

**LEDBETTER WATER AND SEWER DISTRICT**  
**FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORTS**  
**As of and for the year ended December 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Management and District Board  
Ledbetter Water & Sewer District  
Ledbetter, Kentucky

### *Opinions*

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ledbetter Water & Sewer 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 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 Ledbetter Water & Sewer 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.

### **Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ledbetter Water & Sewer District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Audit Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the Ledbetter Water & Sewer District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ledbetter Water & Sewer 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 pension and other post-employment benefits schedules on pages 4-7 and 26-29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ledbetter Water & Sewer District's basic financial statements. The budgetary comparison information on pages 30-31, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023, on our consideration of the Ledbetter Water & Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ledbetter Water & Sewer 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 Ledbetter Water & Sewer District's internal control over financial reporting and compliance.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
March 15, 2023

**LEDBETTER WATER AND SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

The Ledbetter Water and Sewer District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the year 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 statements provided in this document.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$641,045 at December 31, 2021. Of this amount \$966,308 is investment in capital assets, \$55,505 is restricted for debt service and \$71,818 is invested in capital asset replacement, leaving unrestricted net position of (\$452,586).

The District's net position increased for the year by \$112,194.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. The District's financial report includes only the activities of the Ledbetter Water and Sewer District.

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).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The District's basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. In addition, this report contains other supplementary information to provide the reader additional information about the District.

**Fund Financial Statements** - The focus of fund financial statements is directed to specific activities of a governmental entity rather than the entity as a whole. The District, like other state and local governments, uses fund accounting. All activities of the District are reported in the enterprise fund, a proprietary fund type.

Because the District consists of only a proprietary fund, government-wide financial statements are not necessary.

The basic proprietary fund financial statements can be found on pages 8-10 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 fund financial statements. The notes to the financial statements can be found on pages 11-25 of this report.

**Required Supplementary Information** – Required supplementary information can be found on pages 26-29 of this report.

**Other Supplementary Information** – Other Supplementary information can be found on pages 30-31 of this report.

**LEDBETTER WATER AND SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

**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 the District's financial position. The District's assets and deferred outflows exceeded liabilities and deferred inflows by \$641,045 at December 31, 2021. That represents an increase of \$112,194 over the net position from December 31, 2020 of \$528,851.

The amount of principal repaid by the District during 2021 was \$151,000. There was no new debt during 2021.

The District's overall financial position and results of operations for the past two years are summarized as follows, based on the information included in the financial statements.

	Governmental Activities	
	2021	2020
Assets:		
Current assets	\$ 855,755	\$ 755,378
Other Non-current assets	2,538,554	2,662,128
Total assets	3,394,309	3,417,506
Deferred Outflows Related to Pensions	143,510	206,660
Liabilities:		
Current liabilities	649,877	644,237
Non-current liabilities	2,062,206	2,378,473
Total liabilities	2,712,083	3,022,710
Deferred Inflows Related to Pensions	184,691	72,605
Net position:		
Net investment in capital assets	966,308	935,327
Restricted	127,323	113,187
Unrestricted	(452,586)	(519,663)
Total net position	\$ 641,045	\$ 528,851

**LEDBETTER WATER AND SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

	Governmental Activities	
	2021	2020
Operating revenue	\$ 1,082,943	\$ 1,026,366
Operating expenses	949,616	1,034,293
Operating income (loss)	133,327	(7,927)
Non-operating revenue (expense)	(34,633)	64,034
Capital contributions	13,500	5,400
Change in net position	112,194	61,507
Net position, beginning of year	528,851	467,344
Net position, end of year	\$ 641,045	\$ 528,851

A portion of the District's net position \$966,308 reflects its investment in net plant, such as water tanks, buildings, equipment, and distribution systems, less any related outstanding debt used to acquire those assets. The district uses these assets to provide services to customers, consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the balance sheet must come from other sources such as operations, since the assets themselves cannot be used to liquidate these long-term liabilities.

**BUDGETARY HIGHLIGHTS**

	Final Budgets	Actual	Variance Positive (Negative)
Operating Revenues	\$ 1,051,888	\$ 1,082,943	\$ 31,055
Operating Expenses	1,106,537	949,616	156,921
Non-operating Revenues	50,388	18,731	(31,657)
Non-operating Expenses	51,494	39,864	11,630
Total Positive Variance			\$ 167,949



**LEDBETTER WATER AND SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

**LONG-TERM DEBT**

The District's long-term debt at December 31, 2021 was \$1,270,776. A schedule of the District's long-term debt at December 31, 2021 follows:

	2021	2020
KIA loan	\$ 448,776	\$ 560,970
KACO loan	822,000	867,000
Total long-term debt	<u>\$ 1,270,776</u>	<u>\$ 1,427,970</u>

**CURRENTLY KNOWN FACTS, DECISIONS, CONDITIONS:**

The Livingston County Fiscal Court has been helping with the Long-Term Debt. (Note 13).

