JONATHAN CREEK WATER DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

JONATHAN CREEK WATER DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Jonathan Creek Water District
Benton, Kentucky

Opinions
We have audited the accompanying financial statements of the business-type activities of the Jonathan Creek Water District as of and for the year ended December 31, 2021, 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 position of the business-type activities of the Jonathan Creek Water District as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Jonathan Creek Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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.

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Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. 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 GAAS 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 Jonathan Creek Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonable 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 Jonathan Creek Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of pension contributions, schedule of other postemployment benefits contributions, schedule of proportionate share of net pension liability, and schedule of proportionate share of other postemployment benefits liability 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.

Other Information
Management is responsible for the other information included in the annual report. The other information is comprised of the detailed schedule of operating expenses but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2022, on our consideration of the Jonathan Creek Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eddyville, Kentucky
July 22, 2022

JONATHAN CREEK WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)

The Jonathan Creek Water District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the years ended December 31, 2021. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

FINANCIAL HIGHLIGHTS

- The District's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of December 31, 2021, by $3,121,693 (Net Position).
- The District's total net position increased by $550,210 during the year compared to a $131,025 increase in the prior year.
- The District's operating revenues increased by $61,153 over the prior year from $954,208 to $1,015,361.
- The District's operating expenses decreased by $84,411 over the prior year from $919,212 to $834,801

OVERVIEW OF THE FINANCIAL STATEMENTS

Jonathan Creek Water District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements.

The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

Statement of net position. The statement of net position presents the financial position of the District. It presents information on the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on page 9 of this report.

Statement of revenues, expenses and changes in net position. The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when they are earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The statement of revenues, expenses and changes in net position is on page 10 of this report.

Statement of cash flows. The statement of cash flows presents information on the effects the changes in assets and liabilities have on cash during the course of the fiscal year and can be found on page 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 12-29 of this report.

Required Supplementary Information. In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on page 30-38.

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $3,121,693 as of December 31, 2021.

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

JONATHAN CREEK WATER DISTRICT'S NET POSITION

	2021	2020
Assets		
Current and other assets	$ 606,854	$ 330,483
Capital assets	4,103,329	3,650,172
Total Assets	4,710,183	3,980,655
Deferred Outflows of Resources	239,623	255,635
Liabilities		
Other liabilities	560,795	198,510
Current portion of long-term debt	51,712	151,196
Long-term liabilities	883,701	1,068,135
Total Liabilities	1,496,208	1,417,841
Deferred Inflows of Resources	331,905	246,966
Net Position		
Net investment in capital assets	3,793,272	3,353,602
Restricted	57,058	42,330
Unrestricted	(728,637)	(824,449)
Total Net Position	$ 3,121,693	$ 2,571,483

The District's investments in capital assets (e.g., land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure), less any debt used to acquire those assets that is still outstanding is $3,793,272. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's unrestricted net assets as of December 31, 2021 is a negative $728,637.

Analysis of the District's Operations – Overall the District had a increase in net position of $550,210.

The following table provides a summary of the District's operations for the year ended December 31, 2021 and 2020.

JONATHAN CREEK WATER DISTRICT
CHANGES IN NET POSITION

	2021	2020
Revenues		
Operating revenues	$ 1,015,361	$ 954,208
Investment income	384	453
Capital grants and contributions	378,645	108,474
Total revenues	1,394,390	1,063,135
Expenses		
Transmission and distribution expenses	317,561	353,256
Administrative and general expenses	230,087	257,799
Depreciation	161,874	175,959
Pumping expenses	87,038	88,065
Payroll and other taxes	25,176	23,968
Water treatment expenses	13,065	20,165
Interest expenses	9,379	12,898
Total Expenses	844,180	932,110
Change in net position	550,210	131,025
Net position - January 1	2,571,483	2,440,458
Net position - December 31	$ 3,121,693	$ 2,571,483

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final budget passed by the board anticipated an increase in the fund balance of $97,240. The budgeted operating revenue received exceeded actual revenue by $128,639. Budgeted expenditures exceeded actual expenditures by $250,459. The budgetary figures and actual amounts are reported in the supplementary information on page 30.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets for business-type activities as of December 31, 2021, amounts to $4,103,329 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants and facilities, machinery and equipment, and infrastructure.

	2021	2020
Business-type activities		
Capital assets, not being depreciated		
Land	$ 201,270	$ 10,000
Construction in progress	83,714	-
Total capital assets, not being depreciated	284,984	10,000
Capital assets, being depreciated		
Transmission and distribution	2,845,762	2,653,290
Distribution reservoirs	61,568	65,172
Transportation equipment	17,800	5,950
Land rights	44	44
Commercial equipment	27,816	39,329
Hydrants	1,693	2,414
Meters and meter installations	329,879	309,841
Pumping equipment	125,452	116,565
Water treatment equipment	7,939	9,410
Tools and shop equipment	2,612	2,884
Office furniture and equipment	805	934
Miscellaneous equipment	11,498	14,382
Power equipment	238,901	268,725
Structures and improvements	26,118	27,159
Wells and springs	104,518	107,632
Services	15,940	16,441
Total capital assets, being depreciated	3,818,345	3,640,172
Business-type activities capital assets, net	$ 4,103,329	$ 3,650,172

During the year ended December 31, 2021, the District placed in service assets totaling $340,047. $272,544 in new lines and replacements lines were recognized as contributed capital from the Marshall County Fiscal Court. The District reported $83,714 as construction in progress for new lines and replacement lines, of which $73,801 was contributed by Marshall County Fiscal Court. A land purchase totaling $191,270 was in progress as of December 31, 2021.

