

**LYON COUNTY WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Lyon County Water District  
Kuttawa, Kentucky

**Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective position of the business-type activities of the Lyon County Water District as of December 31, 2022, 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 Lyon County 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.

## **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 Lyon County Water 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 Lyon County 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated July 18, 2023, on our consideration of the Lyon County 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.

Handwritten signature of Jossie K Dail CPA PSC in black ink.

Eddyville, Kentucky  
July 18, 2023

**LYON COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022  
(UNAUDITED)**

The Lyon County Water 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, 2022. 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, 2022, by \$3,285,131 (Net Position).
- The District's total net position increased by \$70,208 during the year compared to a \$207,121 decrease in the prior year.
- The District's operating revenues increased by \$109,262 over the prior year from \$1,313,827 to \$1,423,089.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Lyon County 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 8 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 9 of this report.

**Statement of cash flows.** The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year and can be found on page 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 District's financial statements. The notes to the financial statements can be found on pages 11-31 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 32-41.

## 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 \$3,285,131 as of December 31, 2022.

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

### LYON COUNTY WATER DISTRICT'S NET POSITION

	2022	2021
<b>Assets</b>		
Current and other assets	\$ 644,623	\$ 446,258
Capital assets	7,313,499	7,618,453
Restricted assets	<u>255,659</u>	<u>292,042</u>
Total Assets	<u>8,213,781</u>	<u>8,356,753</u>
<b>Deferred Outflows of Resources</b>	<u>94,470</u>	<u>97,806</u>
<b>Liabilities</b>		
Other liabilities	117,172	121,636
Current portion of long-term debt	212,683	138,163
Long-term liabilities	<u>4,564,481</u>	<u>4,723,426</u>
Total Liabilities	<u>4,894,336</u>	<u>4,983,225</u>
<b>Deferred Inflows of Resources</b>	<u>128,784</u>	<u>256,411</u>
<b>Net Position</b>		
Net investment in capital assets	2,998,501	3,140,917
Restricted	271,259	310,392
Unrestricted	<u>15,371</u>	<u>(236,386)</u>
Total Net Position	<u>\$ 3,285,131</u>	<u>\$ 3,214,923</u>

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 \$2,998,501. 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.

An additional portion of the District's net position \$271,259 represents resources that are subject to external restriction on how they may be used. These resources are to be used for debt restrictions, capital projects, and customer deposits.

The District's unrestricted net assets as of December 31, 2022 is \$15,371.

**Analysis of the District's Operations** – Overall the District had an increase in net position of \$70,208.

The following table provides a summary of the District's operations for the year ended December 31, 2022 and 2021.

**LYON COUNTY WATER DISTRICT  
CHANGES IN NET POSITION**

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Operating revenues	\$ 1,423,089	\$ 1,313,827
Investment income	1,064	218
Gain (loss) on sale of assets	55,882	-
Capital grants and contributions	<u>30,994</u>	<u>10,800</u>
Total revenues	<u>1,511,029</u>	<u>1,324,845</u>
<b>Expenses</b>		
Water expenses	965,246	896,861
Depreciation and amortization	335,979	334,418
Interest expense	97,687	101,226
Wastewater expenses	27,138	20,917
Payroll and other taxes	<u>14,771</u>	<u>10,645</u>
Total Expenses	<u>1,440,821</u>	<u>1,364,067</u>
<b>Change in net position</b>	70,208	(39,222)
<b>Net position - January 1</b>	<u>3,214,923</u>	<u>3,254,145</u>
<b>Net position - December 31</b>	<u>\$ 3,285,131</u>	<u>\$ 3,214,923</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget passed by the board anticipated an increase in the fund balance of \$9,650. The District amended the budget during the year. The final budget passed by the board anticipated a deficit in the fund balance of \$179,500. The actual operating revenue received exceeded the final budgeted revenue by \$22,089. Final budgeted expenditures exceeded actual expenditures by \$153,366. The budgetary figures and actual amounts are reported in the supplementary information on page 32.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets for business-type activities as of December 31, 2022, amounts to \$7,313,499 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants and facilities, machinery and equipment, and infrastructure.