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Ledbetter Water and Sewer District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Alan Fox, Superintendent, Ledbetter Water and Sewer District, 1483 US Highway 60, Ledbetter, KY 42058.

Ledbetter Water and Sewer District  
Statement of Net Position  
December 31, 2021

	Water	Sewer	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 310,377	\$ 38,201	\$ 348,578
Accounts receivable	39,060	49,550	88,610
Prepaid expenses	4,220	4,220	8,440
Inventory	17,013	1,666	18,679
Due from sewer	264,125	-	264,125
Restricted cash	-	127,323	127,323
Total current assets	<u>634,795</u>	<u>220,960</u>	<u>855,755</u>
Non-current assets:			
Capital assets:			
Non-Depreciable	159,340	109,500	268,840
Depreciable, net of accumulated depreciation	<u>646,642</u>	<u>1,623,072</u>	<u>2,269,714</u>
Total non-current assets	<u>805,982</u>	<u>1,732,572</u>	<u>2,538,554</u>
Total assets	<u>1,440,777</u>	<u>1,953,532</u>	<u>3,394,309</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to OPEB	51,855	46,916	98,771
Deferred outflows related to pensions	<u>23,482</u>	<u>21,257</u>	<u>44,739</u>
Total deferred outflows	<u>75,337</u>	<u>68,173</u>	<u>143,510</u>
<b>Liabilities</b>			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable	16,187	6,676	22,863
Other current liabilities	16,127	14,805	30,932
Due to water	-	264,125	264,125
Current maturities of long-term debt	-	301,470	301,470
Tenant deposits payable	<u>14,502</u>	<u>15,985</u>	<u>30,487</u>
Total current liabilities	<u>46,816</u>	<u>603,061</u>	<u>649,877</u>
Noncurrent liabilities:			
Lease payable	-	822,000	822,000
Notes payable	-	448,776	448,776
Net OPEB liability	95,935	86,799	182,734
Net pension liability	<u>319,565</u>	<u>289,131</u>	<u>608,696</u>
Total noncurrent liabilities	<u>415,500</u>	<u>1,646,706</u>	<u>2,062,206</u>
Total liabilities	<u>462,316</u>	<u>2,249,767</u>	<u>2,712,083</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to OPEB	47,391	42,878	90,269
Deferred inflows related to pensions	<u>49,572</u>	<u>44,850</u>	<u>94,422</u>
Total deferred inflows	<u>96,963</u>	<u>87,728</u>	<u>184,691</u>
<b>Net Position</b>			
Net investment in capital assets	805,982	160,326	966,308
Restricted for:			
Capital asset replacement	-	71,818	71,818
Debt service	-	55,505	55,505
Unrestricted	<u>150,853</u>	<u>(603,439)</u>	<u>(452,586)</u>
Total net position	<u>\$ 956,835</u>	<u>\$ (315,790)</u>	<u>\$ 641,045</u>

The accompanying notes are an integral part of the financial statements

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

	Water	Sewer	Total
<b>Operating Revenues</b>			
Charges for services	\$ 517,358	\$ 565,585	\$ 1,082,943
Total operating revenue	<u>517,358</u>	<u>565,585</u>	<u>1,082,943</u>
<b>Operating Expenses</b>			
Water purchases	92,528	-	92,528
Salary expenses	200,727	212,143	412,870
Treatment expenses	55,460	80,951	136,411
Maintenance expenses	22,007	17,477	39,484
General operating expenses	56,222	37,522	93,744
Depreciation	50,734	123,845	174,579
Total operating expenses	<u>477,678</u>	<u>471,938</u>	<u>949,616</u>
Operating income (loss)	<u>39,680</u>	<u>93,647</u>	<u>133,327</u>
<b>Nonoperating Revenue (Expenses)</b>			
Intergovernmental	4,001	-	4,001
Interest revenue	207	136	343
Interest expense	-	(39,864)	(39,864)
Gain on sale of equipment	887	-	887
Total nonoperating expenses	<u>5,095</u>	<u>(39,728)</u>	<u>(34,633)</u>
<b>Capital Contributions</b>			
Tap-on fees	8,500	5,000	13,500
Total capital contributions	<u>8,500</u>	<u>5,000</u>	<u>13,500</u>
Change in net position	53,275	58,919	112,194
Net position, beginning of year	<u>903,560</u>	<u>(374,709)</u>	<u>528,851</u>
Net position, end of year	<u>\$ 956,835</u>	<u>\$ (315,790)</u>	<u>\$ 641,045</u>

The accompanying notes are an integral part of the financial statements

Ledbetter Water and Sewer District  
Statement of Cash Flows  
For the Year Ending December 31, 2021