Additional information on the District's capital assets can be found in Note 5 of this report.

Long-term and other debt

At the end of the current year, the Jonathan Creek Water District had total debt of $310,057. Long-term debt at December 31, 2021, was as follows:

	2021	2020
Line of Credit		
CFSB Line of Credit	$ 258,345	$ 93,897
Long-Term Debt		
CFSB Loan	-	85,476
Capital Lease		
Ditch Witch	51,712	117,196
Total Debt	$ 310,057	$ 296,569

Interest expense of $9,379 was incurred during the year ended December 31, 2021.

Additional information on the District's long-term debt can be found in Note 6 of this report.

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the Jonathan Creek Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to David Lovett, Superintendent, Jonathan Creek Water District, 7564 US Highway 68 E, Benton, Kentucky 42025.

Jonathan Creek Water District
Statement of Net Position
December 31, 2021

Assets	
Current Assets	
Cash equivalents	$ 292,502
Customer accounts receivable (less allowance for uncollectible accounts of $7,018)	61,120
Unbilled revenue	71,631
Inventory	101,414
Prepayments	23,129
Restricted assets	
Cash equivalents	57,058
Total Current Assets	606,854
Noncurrent Assets	
Capital assets, net of depreciation	4,103,329
Total Assets	4,710,183
Deferred Outflows of Resources	
Related to pensions	104,889
Related to other postemployment benefits	134,734
Total Deferred Outflows of Resources	239,623
Total Assets and Deferred Outflows of Resources	4,949,806
Liabilities	
Current Liabilities	
Accounts payable	197,048
Accrued liabilities	29,052
Customers' deposits	76,350
Line of credit	258,345
Long-term debt due in one year	51,712
Total Current Liabilities	612,507
Noncurrent Liabilities	
Net pension liability	679,659
Net other postemployment benefit liability	204,042
Total Noncurrent Liabilities	883,701
Total Liabilities	1,496,208
Deferred Inflows of Resources	
Related to pensions	189,840
Related to other postemployment benefits	142,065
Total Deferred Inflows of Resources	331,905
Net Position	
Net investment in capital assets	3,793,272
Restricted for	
Customer deposits	57,058
Unrestricted	(728,637)
Total Net Position	$ 3,121,693

See accompanying notes to financial statements.

Jonathan Creek Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2021

Operating Revenue	
Water revenues	$ 1,012,044
Other	3,317
Total Operating Revenues	1,015,361
Operating Expenses	
Transmission and distribution expenses	317,561
Administrative and general expenses	230,087
Depreciation	161,874
Pumping expenses	87,038
Payroll and other taxes	25,176
Water treatment expenses	13,065
Total Operating Expenses	834,801
Operating Income (Loss)	180,560
Nonoperating Revenues (Expenses)	
Investment income	384
Interest on debt	(9,379)
Total Nonoperating Revenue (Expenses)	(8,995)
Net Income Before Capital Contributions	171,565
Capital Contributions	
Fiscal Court funds	346,345
Tap-on fees	32,300
Total Capital Contributions	378,645
Change in Net Position	550,210
Net Position-Beginning of Year	2,571,483
Net Position-End of Year	$ 3,121,693

See accompanying notes to financial statements.

Jonathan Creek Water District
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Cash received from customers	$ 1,017,521
Cash payments to suppliers for goods and services	(256,258)
Cash payments to employees for services	(451,944)
Net Cash Provided By Operating Activities	309,319
Cash Flows From Capital and Related Financing Activities	
Proceeds from capital debt	190,000
Contributed capital	32,300
Interest paid on debt	(9,379)
Principal paid on capital debt	(176,512)
Acquisition of property, plant, and equipment	(77,915)
Net Cash Used By Capital and Related Financing Activities	(41,506)
Cash Flows From Investing Activities	
Income received on investments	384
Net Cash Provided By Investing Activities	384
Net Increase (Decrease) in Cash Equivalents	268,197
Cash Equivalents-Beginning of Year	81,363
Cash Equivalents-End of Year	$ 349,560

Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income (Loss)	$ 180,560
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	161,874
Change in assets and liabilities	
Accounts receivable	(7,110)
Inventory	(2,431)
Prepayments	1,407
Deferred outflows of resources	16,012
Accounts payable	(6,082)
Customer deposits	9,270
Accrued liabilities	3,837
Deferred pension and OPEB liabilities	(132,957)
Deferred inflows of pensions	84,939
Net Cash Provided By Operating Activities	$ 309,319

Reconciliation of Total Cash	
Current Assets - Cash	$ 292,502
Restricted Assets - Cash	57,058
Total Cash	$ 349,560

Non-cash Investing, Capital and Related Financing Activities - None

See accompanying notes to financial statements.

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Jonathan Creek Water District, (the District), was organized to provide water service to the residents of Benton, Kentucky and the surrounding areas. The District is supported by funds derived from the sale of water and is governed by a five member Board, appointed by the County Judge of Marshall County. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky.