	2022	2021
<b>Business-type activities</b>		
Capital assets, not being depreciated		
Land	\$ 121,772	\$ 121,772
Construction in progress	43,477	43,477
Total capital assets, not being depreciated	165,249	165,249
Capital assets, being depreciated		
Distribution lines	6,405,363	6,637,217
Sewer lines	596,136	617,828
Water tanks	18,057	22,596
Equipment	52,291	82,946
Building	23,687	25,501
Transportation	43,083	54,083
Improvements	9,633	13,033
Total capital assets, being depreciated	7,148,250	7,453,204
Business-type activities capital assets, net	\$ 7,313,499	\$ 7,618,453

During the year ended December 31, 2022, the District acquired assets totaling \$31,024.

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 Lyon County Water District had total debt of \$4,283,969. Long-term debt at December 31, 2022, was as follows:

	2022	2021
<b><u>Long-Term Debt</u></b>		
KY Rural Water	\$ 930,000	\$ 980,000
USDA Bond Series 2016	1,714,500	1,714,500
Kentucky Infrastructure Authority	1,616,722	1,704,886
Farmers Bank	22,747	45,397
Total Long-Term Debt	\$ 4,283,969	\$ 4,444,783

Interest expense of \$97,687 was incurred during the year ended December 31, 2022.

Additional information on the District's long-term debt can be found in Notes 6 and 7 of this report.

## REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the Lyon County 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 Don Robertson, Chairman, Lyon County Water District, 5464 US 62 W, Kuttawa, Kentucky 42055.

**Lyon County Water District**  
**Statement of Net Position**  
**December 31, 2022**

**Assets**

**Current Assets**

Cash equivalents	\$ 229,058
Customer accounts receivable	137,882
Unbilled revenue	98,894
Inventory	110,165
Prepayments	12,182
Grant receivable	55,882
Restricted assets	
Cash equivalents	255,659
Total Current Assets	<u>899,722</u>

**Noncurrent Assets**

Capital assets, net of depreciation	7,313,499
Total Noncurrent Assets	<u>7,313,499</u>

**Other Assets**

Deposits	560
Total Other Assets	<u>560</u>
Total Assets	<u>8,213,781</u>

**Deferred Outflows of Resources**

Related to pensions	45,166
Related to other postemployment benefits	49,304
Total Deferred Outflows of Resources	<u>94,470</u>
Total Assets and Deferred Outflows of Resources	<u>8,308,251</u>

**Liabilities**

**Current Liabilities**

Accounts payable	54,899
Accrued interest on debt	30,497
Accrued liabilities	16,177
Customers' deposits	15,600
Long-term debt due in one year	212,682
Total Current Liabilities	<u>329,855</u>

**Noncurrent Liabilities**

Compensated absences	6,492
Long-term debt due after one year	4,071,287
Net pension liability	382,343
Net other postemployment benefit liability	104,359
Total Noncurrent Liabilities	<u>4,564,481</u>
Total Liabilities	<u>4,894,336</u>

**Deferred Inflows of Resources**

Related to debt	31,029
Related to pensions	36,087
Related to other postemployment benefits	61,668
Total Deferred Inflows of Resources	<u>128,784</u>
Total Liabilities Deferred Inflows of Resources	<u>5,023,120</u>

**Net Position**

Net investment in capital assets	2,998,501
Restricted for	
Debt service	255,659
Customer deposits	15,600
Unrestricted	15,371
Total Net Position	<u>\$ 3,285,131</u>

See accompanying notes to financial statements.