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 515,754	\$ 557,883	\$ 1,073,637
Cash payments to suppliers	(233,532)	(130,542)	(364,074)
Cash payments to employees	(195,417)	(204,213)	(399,630)
Net cash provided (used) by operating activities	86,805	223,128	309,933
Cash flows from capital and related financing activities:			
Intergovernmental Revenue	4,001	-	4,001
Tap-on fees	8,500	5,000	13,500
Proceeds from sale of equipment	1,251	-	1,251
Acquisition and construction of property, plant and equipment	(32,524)	(18,845)	(51,369)
Principal payments on long-term debt	-	(151,000)	(151,000)
Interest on long-term debt	-	(39,864)	(39,864)
Net cash provided (used) for capital and related financing activities	(18,772)	(204,709)	(223,481)
Cash flows from investing activities:			
Interest on investments	207	136	343
Net cash provided (used) by investing activities	207	136	343
Net increase (decrease) in cash and cash equivalents	68,240	18,555	86,795
Cash and cash equivalents, beginning of year	242,137	146,969	389,106
Cash and cash equivalents, end of year	\$ 310,377	\$ 165,524	\$ 475,901
Reconciliation to Statement of Net Position			
Cash and cash equivalents-current	310,377	38,201	\$ 348,578
Restricted cash	-	127,323	127,323
	\$ 310,377	\$ 165,524	\$ 475,901
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations			
Operating income (loss)	\$ 39,680	\$ 93,647	\$ 133,327
Adjustments-operating activities			
Depreciation and amortization	50,734	123,845	174,579
(Increase) decrease in:			
Accounts receivable	(354)	(6,367)	(6,721)
Prepaid expenses	494	494	988
Inventory	(4,443)	(46)	(4,489)
Due from other funds	(3,360)	-	(3,360)
Deferred outflows	33,572	29,578	63,150
Increase (decrease) in:			
Accounts payable	488	2,095	2,583
Customer deposits	(1,250)	(1,335)	(2,585)
Other current liabilities	(2,042)	(1,870)	(3,912)
Due to other funds	-	3,360	3,360
Net OPEB liability	(23,977)	(20,826)	(44,803)
Net pension liability	(61,438)	(52,832)	(114,270)
Deferred inflows	58,701	53,385	112,086
Net cash provided by operating activities	\$ 86,805	\$ 223,128	\$ 309,933

Ledbetter Water and Sewer District  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Activity** - The Ledbetter Water and Sewer District is a utility district organized on January 7, 1964, and supported by funds derived from the sale of water and is operated by a District Board. The District is authorized under Kentucky Revised Statutes 65.005 and constitutes a governmental subdivision of the Commonwealth of Kentucky. The District is located in Ledbetter, Kentucky and primarily serves the Ledbetter and Western Livingston County, Kentucky area.

**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. The governing body of the district is made up of a chairman, vice chairman, secretary-treasurer, and two additional commissioners that have decision making authority, the authority to set rates, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

**Basis of accounting** - The District is presented as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

The District follows all pronouncements of the Government Accounting Standards Board. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the District is charges to customers for water and sewer services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District's policy is to consider restricted resources to have been depleted before unrestricted resources are applied.

**Accounts receivable** - The direct write-off method was used for recording un-collectible accounts. No allowance for un-collectible accounts was deemed to be needed.

**Inventory** - The District reports inventory at the lower of cost or market on a first-in first-out basis.

**Utility plant** - The utility plant is carried at cost. 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. The utility does not have a specific capitalization threshold. Contributions from customers for the purpose of purchasing service connections to the utility plant are recorded as contributions 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:

	Years
Utility plant	35-50
Office furnishing and equipment	5-10

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Ledbetter Water and Sewer District  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Restricted/Unrestricted Net Position** – When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District's policy is to consider restricted net position to have been depleted before unrestricted net position is applied.

**Revenue Recognition** - Operating revenues are recognized in the period that water is supplied to participants and others. All other revenues are reflected in non-operating income and are recognized when earned.

**Taxes on income** - The Ledbetter Water and Sewer District is exempt from paying income taxes under Section 115 of the Internal Revenue Code.

**Budget** – The District adopts an annual budget prepared under the basis of accounting utilized in the financial statements.

**Cash and cash equivalents** – For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

**Capital Contributions**- Contributions in aid of construction are derived from two main sources; 1) developers, when they construct and pay for water lines and then donate these additions to the District; and 2) other governments, in the form of grant contributions for property, plant, or equipment. Developer contributions are recorded at the developer's cost and are depreciated over their estimated useful lives using the straight-line method. Grant proceeds are recorded as increases to unrestricted net position, and when expended on fixed assets, the costs are depreciated over their useful lives using the straight-line method.

**Due to and Due from Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. As of December 31, 2021, the Sewer fund owed the Water fund \$264,125.

**Deferred Outflows and Inflows of Resources** –In addition to liabilities, assets and net position, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element, deferred outflows and inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an expenditure or revenue, respectively until that time. The Statement of Net Position reports deferred outflows and inflows related to pension and OPEB requirements.

**Pension** - For purposes of measuring the net pension liability deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System in the Kentucky Retirement Systems (KRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KRS. 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. See Note 6 for pension disclosure information.

**Other Post-Employment Benefits (OPEB)** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 7 for OPEB disclosure information.