The accounting and reporting policies of the District relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards board (when applicable). The District follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the District are described below:

Principles Determining Scope of Reporting Entity

The District's financial report includes only the funds of the District. The District has no oversight responsibility for any other governmental entity and is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board pronouncement.

Basis of Presentation

The accounts of the District are organized in accordance with the uniform system of accounts adopted by the Public Service Commission of Kentucky. Those accounts are organized on the basis of a proprietary fund type, specifically an enterprise fund. The operations of each fund are summarized by providing a separate set of self balancing accounts which include its assets, liabilities, net position, revenues and expenses. The following funds are used by the District:

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting and financial statements for a proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Reclassifications
Prior period financial statement amounts have been reclassified to conform to current period presentation. Operating income and net earnings for the prior period were not impacted by the reclassifications.

Sales of Water
Charges to customers for the sale of water are based on rates approved by the Kentucky Public Service Commission (PSC).

Budget
The District is required to follow budgetary guidelines established by the Public Service Commission and the Department of Rural Development. Those guidelines require:

1) The District to submit a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

2) The District is required to submit a budget to the Department of Rural Development for each fiscal year as stipulated in the bond agreement.

For the year ended December 31, 2021, the District has complied with budgetary guidelines.

Cash Equivalents/ Investments
Cash and cash equivalents are deposited with Community Financial Services Bank. District ordinances authorize the District to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, repurchase agreements, and demand deposits. All investments must be purchased through brokers/dealers or deposited with local financial institutions.

For the purpose of the statement of cash flows, the District considers all cash in banks and certificates of deposit with stated maturities of three months or less or available for withdrawal by management to be cash and cash equivalents.

Accounts Receivable
The District uses an allowance of uncollectible accounts method to account for bad debts. Accounts receivable is shown net of this allowance. The allowance is based on past history and management's analysis of the current accounts.

Prepaid Items
Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid items.

Capital Assets
Capital assets are stated at original cost as defined for regulatory purposes. The costs of additions to capital assets and replacement of retirement units are capitalized. Replacement of minor items of property is charged to expense as incurred. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant betterments are capitalized.

Contributions from customers for the purpose of purchasing service connections to the utility plant are recorded as income when they are received. Depreciation on contributed assets is recorded as an expense in the statement of revenue and expense. Capital assets are depreciated over the following useful lives:

Utility plant	20 to 62.50 years
Equipment	5 to 13 years

Unearned Revenue
The District recognizes certain revenue transactions as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available.

Inventory
Inventories are generally used for repair and replacement of infrastructure and connection of new services and are stated at average cost.

Use of Restricted Funds
When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Estimates
The preparation of the District's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the year ended December 31, 2021, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

Pensions and Other Postemployment Benefits
For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and OPEB, information about the fiduciary net position of the County Employees Retirement System in the Kentucky Public Pensions Authority (KPPA) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KPPA. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the County Employees Retirement System. Investments are reported at fair value.

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Net Position

In the financial statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in the category, deferred charges - pension, and deferred charges - other postemployment benefits (OPEB).

The deferred related pension and OPEB outflows results from pension and OPEB contributions subsequent to the measurement date of the pension plan and OPEB and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items reported in this category, inflows related to the District's pension and OPEB plans that qualify for reporting in this category - deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

Recent Accounting Pronouncements

As of December 31, 2021, the GASB has issued the following statements not yet required to be adopted by the District.

GASB Statement No. 95

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following statement information has been updated to reflect the new effective dates.

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2021

GASB Statement No. 87

GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after June 15, 2021. This Statement will increase the usefulness of governments' financial statements by required reporting of certain lease liabilities that currently are not required. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single method. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 91

GASB Statement No. 91, *Conduit Debt Obligations,* was issued May 2019. The requirements of this Statement are effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards of accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District's management has not yet determined the effect this Statement will have on the financial statements.

GASB Statement No. 92

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 93

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued March 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). The District's management has not yet determined the effect this statement will have on the financial statements.

Jonathan Creek Water District
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Subsequent Events
The District has evaluated subsequent events through July 22, 2022, the date which the financial statements were available to be issued.

2. LEGAL COMPLIANCE

Deficit Net Position
There was not a deficit net position for the year ended December 31, 2021.

3. DEPOSITS AND INVESTMENTS

A. Net Position
The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	Deposits	Investments	Total
Cash equivalents	$ 292,502	$ -	$ 292,502
Restricted assets			
Cash equivalents	57,058	-	57,058
Total	$ 349,560	$ -	$ 349,560

B. Deposits
At year-end, the carrying amount of the District's deposits in financial institutions were $349,560, and the bank balances were $361,614. $250,000 of the bank balances were covered by federal depository insurance. The remaining balance of $111,614 was covered by collateral held by the pledging financial institution's agent or trust department in the District's name.

4. RESTRICTED NET POSITION

The District has restricted assets totaling $57,058. These assets are restricted meter deposits. They are released from restriction when applied to the customers final bill.