**Lyon County Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2022**

**Operating Revenue**

Water revenues	\$ <u>1,423,089</u>
Total Operating Revenues	<u>1,423,089</u>

**Operating Expenses**

Water expenses	965,246
Depreciation	335,979
Wastewater expenses	27,138
Payroll and other taxes	<u>14,771</u>
Total Operating Expenses	<u>1,343,134</u>

**Operating Income (Loss)**

79,955

**Nonoperating Revenues (Expenses)**

Investment income	1,064
Grant proceeds	55,882
Interest on debt	<u>(97,687)</u>
Total Nonoperating Revenue (Expenses)	<u>(40,741)</u>

**Net Income Before Capital Contributions**

39,214

**Capital Contributions**

Tap-on fees	<u>30,994</u>
Total Capital Contributions	<u>30,994</u>

**Change in Net Position**

70,208

**Net Position-Beginning of Year**

3,214,923

**Net Position-End of Year**

\$ 3,285,131

**Lyon County Water District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

**Cash Flows from Operating Activities**

Cash received from customers	\$ 1,385,734
Cash payments to suppliers for goods and services	(1,001,156)
Cash payments to employees for services	(140,547)
Net Cash Provided By Operating Activities	<u>244,031</u>

**Cash Flows From Capital and Related Financing Activities**

Contributed capital	30,994
Interest paid on debt	(86,532)
Principal paid on capital debt	(160,814)
Acquisition of property, plant, and equipment	(31,024)
Net Cash Used By Capital and Related Financing Activities	<u>(247,376)</u>

**Cash Flows From Investing Activities**

Income received on investments	<u>1,064</u>
Net Cash Provided By Investing Activities	<u>1,064</u>

**Net Increase (Decrease) in Cash Equivalents** (2,281)

**Cash Equivalents-Beginning of Year** 486,998

**Cash Equivalents-End of Year** \$ 484,717

**Reconciliation of Operating Income to Net Cash Provided  
By Operating Activities**

Operating Income (Loss)	\$ 79,955
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	335,979
Change in assets and liabilities	
Accounts receivable	(34,605)
Inventory	(77,235)
Prepayments	3,459
Deferred outflows of resources	3,336
Accounts payable	(16,670)
Customer deposits	(2,750)
Accrued liabilities	4,329
Deferred pension and OPEB liabilities	74,135
Deferred inflows of pensions	(125,902)
Net Cash Provided By Operating Activities	<u>\$ 244,031</u>

**Reconciliation of Total Cash**

Current Assets - Cash	\$ 229,058
Restricted Assets - Cash	<u>255,659</u>
Total Cash	<u>\$ 484,717</u>

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

See accompanying notes to financial statements.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Lyon County Water District, (the District), is a county water district supported by funds derived from the sale of water and is operated by a District Board. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. The District is located in Kuttawa, Kentucky and primarily serves the Lyon County, Kentucky area.

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. The District's Board members are appointed by the County Judge Executive, a publicly elected official, and they 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 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.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**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, 2022, the District has complied with budgetary guidelines.

**Cash Equivalents/ Investments**

Cash and cash equivalents are deposited with Branch Banking and Trust Company and Regions 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. Cash equivalents consist of funds held in a sweep account in a financial institution.

**Accounts Receivable**

The direct write-off method was used for recording uncollectible accounts. No allowance for uncollectible accounts was deemed to be needed. The District grants credit to customers, substantially all of whom are residents of Lyon County. Due to the large amount of small account balances, the District does not feel these are at risk for loss due to credit concentrations.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2022 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.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

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:

Buildings	20 to 40 years
Equipment	5 to 10 years
Water and Sewer Lines	25 to 40 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.

**Restricted Assets**

The restricted assets have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan resolutions, loan agreements, or by state or federal laws and regulations. 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. See Note 4 for information describing restricted assets.

**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, 2022, 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 other 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 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.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**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 post-employment benefits (OPEB).

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred pension contribution results from pension contributions subsequent to the measurement date of the pension plan. This amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period. Pension related deferred components include difference between expected and actual experience; the difference between projected and actuarial earnings on pension plan investments results from actual investment earnings above or below actuarial projected earnings; changes in assumptions; and changes in proportion and differences between employer contributions and proportionate share of contributions. These pension related items are deferred and amortized over 3-5 years as a component of the pension expense.