Ledbetter Water and Sewer District  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

## 2 RESTRICTED CASH AND INVESTMENTS

**Sinking Fund-** The Ledbetter Sewer Bond & Interest Sinking Fund was established for the purpose of paying the principal and interest on the KIA Loan due in June and December. At December 31, 2021 the balance of the Sewer Sinking Fund was \$55,505.

**Sewer Depreciation Reserve** - The Ledbetter Sewer Depreciation Reserve account required by Kentucky Infrastructure Authority requires an annual transfer of \$22,000 until a balance of \$220,000 is accumulated. The balance of the Sewer Depreciation Reserve account at December 31, 2021 was \$71,818.

## 3 DEPOSITS

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 40 effective July 1, 2005. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. There are risks inherent in all deposits and investments, and GASB believes that the disclosures required by this Statement provide users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions. Deposit and investment resources often represent significant assets of the enterprise fund. These resources are necessary for the delivery of governmental services and programs. GASB 40, as it applies to the district, includes disclosure of the following risks:

- Risks related to custodial credit risk of deposits;
- Deposit and investment policies related to those risks.

Custodial Credit Risk is the risk that in the event of a failure of a depository institution, the district will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2021, the carrying amount of District's deposits was \$475,903 and the bank balance of \$476,816 was categorized as follows:

Insured by FDIC	\$476,816
Uninsured and collateralized with securities held by the pledging financial institution in the district's name.	<u>\$476,816</u>

The district does not have deposit and investment policies. However, Kentucky Revised Statutes (KRS 66.480) authorize Kentucky municipalities to invest in:

1. Obligations of the U. S. Treasury, agencies and instrumentalities. Such investments may be accomplished through repurchase agreements reached with national or state banks chartered in Kentucky;
2. Bonds or certificates of indebtedness of the state of Kentucky, agencies and instrumentalities;
3. Savings and loan associations insured by the U. S. government;
4. Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the U. S. government;
5. Deposit accounts with banking institutions;
6. State treasurer investment pool.

Ledbetter Water and Sewer District  
Notes to the Financial Statements  
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#### 4 CAPITAL ASSETS

Capital asset activity for Ledbetter Water and Sewer District for the year ended December 31, 2021, was as follows:

<b>Water:</b>	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital assets not being depreciated:				
Construction in progress	\$ 135,160	\$ -	\$ -	\$ 135,160
Test Well	17,855	2,845		20,700
Land	3,480	-	-	3,480
Total capital assets not being depreciated	<u>156,495</u>	<u>\$ 2,845</u>	<u>\$ -</u>	<u>\$ 159,340</u>
Capital assets being depreciated:				
Electric Pump Equipment	69,923	1,390		71,313
General Plant	52,923	-	-	52,923
Hydrants	47,630	-	-	47,630
Mains	525,310	-	-	525,310
Meter Installations	966	-	-	966
Meter	186,528	-	-	186,528
Office Furniture	22,419	1,289	-	23,708
Other Misc Equipment	63,915	4,420	4,350	63,985
Services	88,342	8,501	-	96,843
Tanks	224,441	9,709	-	234,150
Tools & Shop Equipment	23,863	-	475	23,388
Vehicles & Trans Equipment	63,225	-	-	63,225
Water Treatment Equipment	35,550	4,371	-	39,921
Water Treatment Structure	677,119	-	-	677,119
Total capital assets being depreciated	<u>2,082,154</u>	<u>29,680</u>	<u>4,825</u>	<u>2,107,009</u>
Less accumulated depreciation for:				
Electric Pump Equipment	(52,355)	(2,503)	-	(54,858)
General Plant	(37,160)	(1,077)	-	(38,237)
Hydrants	(21,683)	(2,049)	-	(23,732)
Mains	(332,221)	(10,690)	-	(342,911)
Meter Installations	(264)	(20)	-	(284)
Meter	(45,811)	(4,902)	-	(50,713)
Office Furniture	(22,331)	(190)	-	(22,521)
Other Misc Equipment	(47,808)	(2,515)	4,350	(45,973)
Services	(53,027)	(2,217)	-	(55,244)
Tanks	(164,046)	(3,837)	-	(167,883)
Tools & Shop Equipment	(22,870)	(133)	110	(22,893)
Vehicles & Trans Equipment	(41,646)	(6,022)	-	(47,668)
Water Treatment Equipment	(26,368)	(876)	-	(27,244)
Water Treatment Structure	(546,503)	(13,703)	-	(560,206)
Total accumulated depreciation	<u>(1,414,093)</u>	<u>(50,734)</u>	<u>4,460</u>	<u>(1,460,367)</u>
Total capital assets being depreciated, net	<u>668,061</u>	<u>(21,054)</u>	<u>(365)</u>	<u>646,642</u>
Capital assets, net	<u>\$ 824,556</u>	<u>\$ (18,209)</u>	<u>\$ (365)</u>	<u>\$ 805,982</u>



Ledbetter Water and Sewer District  
Notes to the Financial Statements  
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**4 CAPITAL ASSETS (continued)**