Jonathan Creek Water District
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5. CAPITAL ASSETS

A summary of proprietary fund property, plant, and equipment at December 31, 2021 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	$ 10,000	$ 191,270	$ -	$ 201,270
Construction in progress	-	83,714	-	83,714
Total capital assets, not being depreciated	10,000	274,984	-	284,984
Capital assets, being depreciated				
Transmission and distribution	4,892,136	272,544	-	5,164,680
Distribution reservoirs	700,034	-	-	700,034
Transportation equipment	109,836	16,000	-	125,836
Land rights	6,225	-	-	6,225
Commercial equipment	108,403	-	-	108,403
Hydrants	83,165	-	-	83,165
Meters and meter installation	670,375	32,503	-	702,878
Pumping equipment	357,304	19,000	-	376,304
Water treatment equipment	384,348	-	-	384,348
Tools and shop equipment	24,886	-	-	24,886
Office furniture and equipment	33,402	-	-	33,402
Miscellaneous equipment	193,928	-	-	193,928
Power equipment	434,072	-	-	434,072
Communication equipment	1,958	-	-	1,958
Structures and improvements	43,486	-	-	43,486
Wells and springs	170,646	-	-	170,646
Organization	5,702	-	-	5,702
Services	75,751	-	-	75,751
Total capital assets, being depreciated	8,295,657	340,047	-	8,635,704
Less accumulated depreciation for				
Transmission and distribution	(2,238,846)	(80,073)	-	(2,318,919)
Distribution reservoirs	(634,862)	(3,605)	-	(638,467)
Transportation equipment	(103,886)	(4,150)	-	(108,036)
Land rights	(6,181)	-	-	(6,181)
Commercial equipment	(69,074)	(11,512)	-	(80,586)
Hydrants	(80,751)	(722)	-	(81,473)
Meters and meter installation	(360,534)	(12,463)	-	(372,997)
Pumping equipment	(240,739)	(10,114)	-	(250,853)
Water treatment equipment	(374,938)	(1,471)	-	(376,409)
Tools and shop equipment	(22,002)	(272)	-	(22,274)
Office furniture and equipment	(32,468)	(130)	-	(32,598)
Miscellaneous equipment	(179,546)	(2,885)	-	(182,431)
Power equipment	(165,347)	(29,824)	-	(195,171)
Communication equipment	(1,958)	-	-	(1,958)
Structures and improvements	(16,327)	(1,040)	-	(17,367)
Wells and springs	(63,014)	(3,114)	-	(66,128)
Organization	(5,702)	-	-	(5,702)
Services	(59,310)	(499)	-	(59,809)
Total accumulated depreciation	(4,655,485)	(161,874)	-	(4,817,359)
Total capital assets, being depreciated, net	3,640,172	178,173	-	3,818,345
Business-type activities capital assets, net	$ 3,650,172	$ 453,157	$ -	$ 4,103,329

Depreciation charged to income was $161,874.

6. DEBT OBLIGATIONS

Line of Credit
On September 5, 2018, the District established a line of credit with Community Financial Services Bank to be used to help fund operating expenses. The interest rate of the line of credit is 5.5% and each installment borrowed is due in twenty four (24) months. The line of credit has a credit limit of $400,000. During 2021 draws totaling $190,000 were taken. The balance as of December 31, 2021, was $258,345.

Capital Lease
On July 21, 2017, the District entered into a capital lease agreement with Ditch Witch to purchase a trencher, a jet track drill package, and a trailer totaling $314,043. Payments of $5,746 are due monthly for 60 payments. The accumulated depreciation as of December 31, 2021, for this equipment was $106,691, leaving a current book value of $207,349. A corresponding liability is recorded in the financial statements. Principal payments in fiscal year 2021 totaled $51,712.

Description	Interest Rate	Maturity Date	Balance 12/31/2021	Due in One Year
Capital Lease - Ditch Witch	3.76%	2022	$ 51,712	$ 51,712
Total			$ 51,712	$ 51,712

Note Payable
On May 3, 2016, the District entered into a loan agreement with Community Financial Services Bank to refinance existing debt totaling $600,672. The loan had an interest rate of 3.125% and required payments of $10,851 per month. This loan was paid in full on April 15, 2021.

Changes in Business-Type Activities Debt

A summary of changes in the business-type activities debt for the year ended December 31, 2021 follows:

	Balance 12/31/2020	Debt Proceeds	Principal Payments	Balance 12/31/2021	Due Within One Year
Business-Type Activities					
Capital Lease - Ditch Witch	$ 117,196	$ -	$ 65,484	$ 51,712	$ 51,712
CFSB - Notes Payable	85,476	-	85,476	-	-
Total Business-Type Activities	$ 202,672	$ -	$ 150,960	$ 51,712	$ 51,712

Principal and interest requirements of the lease payable as of December 31, 2021 are:

Year Ending December 31,	Principal	Interest	Total
2022	$ 51,712	$ 233	$ 51,945

Interest expense for the year was $9,379.

7. EMPLOYEES' RETIREMENT PLAN

County Employees' Retirement System

*Plan descriptio*n. The District is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA). The CERS pension plan has two categories: Hazardous for sworn police and fire employees and Nonhazardous for general employees. The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute ("KRS") Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial containing CERS information that can be obtained from https://kyret.ky.gov.

Benefits provided. CERS provides retirement, health insurance, and death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years service. For retirement purposes, nonhazardous employees are grouped into three tiers, based on hire date.