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 three 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, deferred inflows related to debt. 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.



**Lyon County Water District**  
**Notes to the Financial Statements**  
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**Current Accounting Pronouncements**

As of December 31, 2022, the GASB has issued the following statements required to be adopted by the District.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was issued October 2021. The requirements of this statement are effective for fiscal years ending after December 15, 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

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 for 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. There was no effect on the District's current financial statements.

**Recent Accounting Pronouncements**

As of December 31, 2022, the GASB has issued the following pronouncements not yet required to be adopted by the District.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. The provisions of this statement is to improve financial reporting by addressing issues related to public-public partnership agreements (PPPs). The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. The requirements of this Statement are effective for periods beginning after June 15, 2022. This Statement defines SBITA, establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. The requirements of this Statement are effective for periods beginning after June 15, 2022, and June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The District's management has not yet determined the effect this statement will have on the financial statements.

**Lyon County Water District**  
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GASB Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, was issued in June 2022. The requirements of this Statement are effective for periods beginning after June 15, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District's management has not yet determined the effect this statement will have on the financial statements.

**Subsequent Events**

The District has evaluated subsequent events through July 18, 2023, 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, 2022.

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	\$ 229,058	\$ -	\$ 229,058
Restricted assets			
Cash equivalents	255,659	-	255,659
Total	\$ 484,717	\$ -	\$ 484,717

B. **Deposits**

At year-end, the carrying amount of the District's deposits in financial institutions were \$484,717, and the bank balances were \$489,740. Of the bank balances, \$489,740 was covered by federal depository insurance.

C. **Investments**

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Lyon County Water District**  
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**For the Year Ended December 31, 2022**

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not place any limit on the amount that may be invested with one issuer.

**4. RESTRICTED NET POSITION**

**Net Assets Restricted for Debt Retirement**

	Depreciation Fund	Sinking Funds	KIA Loan Repayment	Loan Fund	Total
Cash equivalents	\$ <u>167,937</u>	\$ <u>73,721</u>	\$ <u>5,001</u>	\$ <u>9,000</u>	\$ <u>255,659</u>

**Revenue Fund:** All income and revenues derived from the operation of the system shall be deposited promptly and as received to the Lyon County Water Revenue Fund. The monies deposited into the Revenue Fund shall be expended only in the manner and order as follows:

1. Regions Sinking Fund
2. Depreciation Reserve Fund
3. Operation and Maintenance Fund

**Regions Sinking Fund:** The District holds cash deposits in the amount of \$71,632 in the Regions Trust Cash Sweep III (RTCS). RTCS is a bank deposit account offered through Regions Institutional Services. The RTCS does not directly invest in securities. It is a deposit account that is collateralized by government securities. Collateral may include:

- Interest bearing obligations of the U.S. Government
- Senior debt obligations of any U.S. Government Agency,
- And/or municipal securities with an underlying rating of A or better.

RTCS is FDIC Insured up to \$250,000. Deposit account amounts in excess of \$250,000 are secured by perfected liens on Regions Bank's securities in an amount not less than 105% of the total excess deposits. In the event of a default, the collateral reverts to the Collateral Agent to be distributed to the account owners. RTCS deposits are identified as "cash" on client statements; there are no market value fluctuations. The sinking fund was established for the purpose of paying the principal and interest on the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds Series 2013 C. The ordinance requires that the amount deposited each month equals one-sixth of the next succeeding interest requirement of the next succeeding interest due date and one-twelfth of the principal requirements becoming due on the note on the next succeeding January 1. A separate sinking fund is to be established for the purpose of paying the principal and interest on the Waterworks Revenue Bonds Series 2016. The District is required to deposit \$845 per month until the account reaches \$101,400. The deposits are to be resumed any time the account falls below \$101,400.