**Sewer:**

	Beginning Balance 1/1/2021	Increases	Decreases	Ending Balance 12/31/2021
Capital assets not being depreciated:				
Construction in progress	\$ 11,640	\$ -	\$ -	\$ 11,640
Land	97,860	-	-	97,860
Total capital assets not being depreciated	109,500	-	-	109,500
Capital assets being depreciated:				
Buildings and Improvements	38,604	-	-	38,604
Engineering Cost	285,709	-	-	285,709
General & Office Equipment	84,486	4,695	-	89,181
Lines	2,582,038	13,057	-	2,595,095
Plant & Lagoons	1,198,803	1,093	-	1,199,896
Utility Assets	142,799	-	-	142,799
Vehicles	20,499	-	-	20,499
Total capital assets being depreciated	4,352,938	18,845	-	4,371,783
Less accumulated depreciation for:				
Buildings and Improvements	(23,480)	(965)	-	(24,445)
Engineering Cost	(173,129)	(7,144)	-	(180,273)
General & Office Equipment	(80,588)	(2,609)	-	(83,197)
Lines	(1,513,746)	(74,343)	-	(1,588,089)
Plant & Lagoons	(724,170)	(32,511)	-	(756,681)
Utility Assets	(89,255)	(6,273)	-	(95,528)
Vehicles	(20,498)	-	-	(20,498)
Total accumulated depreciation	(2,624,866)	(123,845)	-	(2,748,711)
Total capital assets being depreciated, net	1,728,072	(105,000)	-	1,623,072
Capital assets, net	\$ 1,837,572	\$ (105,000)	\$ -	\$ 1,732,572

Depreciation charged to income was \$174,579 during the year ending December 31, 2021 as follows:

Business-type depreciation:

Water	\$ 50,734
Sewer	123,845
Total depreciation	<u>\$ 174,579</u>

Ledbetter Water and Sewer District  
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## 5 LONG-TERM DEBT

### Note Payable

The Ledbetter Water and Sewer District Kentucky Infrastructure Authority note date June 1, 2007, refinanced certain long-term debt obligations of the District. The note is 0% with 40 payments. There are no discounts, premiums or fees associated with this loan. Payments are due each June and December. The note and bond repayment schedule is as follows:

	Principal	Interest	Total
2022	\$ 256,470	\$ -	\$ 256,470
2023	112,194	-	112,194
2024	112,194	-	112,194
2025	112,194	-	112,194
2026	112,194	-	112,194
	<u>\$ 705,246</u>	<u>\$ -</u>	<u>\$ 705,246</u>

### Leases

On November 9, 2007 Livingston County entered into a refinancing of a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for the financing of a sewer system project for the Ledbetter Sanitation District, Livingston County, Kentucky. This capital lease is for the purpose of debt refinancing and the related assets are detailed below. The original lease was dated July 1, 2005 for \$3,300,000. During 2007, the Ledbetter Water District paid a lump sum payment of \$2,020,715. The principal amount of the refinanced lease is \$1,184,285 with repayment to be made over a thirty-year period starting in November 2007. The Ledbetter Water District has pledged their revenues for repayment of the note and are repaying the note to KACoLT. The lease carries a variable interest rate of 2.863% - 5.032%. The lease required interest only payments for the first 59 months. To reduce these interest payments further, KACO increased the principal by \$109,410, and invested these funds separately to provide a return over the first 59 months of the loan to reduce the interest payable by the district. These funds were amortized over their period of use which ended in October 2012. As of December 31, 2021, the balance of the lease was \$867,000 and the future minimum lease principal and interest requirements for the capital lease are as follows:

Year End December 31	Principal	Interest	Expense	Total
2022	\$ 45,000	\$ 34,736	\$ 2,963	\$ 82,699
2023	45,000	32,486	2,849	80,335
2024	50,000	30,236	2,738	82,974
2025	50,000	27,736	2,613	80,349
2026	55,000	25,236	2,488	82,724
2027-2031	290,000	88,029	10,363	388,392
2032-2036	332,000	30,079	6,525	368,604
	<u>\$ 867,000</u>	<u>\$ 268,538</u>	<u>\$ 30,539</u>	<u>\$ 1,166,077</u>

Ledbetter Water and Sewer District  
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## 5 LONG-TERM DEBT (continued)

The lease is secured by sewer distribution lines originally costing \$2,329,254. Amortization of the leased asset is included in depreciation expense.

Total debt activity for the district for the year ending December 31, 2021 is as follows:

Debt Schedule:		<u>Balance 1/1/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/21</u>	<u>Current Portion</u>
Sewer	KIA	\$ 811,246	\$ -	\$ 106,000	\$ 705,246	\$ 256,470
Sewer	KACO Lease	912,000	-	45,000	867,000	45,000
		<u>\$ 1,723,246</u>	<u>\$ -</u>	<u>\$ 151,000</u>	<u>\$ 1,572,246</u>	<u>\$ 301,470</u>

## 6 PENSION PLAN

### Cost-Sharing Multiple-Employer Defined Benefit Plan

#### County Employees' Retirement System

*Plan description-* The District is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained from <http://kyret.ky.gov/>.