Nonhazardous members

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
		Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
		Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
		Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Plan Funding. State statute requires active members to contribute a percentage of creditable compensation based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers are required by state statute (KRS 78.545(33)) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the Board of Trustees annually based upon actuarial valuations. For the year ended December 31, 2021, the employer contribution rate was 19.30% for the period January 1, 2021 to June 30, 2021; and 21.17% for the period July 1, 2021 to December 31, 2021, respectively of members' nonhazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution requirements and the amounts contributed to CERS for the year ending December 31, 2021, were $73,466. Of this amount, $58,357 is considered contributed to the pension requirement and $15,109 is considered contributed to the health insurance requirement.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At December 31, 2021, the District reported a liability of $679,659 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected form the participating employers in the KERS Nonhazardous plan. Therefore, the calculation of the proportionate share of the Collective Pension Amounts for employers that participate in the KERS Nonhazardous pension plan has been updated since June 30, 2020. The proportionate share of the Collective Pension Amounts for employers that participate in KERS Nonhazardous plan is based upon their allocation of the amortization cost, as specified under the revised statutes. It is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2021. The final proportionate share calculation, which represents an employer's share of the long-term contribution effort assumes the amortization cost is approximately 90% of the aggregate required contribution for the fund. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions. At June 30, 2021, the District's proportion was .010660%.

Pension expense. As a result of its requirement to contribute to CERS, the District recognized pension expense of $25,209 for the year ended December 31, 2021. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	$ 7,805	$ 6,597
Net differences between projected and actual investment earnings	26,366	116,953
Change of assumption	9,122	-
Changes in proportion and differences between employer contributions and share of contributions	28,723	66,290
Contributions subsequent to the measurement date	32,873	-
Totals	$ 104,889	$ 189,840

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Deferred Outflows of Resources. The $32,873 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amortization/ (Accretion)
December 31, 2022	$ (54,952)
December 31, 2023	(15,103)
December 31, 2024	(19,402)
December 31, 2025	(28,367)
Total	$ (117,824)

Actuarial assumptions. The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

The actuarial assumptions used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan. This change does not impact the calculation of the total pension liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective Pension Amounts in the KERS Nonhazardous pension plan from 2020 to 2021.

House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their employees. As such, there is no material impact on the total pension liability due to this legislation. There were no other material plan provision changes.
Senate Bill 249 passed during the 2020 Legislative Session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases. This change does not impact the calculation of total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

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The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS Nonhazardous
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25%

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

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years. The long-term(10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of returns are developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Growth	**68.50%**	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	**11.50%**	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	**20.00%**	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	**100.00%**	
Expected real return		5.00%
Long-Term inflation assumption		2.30%

Discount Rate. The single discount rate used to measure the total pension liability for the fiscal plan year ending June 30, 2021, was 6.25% for nonhazardous and hazardous employees. The projection of cash flows used to determine the single discount rate for each plan must include an assumption regarding actual employer contributions made each future year. Except where noted below, future contributions are projected assuming that each participating employer in each pension plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employee contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. The discount rate determination does not use a municipal bond rate.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
The District's proportionate share of the net pension liability	$ 871,694	$ 679,659	$ 520,753

Payables to the pension plan. At December 31, 2021, the financial statements include $7,835 in contractually required employee pension contributions primarily for the month ended December 31, 2021. The obligation was paid within prescribed time limits.

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued annual comprehensive financial report issued by the Kentucky Public Pensions Authority and can be found at https://kyret.ky.gov.

Other Postemployment Benefit Plan (OPEB)

CERS Medical Insurance Plan

*Plan descriptio*n. The District is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit postemployment benefit plan (OPEB) administered by the Kentucky Public Pensions Authority (KPPA). The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute ("KRS") Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial containing CERS information that can be obtained from https://kyret.ky.gov.

Benefits provided. The CERS Nonhazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Contributions. Per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District's required contribution rate for non-hazardous employees was 4.76% for the period January 1, 2021 to June 30, 2021; and 5.78% for the period July 1, 2021 to December 31, 2021.

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to 401(h) account is non-refundable.

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. At December 31, 2021, the District reported a net OPEB liability of $204,042 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021. At June 30, 2021, the District's proportion was .010658% for nonhazardous classified employees.

For the year ended December 31, 2021, the District recognized OPEB expense of $15,286. At December 31, 2021, 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
Net difference between projected & actual earnings on pension plan investments	$ 32,086	$ 60,920
Changes of assumptions	54,095	190
Net difference between projected and actual earnings on plan investments	10,280	42,200
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,821	38,755
Contributions subsequent to the measurement date, including implicit subsidy	15,452	-
Totals	$ 134,734	$ 142,065

The $15,452 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and the December 31, 2021 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amortization/ (Accretion)
2022	$ 753
2023	(4,091)
2024	(8,516)
2025	(10,929)
	$ (22,783)

Actuarial Assumptions The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2021:

Inflation	2.30%
Payroll Growth Rate	2.00% CERS Non-hazardous
Salary Increase	3.30% - 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	Pub-2010 General Mortality table, for the Nonhazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience form 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

House Bill 1 passed during the 2019 Special Legislative Session allows certain employers in the KERS Nonhazardous plan to elect to cease participating in the KERS Nonhazardous Plan as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their current employees. As such, there is no material impact on the total OPEB liability due to this legislation.

Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total OPEB Liability and only impacts the calculation of the contribution rates that were payable starting July 1, 2020.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Additionally, House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Plan. This change does not impact the calculation of the total OPEB liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective OPEB Amounts in the KERS Nonhazardous insurance plan from 2020 to 2021. Additional information is provided in Section 1 of the GASB 75 KERS report. There were no other material plan provision changes.

The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below.

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Growth	**68.50%**	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	**11.50%**	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	**20.00%**	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	**100.00%**	
Expected real return		5.00%
Long-term inflation assumption		2.30%

Discount Rate. The single discount rate of 5.20% for CERS non-hazardous plans were used to measure the total OPEB liability as of June 30, 2021. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. 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 to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Implicit Subsidy. The fully-insured premiums paid for Kentucky Employee's Health Plan are blended rates based on the combined experience of the active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. GASB Statement No. 75 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability. The

District's implicit subsidy for the year ended December, 31, 2021, was $6,714.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of present, as well as what the plan's net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate (5.20%):

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
The District's proportionate share of the net OPEB liability	$ 280,148	$ 204,042	$ 141,584

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the District's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as, what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The District's proportionate share of the net OPEB liability	$ 146,886	$ 204,042	$ 273,030

Payables to the OPEB plan. At December 31, 2021, the financial statements include $2,083 in contractually required employee OPEB contributions primarily for the month ended December 31, 2021. The obligation was paid within prescribed time limits.

8. CONTINGENCIES

The District participates in federal and state assisted grant programs for construction of water lines. These programs are subject to review by grantors or their representatives. As of December 31, 2021, there have been no material questioned or disallowed costs as a result of grant audits. As construction is completed, amounts due from grant funds are recognized and are recorded as revenue.

9. PUBLIC SERVICE COMMISSION REGULATIONS

The District is required to file with the Public Service Commission (PSC) a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District has satisfied this requirement. The District has also filed the 2021 annual PSC Report as required. Further, the PSC requires that all customer deposit refunds be paid with interest. This requirement has been fulfilled.

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For the Year Ended December 31, 2021

10. ECONOMIC DEPENDENCIES

The majority of the District's revenue consists of charges for water-related services to customers in Jonathan Creek, Kentucky. For the year ended December 31, 2021, the revenues from these sources totaled $1,012,044. The District also receives monies from the United States Department of Agriculture and the Kentucky Infrastructure Authority whenever funds are available.

11. COMPENSATED ABSENCES

The District grants employees vacation time based on years of service. Full-time employee are entitled to vacation pay according to the following schedule:

1 to 4 years	80 hours
5 to 9 years	120 hours
10 to 14 years	160 hours
15 and up	200 hours

Employees are allowed to carryforward 40 hours of vacation time. Any number of remaining hours above 40 will be paid at regular hourly rate. Upon termination of employment, an employee will be paid for all unused vacation leave. The liability for unused vacation time at December 31, 2021 was $10,270.

The District's policy on sick pay states that employees will be granted 8 hours at the end of each 30 day period worked. The maximum number of hours that can be accrued is 288 or 36 days. If an employee accumulates 288 hours of unused time, hours will cease to accrue until time is used. If an employee retires, with unused time remaining, the unused time will be paid at 1/2 the number of hours that remain.

12. LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION

Jonathan Creek Water District
Schedule of Revenues, Expenses, and
Changes in Net Position - Budget and Actual
For the Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget Positive
Revenues	Original	Final	Actual	(Negative)
Water revenues	$ 1,144,000	$ 1,144,000	$ 1,012,044	$ (131,956)
Other	-	-	3,317	3,317
Total Operating Revenues	1,144,000	1,144,000	1,015,361	(128,639)
Operating Expenses				
Transmission and distribution expenses	389,315	389,315	317,561	71,754
General and administrative expenses	282,075	282,075	230,087	51,988
Depreciation	259,115	259,115	161,874	97,241
Pumping expenses	106,705	106,705	87,038	19,667
Payroll and other taxes	32,032	32,032	25,176	6,856
Water treatment expenses	16,018	16,018	13,065	2,953
Total Operating Expenses	1,085,260	1,085,260	834,801	250,459
Operating Income (Loss)	58,740	58,740	180,560	121,820
Nonoperating Revenues (Expenses)				
Investment income	-	-	384	384
Interest on debt	-	-	(9,379)	(9,379)
Total Nonoperating Revenue (Expenses)	-	-	(8,995)	(8,995)
Net Income before Capital Contributions	58,740	58,740	171,565	112,825
Capital Contributions				
Fiscal Court funds	-	-	346,345	346,345
Tap-on fees	38,500	38,500	32,300	(6,200)
Total Capital Contributions	38,500	38,500	378,645	340,145
Change in Net Position	$ 97,240	$ 97,240	550,210	$ 452,970
Net Position-Beginning of Year			2,571,483	
Net Position-End of Year			$ 3,121,693	

Jonathan Creek Water District
Schedule of the Proportionate Share of the Net Pension Liability
For the Years Ended December 31
Last Ten Measurement Dates (1)

