan basis.

The District's payroll for the year ended December 31, 2024 was $630,369 and for the period of August 1, 2023 through December 31, 2023 (period of plan participation) was $263,745, all of which was subject to CERS. The District's contribution requirements for the year ended December 31, 2024 was $135,223 and 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 year ended December 31, 2024 and 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

At December 31, 2024, the District reported a liability of $1,091,846 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. 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 plan members, as actuarially determined. At the June 30, 2024 measurement date, the District's proportion was 0.018257%.

Note 8 – Retirement Plan (Continued)

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

At December 31, 2023, the District was not yet a participating member of the plan for a full measurement period. The District began participating in the retirement plan as of August 1, 2023 which was after the plan's measurement period of June 30, 2023. Therefore, pension liability, pension expense, and deferred outflows and inflows of resources related to pensions were not actuarially calculated or recorded for the District for the year ended December 31, 2023.

For financial reporting, the actuarial valuation was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability (NPL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles.

The following actuarial assumptions were used:

Inflation	2.50%
Payroll Growth Rate	2.00% for CERS Nonhazardous and CERS Hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Nonhazardous; 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50% for CERS Nonhazardous and CERS Hazardous

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The District recognized pension expense of $529,059 for the year ended December 31, 2024.

At December 31, 2024, 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
Difference between expected and actual experience	$ 52,847	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	70,200
Changes of assumptions	-	49,330
Changes in proportion and differences between employer contributions and proportionate share of pension contributions	763,248	-
Employer pension contributions subsequent to the measurement date	63,120	
Total	$ 879,215	$ 119,530

Note 8 – Retirement Plan (Continued)

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

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted. Deferred outflows and inflows related to experience gains/losses, the impact of changes in actuarial assumptions, changes in the employer's proportionate share of net pension liability, and differences between employer contributions and the proportionate share of contributions are amortized over the average remaining service life of the active and inactive plan members at the beginning of the fiscal year.

The $63,120 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
	2025	$ 424,035
	2026	315,161
	2027	(26,986)
	2028	(15,645)
Total		$ 696,565

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 was recognized as a reduction of the net pension liability in the year ended December 31, 2024.

Actuarial Assumptions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2024:

Valuation Date	June 30, 2022 for CERS Nonhazardous and CERS Hazardous
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years closed period at June 30, 2019 *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases*
Payroll Growth Rate	2.0% for CERS Nonhazardous and CERS Hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50% for CERS Nonhazardous and CERS Hazardous
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Nonhazardous and CERS Hazardous

Note 8 – Retirement Plan (Continued)

Actuarial Assumptions (Continued)

The retiree mortality is 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 long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous plan.

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	**100.00%**	**4.69%**
Long Term Inflation Assumption		**2.50%**
Expected Nominal Return for Portfolio		**7.19%**

Source: Kentucky Public Pension Authority

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362 (passed in 2018), over the remaining 27 years (closed) amortization period of the unfunded actuarial accrued liability. Also, the provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions. The discount rate determination does not use a municipal bond rate.

Note 8 – Retirement Plan (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's net pension liability of the CERS pension plan, calculated using the discount rate of 6.50 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's net pension liability	$1,407,568	$1,091,846	$829,880

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued CERS financial report. That report may be downloaded from the Kentucky Public Pensions Authority website (kyret.ky.gov).

Payable to the Pension Plan

At December 31, 2024 and 2023, the District reported payables of $13,473 and $20,388, respectively, for the outstanding amount of contributions to the pension plan required for the years ended December 31, 2024 and 2023. The payables include 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). Under the provisions of Kentucky Revised Statutes Sections 61.505 and 78.782, 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 (CERS – Nonhazardous Pension Plan and CERS – Hazardous Pension Plan) 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. 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).

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 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).