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

#### *Non-Hazardous members:*

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

Ledbetter Water and Sewer District  
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**6 PENSION PLAN (continued)**

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

*Plan Funding*—State statute requires active members to contribute % of creditable compensation based on the tier:

<b>Non-hazardous</b>	
	<u><b>Required Contribution</b></u>
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.752. The District's required contribution rate was 21.17% for non-hazardous employees for the year ended June 30, 2021.

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

*Pension Liability*—At December 31, 2021, the Ledbetter Water District reported a liability of \$608,696 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan during the year ended June 30, 2021, relative to the contributions of all members for the year ended June 30, 2021. At the June 30, 2021 measurement date, District's proportion was 0.009547%.

<u>2021</u>	<u>2020</u>	<u>Change in</u>
<u>Employer</u>	<u>Employer</u>	<u>Proportionate</u>
<u>Allocation</u>	<u>Allocation</u>	<u>Share</u>
<u>Percentage</u>	<u>Percentage</u>	
.009547%	.009426%	.000121%

*Pension expense*—For the year ended June 30, 2021, the District recognized a pension expense of \$60,604.

Ledbetter Water and Sewer District  
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**6 PENSION PLAN (continued)**

*Deferred outflows of resources and deferred inflows of resources-* For the year ended December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Water &amp; Sewer</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,990	\$ 5,908
Change of assumptions	8,169	-
Net difference between projected and actual earnings on plan investments	-	81,129
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,364	13,293
Employer contributions subsequent to the measurement date	<u>27,124</u> \$ 44,739	<u>-</u> \$ 94,422

The amount \$27,124 shown for "Employer contributions subsequent to the Measurement Date" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year 1	\$ (15,765)
Year 2	(17,628)
Year 3	(18,008)
Year 4	(25,406)
Year 5	-
Thereafter	-

*Actuarial assumptions-* The total pension liability actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Projected salary increases	3.30%-10.30%
Investment rate of return, net of investment expense & inflation	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 nondisabled 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 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.

Ledbetter Water and Sewer District  
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**6 PENSION PLAN (continued)**

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumptions, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
Core Bonds	10.00%	0.00%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Real Return	10.00%	4.55%
Cash	1.50%	(0.60)%
Total	100.0%	

*Discount rate-* The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate-* The following presents the net pension liability calculated using the discount rates selected by the pension system, as well as what the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
Ledbetter Water and Sewer District's net pension liability	\$ 780,682	\$ 608,696	\$ 466,382



## **7 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **CERS Medical Insurance Plan**

*Plan description*—the District contributes to the Kentucky Retirement Systems Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement System (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement Systems (KRS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). The District participates in the County Employees Retirement System (CERS). CERS non-hazardous and hazardous employee plans are administered separately.

*Benefits provided*—the Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefits provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

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

*Contributions*—per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District was required to contribute at an actuarially determined rate of 5.78% of non-hazardous covered payroll for the fiscal years ended December 31, 2021.

The District reported a liability for its proportionate share of the net OPEB liability for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's non-hazardous proportion was .009545 percent.

The amount recognized by the District as its proportionate share of the OPEB liability was \$182,734.

Ledbetter Water and Sewer District  
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**7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

For the year ended December 31, 2021, the District recognized OPEB expense of \$24,690. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Water and Sewer</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,735	\$ 54,558
Changes in assumptions	48,446	170
Net difference between projected and actual earnings on pension plan investments	-	28,586
Changes in proportion and differences between District contributions and proportionate share of contributions	8,782	6,955
Employer contributions subsequent to the measurement date, including implicit subsidy (\$5,403).	<u>12,808</u>	<u>-</u>
Total	<u>\$ 98,771</u>	<u>\$ 90,269</u>

\$12,808 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and the June 30, 2021 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

	<u>Non- Hazardous</u>
Year 1	\$ 5,663
Year 2	1,314
Year 3	(943)
Year 4	(10,340)
Year 5	-
Thereafter	-



Ledbetter Water and Sewer District  
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**7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

*Actuarial assumptions*—The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30%-10.30% Varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare cost trend rates	
Under 65	6.25% at January 1, 2021 decreasing to an ultimate rate of 4.05% over a period of 13 years
Ages 65 and Older	5.50% at January 1, 2021 decreasing to an ultimate rate of 4.05% for a period of 14 years
Municipal Bond Index Rate	1.92%
Discount Rate	5.20%

Mortality rates used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality scale using a base year of 2010. For healthy retired members and beneficiaries, 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 PUB-2010 Disabled Mortality Table projected with a 4-year set-forward for both males and females with ultimate rates from MP-2014 mortality scale using a base year of 2010 is used for the period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%
Core Bonds	10.00%	0.00%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Real Return	10.00%	4.55%
Cash	<u>1.50%</u>	(0.60)%
Total	<u>100.0%</u>	