Year Ended	District's proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability (2)
CERS Nonhazardous					
2021	0.010660%	$679,659	$286,799	236.98%	57.33%
2020	0.010082%	$773,281	$261,306	295.93%	47.81%
2019	0.012726%	$895,025	$297,706	300.64%	50.45%
2018	0.013799%	$840,401	$319,931	262.68%	53.54%
2017	0.011333%	$663,355	$324,982	204.12%	53.30%
2016	0.009940%	$489,593	$341,265	143.46%	55.50%
2015	0.006920%	$297,444	$240,844	123.50%	59.97%
2014	0.006620%	$284,772	$201,612	141.25%	66.80%

Note to Schedule:

(1) The amounts presented were determined as of the measurement date June 30. District payroll is reported for its' covered employees on a calendar year ending December 31.

(2) This will be the same percentage for all participant employers in the CERS plan.

Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Jonathan Creek Water District
Schedule of Pension Contributions
For theYears Ended December 31
Last Ten Years (1)

Year Ended	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
CERS Nonhazardous					
2021	$58,357	$58,357	$ -	$286,799	19.30% /21.17%
2020	$50,296	$50,296	$ -	$261,306	19.30% / 19.30%
2019	$52,665	$52,665	$ -	$297,706	16.22% / 19.30%
2018	$49,129	$49,129	$ -	$319,931	14.48% / 16.22%
2017	$48,772	$48,772	$ -	$324,982	13.95% / 14.48%
2016	$63,974	$63,974	$ -	$341,265	12.42% / 13.95%
2015	$44,324	$44,324	$ -	$240,844	12.75% / 12.42%
2014	$34,602	$34,6029	$ -	$201,612	13.74% / 12.75%

Note to Schedule:

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

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

Jonathan Creek Water District
Schedule of Changes in Benefits and Assumptions Pension
For the Year Ended December 31, 2021

Note A - Changes of Assumptions:
The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, listed below:

2015:
The assumed investment rate of return was decreased from 7.75% to 7.50%.
The assumed rate of inflation was reduced from 3.50% to 3.25%.
The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
Payroll growth assumption was reduced from 4.50% to 4.00%.
The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disables members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

2017:
The actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25%, net of pension plan investment expense including inflation

2018:
There have been no changes in actuarial assumption since June 30, 2017.

2019:
Payroll growth rate was reduced to 2.00% from 4.00%.
The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

2020:
There have been no changes in actuarial assumptions since June 30, 2019.

2021:
The assumed salary increases were decreased to 3.30% to 10.30%, from 3.30% to 11.55%.

Jonathan Creek Water District
Schedule of Changes in Benefits and Assumptions Pension
For the Year Ended December 31, 2021

Note B - Method and assumptions used in calculations of actuarially determined contribution

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date of June 30, 2020, to the plan's fiscal year ending June 30, 2021, using the generally accepted actuarial principles. The following actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019. *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.*
Payroll growth rate	2.00%
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 increases	3.30% to 10.30%, varies by service for CERS
Investment Return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Note C - Changes in benefits:

2009: A new benefit tier for members who first participate on or after September 1, 2008, was introduced which included the following changes:

1. Tiered structure for benefit accrual rates.
2. New retirement eligibility requirements.
3. Different rules for the computation of final average compensation.

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

2018: House Bill 185 was enacted, which updated benefit provisions for active members who die in the line of duty.

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2021: Senate Bill 169 passed during 2021 legislative session increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan.

Jonathan Creek Water District
Schedule of the Proportionate Share of the Net OPEB Liability
For the Years Ended December 31
Last Ten Measurement Dates (1)

Year Ended	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability (asset)	District's covered employee payroll	District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (2)
CERS Nonhazardous					
2021	0.010658%	$204,042	$286,799	71.14%	62.91%
2020	0.010079%	$243,377	$261,306	93.14%	51.67%
2019	0.012723%	$213,995	$297,706	71.88%	60.44%
2018	0.013803%	$245,070	$319,931	76.60%	57.62%
2017	0.011333%	$227,832	$324,982	70.11%	52.40%

Note to Schedule:

(1) The amounts presented were determined as of the measurement date June 30. District payroll is reported for its' covered employees on calendar years ending December 31.

(2) This will be the same percentage for all participant employers in the CERS plan.

Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Jonathan Creek Water District
Schedule of OPEB Contributions
For the Years Ended Decmeber 31
Last Ten Years (1)

Year Ended	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
CERS Nonhazardous					
2021	$15,109	$15,109	$ -	$286,799	4.76% / 5.78%
2020	$12,574	$12,574	$ -	$261,306	4.76% / 4.76%
2019	$14,813	$14,813	$ -	$297,706	5.26% / 4.76%
2018	$15,918	$15,918	$ -	$319,931	4.70% / 5.26%
2017	$16,257	$16,257	$ -	$324,982	4.73% / 4.70%

Note to Schedule:
Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

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

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Jonathan Creek Water District
Schedule of Changes in Benefits and Assumptions OPEB
For the Year Ended December 31, 2021

Note A - Changes of Assumptions:

2017:

The actuarial valuation was performed as of June 30, 2016. Gabriel Roeder Smith Retirement Consulting rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017. Specifically, a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

2018:

There have been no changes in actuarial assumptions since June 30, 2017.