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

Plan Membership

The total OPEB liability is based on the plan membership as of June 30, 2023:

Membership Status	Non-Hazardous
Inactive plan members currently receiving benefits	38,679
Inactive plan members entitled to but not yet receiving benefits	27,097
Active plan members	78,418
Total plan members	144,194

Note, the membership counts for the health insurance plan may be different than the membership counts for the pension plan due to differences in vesting provisions and the coordination of the delivery of health insurance benefits to members that have earned service in more than one system operated by KPPA.

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. Eligible Medicare retirees are covered through contracts with Humana through a Medicare Advantage Plan. 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 CERS 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

At December 31, 2024, the District reported an asset of $31,612 for their proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating plan members, as actuarially determined. At the June 30, 2024 measurement date, the District's proportion was 0.018275%.

As previously described in Note 8, at December 31, 2023, the District was not yet a participating member of the plan for a full measurement period. The District began participating in the OPEB plan as of August 1, 2023 which was after the plan's measurement period of June 30, 2023. Therefore, OPEB liability (asset), OPEB expense, and deferred outflows and inflows of resources related to OPEB were not actuarially calculated or recorded for the District for the year ended December 31, 2023.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For financial reporting, the actuarial valuation was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles.

The following actuarial assumptions were used:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for CERS Nonhazardous 3.55% to 19.05%, varies by service for CERS Hazardous
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Post – 65	Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010

The discount rate used to calculate the total OPEB liability (asset) increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare health care costs. The total OPEB liability (asset) as of June 30, 2024 is determined using these updated assumptions.

There have been no plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2023. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are the same as those adopted for the CERS Pension Plan and are summarized in the table in Note 8.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The District recognized OPEB income of $7,540 for the year ended December 31, 2024.

At December 31, 2024, 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
Difference between expected and actual experience	$ 17,538	$ 248,725
Net difference between projected and actual investment earnings on OPEB plan investments	-	28,848
Changes of assumptions	28,644	22,306
Changes in proportion and differences between employer contributions and proportionate share of OPEB contributions	238,222	-
Employer OPEB contributions subsequent to the measurement date (including implicit subsidy)	8,569	-
Total	$ 292,973	$ 299,879

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted. Deferred outflows and inflows related to experience gains/losses, the impact of changes in actuarial assumptions, changes in the employer's proportionate share of net OPEB liability, and differences between employer contributions and the proportionate share of contributions are amortized over the average remaining service life of the active and inactive plan members at the beginning of the fiscal year.

The $8,569 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date (including the implicit subsidy) will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
	2025	$ (36,154)
	2026	(12,934)
	2027	(3,276)
	2028	36,889
Total		$ (15,475)

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

Investment Policy

Kentucky Revised Statute 61.650 grants the responsibility for the investment of plan assets to the Kentucky Pension Plan Authority. The Board has established an Investment Committee which is specifically charged with the oversight and investment of plan assets. The Investment Committee has adopted an Investment Policy Statement (IPS) that contains guidelines and restrictions for deposits and investments. The IPS contains the specific guidelines for the investment of Pension and Insurance assets. The target allocation and best estimates of arithmetic real rates of return for each major asset class adopted by the KPPA Board for the Insurance Plan are the same as those adopted for the CERS Pension Plan (See Note 8).

Net OPEB Liability (Asset)

The components of the net OPEB liability (asset) of the participating employers in the CERS Nonhazardous System and the District's proportionate share at the June 30, 2024 measurement date were as follows:

	Total CERS Non-Hazardous System	District's Proportionate Share
Total OPEB liability	$ 3,534,297,000	$ 645,893
Plan's fiduciary net position	(3,707,277,000)	(677,505)
Employers' Net OPEB Liability (Asset)	$ (172,980,000)	$ (31,612)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	104.89%	104.89%

Discount Rate

The single discount rate of 5.99% for CERS Nonhazardous was used to measure the total OPEB liability as of June 30, 2024. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans' actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. See the Plan's Annual Comprehensive Financial Report for additional information.