Ledbetter Water and Sewer District  
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## 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

*Discount rate*—The discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
Proportionate share of net OPEB liability	\$250,893	\$182,734	\$ 126,799

*Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates*—The following presents the proportionate share of the collective net OPEB liability, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% <u>Decrease</u>	Cost Trend <u>Rate</u>	1% <u>Increase</u>
Proportionate share of net OPEB liability	\$ 131,547	\$ 182,734	\$244,518

## 8 COMPENSATED ABSENCE

Employees were allowed to carry-over to the following and all subsequent years the amount of 32 hours of sick time and accumulated comp time which is accrued at time and a half. The balance of compensated absence as of December 31, 2021 was \$17,918 and was considered to be a current liability.

## 9 COMMERCIAL INSURANCE

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability and fidelity bond coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## 10 INTEREST EXPENSE

The District incurred interest cost in 2021 for sewer of \$39,864. The entire amount has been recognized as a current operating expense.

Ledbetter Water and Sewer District  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

**11 INTERFUND ACTIVITY**

The amounts due to and from water and sewer are related to operating activity. These amounts are not expected to be repaid within one year.

**12 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Excess of expenditures over appropriations-* The proprietary fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2021:

**Proprietary Fund - Water**

Depreciation	17,134
	<u>\$ 17,134</u>

**Proprietary Fund - Sewer**

Treatment Expense	\$ 4,499
Depreciation	3,365
	<u>\$ 7,864</u>

The excess in expenditures were covered by available fund balance in the funds.

**13 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 15, 2023, the date which the financial statements were available to be issued.

LEDBETTER WATER AND SEWER DISTRICT

OTHER INFORMATION

LEDBETTER WATER AND SEWER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST SEVEN FISCAL YEARS\*

Year Ended December 31	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered employee payroll	District's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.009547%	\$ 608,696	\$ 243,853	249.62%	57.33%
2020	0.009426%	\$ 722,966	\$ 241,442	299.44%	47.81%
2019	0.010037%	\$ 705,907	\$ 253,186	276.28%	50.45%
2018	0.009859%	\$ 600,443	\$ 249,294	240.85%	53.54%
2017	0.008780%	\$ 513,920	\$ 213,418	240.80%	53.30%
2016	0.008790%	\$ 432,830	\$ 209,762	206.34%	55.50%
2015	0.008890%	\$ 425,178	\$ 226,583	187.65%	59.97%

\*The amounts presented were determined as of the measurement date June 30 of the prior year.

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

**LEDBETTER WATER AND SEWER DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST EIGHT FISCAL YEARS\***

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2021	\$ 50,010	\$ 50,010	-	\$ 246,705	21.17%
2020	\$ 47,329	\$ 47,329	-	\$ 245,231	19.30%
2019	\$ 41,915	\$ 41,915	-	\$ 243,826	16.22%
2018	\$ 39,269	\$ 39,269	-	\$ 255,504	15.37%
2017	\$ 31,737	\$ 31,737	-	\$ 229,247	13.80%
2016	\$ 28,177	\$ 28,177	-	\$ 213,418	13.20%
2015	\$ 27,124	\$ 27,124	-	\$ 215,472	12.59%
2014	\$ 30,280	\$ 30,280	-	\$ 228,782	13.24%

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

**Notes to Schedule**

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

Inflation	2.30%
Payroll Growth Rate	0% for KERS non-hazardous and hazardous and 2% for CERS non-hazardous and hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous; 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of 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, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, 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 from 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

LEDBETTER WATER AND SEWER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB MEDICAL INSURANCE LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS\*

<u>Year Ended December 31</u>	<u>District's proportion of the net OPEB liability</u>	<u>District's proportionate share of the net OPEB pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2021	0.009545%	\$ 182,734	\$ 243,853	74.94%	62.91%
2020	0.009423%	\$ 227,537	\$ 241,442	94.24%	51.67%
2019	0.010035%	\$ 168,784	\$ 253,186	66.06%	60.44%
2018	0.009858%	\$ 175,027	\$ 249,294	70.21%	57.62%

\*The amounts presented were determined as of the measurement date June 30 of the prior year.

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

**LEDBETTER WATER AND SEWER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS - OPEB MEDICAL INSURANCE PLAN  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS\***

<u>Year Ended December 31</u>	<u>Contractually required OPEB contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2021	\$ 13,050	\$ 13,050	-	\$ 246,705	5.29%
2020	\$ 11,673	\$ 11,673	-	\$ 245,231	4.76%
2019	\$ 12,218	\$ 12,218	-	\$ 243,826	5.01%
2018	\$ 12,746	\$ 12,746	-	\$ 255,504	4.99%

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

**Notes to Schedule**

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Method	30 years, Closed
Payroll Growth Rate	0% for KERS non-hazardous and hazardous, and 2% for CERS non-hazardous and hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial method of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous; 3.55% to 19.05%, varies by service for CERS hazardous
Investment Rate of 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, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous.