2019:

The payroll growth rate was reduced to 2.0% from 4.0%.
The inflation rate was reduced to 2.30% from 3.25%.
The investment rate of return was reduced to 6.25% from 7.50%.

2020:

There have been no changes in actuarial assumptions since June 30, 2019.

2021:

Salary increases were reduced to 3.30% to 10.30%, from 3.30% to 11.55%.

Note B - Method and assumptions used in calculations of actuarially determined contributions.

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date of June 30, 2020 to the plan's fiscal year ending June 30, 2021 using generally accepted actuarial principles. The actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019. *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.*
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 increases	3.30% to 10.30%, varies by service for CERS
Payroll growth rate	2.00%
Investment Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Jonathan Creek Water District
Schedule of Changes in Benefits and Assumptions OPEB
For the Year Ended December 31, 2021

Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Notes C - Changes of Benefits:

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2021: Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases.

Senate Bill 169 passed during 2021 legislative session increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan.

OTHER INFORMATION

Jonathan Creek Water District
Detail Schedule of Operating Expenses
For the Year Ended December 31, 2021

General operating expenses	
Salaries and wages	$ 114,065
Employee insurance and benefits	41,213
Monthly billing expenses	21,559
Retirement	12,273
Miscellaneous	9,681
Telephone and internet	8,563
Legal and professional	7,856
Office supplies	4,467
Workers comp and bond insurance	4,320
Uniforms	3,512
Training and education	1,006
Bank charges	754
Travel	818
Total general operating expenses	230,087
Transmission and distribution expenses	
Salaries & wages	257,480
Insurance expenses	29,920
Repairs & maintenance	12,518
Supplies & materials	9,785
Vehicle expenses	5,186
Telephone expenses	2,672
Total water expenses	317,561
Depreciation expense	161,874
Pumping expenses	87,038
Payroll and other taxes	25,176
Water treatment	
Chemicals	10,120
Testing	2,945
Total water treatment	13,065
Total operating expenses	$ 834,801

Jessica K. Daniel, CPA PSC
Certified Public Accountant

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

To the Board of Commissioners
Jonathan Creek Water District
Benton, 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 the Jonathan Creek Water District, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Jonathan Creek Water District's basic financial statements, and have issued our report thereon dated July 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Jonathan Creek Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2021-1 and 2021-2).

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

Jonathan Creek Water District's Response to Findings
Government Auditing Standards require the auditor to perform limited procedures on the Jonathan Creek Water District's response to findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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

Eddyville, Kentucky
July 22, 2022

Jonathan Creek Water District
Schedule of Findings and Responses
For The Year Ended December 31, 2021

2021-1 Segregation of Duties

Condition
There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria
A prudent control environment requires various functions of internal control be allocated among various employees.

Effect
Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

Cause
Lack of personnel.

Recommendation
We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Response
We agree with the finding and have put in place certain compensating controls to help alleviate exposure.

2021-2: Audit Adjustments

Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the District's financial statements.

Context: The inability to make all necessary accrual adjustments related to the 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* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the 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*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, net OPEB liability, and deferred inflows of resources related to the District's involvement with the County Employees Retirement System was reviewed and approved by the District's management and is reflected in the financial statements.

Recommendations: We recommend that the District review the trial balance and journal entries with us to ensure they understand and are in agreement with the entries. The District should establish internal controls necessary to determine that all adjusting entries are made to ensure the District's financial statements are reported in accordance with generally accepted accounting principles.

Response: The District's management will review the trial balance and journal entries in detail. The District understands their obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, net pension liability, and net OPEB liability related to their proportionate share of the County Employees Retirement System.

Jonathan Creek Water District
Schedule of Prior Year Findings and Responses
For The Year Ended December 31, 2020

2020-1 Segregation of Duties
Condition
There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria
A prudent control environment requires various functions of internal control be allocated among various employees.

Effect
Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

Cause
Lack of personnel.

Recommendation
We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Response
We agree with the finding and have put in place certain compensating controls to help alleviate exposure.

2020-2: Audit Adjustments
Criteria: Audit adjustments were indicative of a deficiency in the internal controls over financial reporting.

Condition: During our audit, we identified material adjustments resulting in significant changes to the District's financial statements.

Context: The inability to make all necessary accrual adjustments related to the 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* reporting requirements increases the likelihood that the financial statements would not be fairly presented.

Cause: During our audit, we made recommendations for journal entries that were necessary to comply with the 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*, reporting requirements.

Effect: The audit adjustment to record deferred outflows of resources, net pension liability, net OPEB liability, and deferred inflows of resources related to the District's involvement with the County Employees Retirement System was reviewed and approved by the District's management and is reflected in the financial statements.

Recommendations: We recommend that the District review the trial balance and journal entries with us to ensure they understand and are in agreement with the entries. The District should establish internal controls necessary to determine that all adjusting entries are made to ensure the District's financial statements are reported in accordance with generally accepted accounting principles.

Response: The District's management will review the trial balance and journal entries in detail. The District understands their obligation to recognize pension expense and report deferred outflows of resources, deferred inflows of resources, net pension liability, and net OPEB liability related to their proportionate share of the County Employees Retirement System.