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

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following table presents the District's net OPEB liability (asset) of the CERS insurance plan, calculated using the discount rate of 5.99 percent, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99 percent) or 1-percentage-point higher (6.99 percent) than the current rate:

	1% Decrease (4.99%)	Current Discount Rate (5.99%)	1% Increase (6.99%)
District's net OPEB liability (asset)	$42,743	$(31,612)	$(94,130)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following table presents the District's net OPEB liability (asset) calculated using the healthcare cost trend rate, as well as what the District's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's net OPEB liability (asset)	$(76,055)	$(31,612)	$20,161

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.

Note 11 – Fair Value Measurements (Continued)

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 United States Treasury Bills 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.

		Fair Value Measurements at Reporting Date		
	Fair Value	Quoted Prices In Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2024				
U.S. Treasury Bills	$ 479,328	$ 479,328	$ -	$ -
2023				
U.S. Treasury Bills	$ -	$ -	$ -	$ -

Note 12 - Subsequent Events

Management of the District has evaluated subsequent events through May 30, 2025, the date on which the financial statements were available to be issued.

Hyden-Leslie County Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employee's Retirement System (CERS) Pension Plan
Last Ten Fiscal Years*

	2024
District's proportion of the net pension liability (asset)	0.018257%
District's proportionate share of the net pension liability (asset)	$ 1,091,846
District's covered-employee payroll	$ 573,169
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	190.49%
Plan fiduciary net position as a percentage of the total pension liability	61.61%

Source: Kentucky Public Pensions Authority

Notes: See the notes to the financial statements for a description of actuarial assumptions.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

*The amounts presented for each year were determined (measured) as of the fiscal year-end that occurred within the calendar year.

Hyden-Leslie County Water District
Schedule of the District's Pension Contributions
County Employee's Retirement System (CERS) Pension Plan
Last Ten Fiscal Years*

	2024
Contractually required contribution	$ 133,778
Contributions in relation to the contractually required contribution	$ (133,778)
Contribution Deficiency (Excess)	$ -
District's covered-employee payroll	$ 573,169
Contributions as a percentage of covered-employee payroll	23.34%

Source: Kentucky Public Pensions Authority

Notes: See the notes to the financial statements for a description of actuarial assumptions.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions include those contributions allocated directly to the CERS pension fund.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

*The amounts presented for each year were determined (measured) as of the fiscal year-end that occurred within the calendar year.

Hyden-Leslie County Water District
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
County Employee's Retirement System (CERS) OPEB Plan
Last Ten Fiscal Years*

	2024
District's proportion of the net OPEB liability (asset)	0.018275%
District's proportionate share of the net OPEB liability (asset)	$ (31,612)
District's covered-employee payroll	$ 573,169
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-5.52%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%

Source: Kentucky Public Pensions Authority

Notes: See the notes to the financial statements for a description of actuarial assumptions.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

*The amounts presented for each year were determined (measured) as of the fiscal year-end that occurred within the calendar year.

Hyden-Leslie County Water District
Schedule of the District's OPEB Contributions
County Employee's Retirement System (CERS) OPEB Plan
Last Ten Fiscal Years*

	2024
Contractually required contribution	$ -
Contributions in relation to the contractually required contribution	$ -
Contribution Deficiency (Excess)	$ -
District's covered-employee payroll	$ 573,169
Contributions as a percentage of covered-employee payroll	0.00%

Source: Kentucky Public Pensions Authority

Notes: See the notes to the financial statements for a description of actuarial assumptions.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of the CERS. The above contributions include those contributions allocated directly to the CERS insurance fund.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

*The amounts presented for each year were determined (measured) as of the fiscal year-end that occurred within the calendar year.

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the 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, 2024, 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 May 30, 2025.

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 2024-1 and 2024-2 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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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

May 30, 2025

Findings – Financial Statements

2024-1

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.

2024-2

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.