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 health retired members and beneficiaries, the mortality table used is the RP-2000 Combined mortality table projected with Scale BB to 2013 (set-back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.



LEDBETTER WATER AND SEWER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Ledbetter Water and Sewer District  
Statement of Revenues, Expenses and Changes in Net Position - Water  
Budget and Actual  
For the Year Ending December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 492,521	\$ 506,888	\$ 517,358	\$ 10,470
Total operating revenues	<u>492,521</u>	<u>506,888</u>	<u>517,358</u>	<u>10,470</u>
Operating expenses:				
Water purchases	97,484	97,484	92,528	4,956
Salary expenses	229,369	308,369	200,727	107,642
Water treatment expenses	60,187	60,187	55,460	4,727
Maintenance expenses	23,084	23,084	22,007	1,077
General operating expenses	60,362	60,363	56,222	4,141
Depreciation	33,600	33,600	50,734	(17,134)
Total operating expenses	<u>504,086</u>	<u>583,087</u>	<u>477,678</u>	<u>105,409</u>
Operating income	<u>(11,565)</u>	<u>(76,199)</u>	<u>39,680</u>	<u>115,879</u>
Non-operating income (expenses):				
Tap-on fees	8,500	8,500	8,500	-
Interest revenue	146	-	207	207
Other Revenue	2,926	3,000	4,888	1,888
Total non-operating revenue (expenses)	<u>11,572</u>	<u>11,500</u>	<u>13,595</u>	<u>2,095</u>
Change in net position	<u>\$ 7</u>	<u>\$ (64,699)</u>	<u>53,275</u>	<u>\$ 117,974</u>
Net position, beginning of year			<u>903,560</u>	
Net position, end of year			<u>\$ 956,835</u>	

Ledbetter Water and Sewer District  
Statement of Revenues, Expenses and Changes in Net Position - Sewer  
Budget and Actual  
For the Year Ending December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 528,294	\$ 545,000	\$ 565,585	\$ 20,585
Total operating revenues	<u>528,294</u>	<u>545,000</u>	<u>565,585</u>	<u>20,585</u>
Operating expenses:				
Salary expenses	189,920	238,943	212,143	26,800
Treatment expenses	76,452	76,452	80,951	(4,499)
Maintenance expenses	27,989	27,989	17,477	10,512
General operating expenses	59,586	59,586	37,522	22,064
Depreciation	120,480	120,480	123,845	(3,365)
Total operating expenses	<u>474,427</u>	<u>523,450</u>	<u>471,938</u>	<u>51,512</u>
Operating income	<u>53,867</u>	<u>21,550</u>	<u>93,647</u>	<u>72,097</u>
Non-operating income (expenses):				
Unrestricted funding support from Livingston County Fiscal Court	36,888	36,888	-	(36,888)
Tap-on fees	2,000	2,000	5,000	3,000
Interest revenue	4	-	136	136
Interest expense	(51,494)	(51,494)	(39,864)	11,630
Total non-operating revenue (expenses)	<u>(12,602)</u>	<u>(12,606)</u>	<u>(34,728)</u>	<u>(22,122)</u>
Change in net position	<u>\$ 41,265</u>	<u>\$ 8,944</u>	<u>58,919</u>	<u>\$ 49,975</u>
Net position, beginning of year			(374,709)	
Net position, end of year			<u>\$ (315,790)</u>	



**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 Management and District Board  
Ledbetter Water & Sewer District  
Ledbetter, 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 Ledbetter Water & Sewer District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Ledbetter Water & Sewer District's basic financial statements and have issued our report thereon dated March 15, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Ledbetter Water & Sewer District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ledbetter Water & Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ledbetter Water & Sewer 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2021-01).

**Report on Compliance and Other Matters**

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

### **Ledbetter Water & Sewer District's Response to Findings**

Ledbetter Water & Sewer District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Ledbetter Water & Sewer 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.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
March 15, 2023

**Ledbetter Water & Sewer District  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2021**

**Findings – Financial Statements Audit**

Reference #2021-01

Condition

During our inquiries over internal controls and related testing, we noted the District does not have proper segregation of duties.

Criteria

The basic premise of a good system of internal control is no one person should have access to the entity's assets and responsibility for the related accounting records.

Cause

The bookkeeper has access to all the District's assets and responsibility for recording all financial transactions.

Effect

There is increased risk of funds being expended for unauthorized expenditures and failure to deposit funds received into District-owned bank accounts.

Recommendation

We recommend a member of management review and approve all expenses prior to payment and review the bank reconciliation each month.

Views of Responsible Officials and Planned Corrective Actions

The District will review their processes and determine areas where controls can be strengthened.

**Ledbetter Water & Sewer District**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES**  
**YEAR ENDED DECEMBER 31, 2021**

Reference #2020-01

Condition

During our inquiries over internal controls and related testing, we noted the District does not have proper segregation of duties.

Status

This issue is still present.