**Lyon County Water District**  
**Notes to the Financial Statements**  
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**Depreciation Reserve:** The ordinances requires Lyon County Water District to make monthly contributions to this fund after observing the priority of deposits into the KIA Loan Fund and the Sinking Fund. The funds in the Depreciation Fund can be expended for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals, or replacements, and the cost of constructing additions, and improvements to the system. The District is to make \$510 monthly deposits until a required minimum balance of \$61,200 is met. The District is to make \$295 monthly deposits over the life of the loan. At December 31, 2022, the balance of the Depreciation Reserve Fund was \$167,937.

**Operations and Maintenance Fund:** Transfers shall be made monthly from the Revenue Fund to the Operations and Maintenance Fund so that the various operation and maintenance expenses of such system are met and a two (2) month operating reserve established and maintained. Any funds remaining in Operation and Maintenance Fund after meeting the expenses of operating such system shall be transferred to the Revenue Fund and disbursed in accordance with the above provisions until such time as the Sinking Fund and Depreciation Fund are current and the required balances established; and then excess funds may be invested in direct obligations of or obligations which are fully guaranteed by the United States Government with such maturities so that moneys shall be available in the respective Funds for the purposes for which same are established.

The new Waterworks Revenue Bonds 2016 require the District to fund an account for short-lived assets by depositing a sum of \$750 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. This short-lived assets reserve amount replaces any previous short-lived assets requirements previously set with any prior RUS loan.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**5. CAPITAL ASSETS**

A summary of proprietary fund property, plant, and equipment at December 31, 2022 for business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 121,772	\$ -	\$ -	\$ 121,772
Construction in progress	43,477	-	-	43,477
Total capital assets, not being depreciated	<u>165,249</u>	<u>-</u>	<u>-</u>	<u>165,249</u>
Capital assets, being depreciated				
Distribution lines	11,362,949	31,024	-	11,393,973
Sewer lines	867,725	-	-	867,725
Water tanks	422,707	-	-	422,707
Machinery and equipment	307,248	-	-	307,248
Building	73,976	-	-	73,976
Transportation	142,129	-	-	142,129
Improvement	34,000	-	-	34,000
Total capital assets, being depreciated	<u>13,210,734</u>	<u>31,024</u>	<u>-</u>	<u>13,241,758</u>
Less accumulated depreciation for				
Distribution lines	(4,725,732)	(262,878)	-	(4,988,610)
Sewer lines	(249,896)	(21,693)	-	(271,589)
Water tanks	(400,110)	(4,540)	-	(404,650)
Machinery and equipment	(224,303)	(30,654)	-	(254,957)
Building	(48,476)	(1,813)	-	(50,289)
Transportation	(88,046)	(11,000)	-	(99,046)
Improvement	(20,967)	(3,400)	-	(24,367)
Total accumulated depreciation	<u>(5,757,530)</u>	<u>(335,978)</u>	<u>-</u>	<u>(6,093,508)</u>
Total capital assets, being depreciated, net	<u>7,453,204</u>	<u>(304,954)</u>	<u>-</u>	<u>7,148,250</u>
Business-type activities capital assets, net	<u>\$ 7,618,453</u>	<u>\$ (304,954)</u>	<u>\$ -</u>	<u>\$ 7,313,499</u>

Depreciation charged to income was \$335,979.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**6. DEBT OBLIGATIONS**

**Revenue Bonds Payable**

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2022</u>	<u>Due in One Year</u>
Waterworks Revenue Bonds				
Regions - Series 2013 C	3.5%	2040	\$ 930,000	\$ 50,000
Kentucky Infrastructure Authority	1.875%	2046	1,616,722	89,935
USDA - Series 2016	2.0%	2046	<u>1,714,500</u>	<u>50,000</u>
Total			<u>\$ 4,261,222</u>	<u>\$ 189,935</u>

Principal and interest requirements of the revenue bonds payable as of December 31, 2022 are:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Premium Amortization</u>	<u>Total</u>	<u>Interest &amp; Fees</u>
2023	\$ 189,935	\$ 4,534	\$ 96,843	\$ 73,419
2024	193,243	4,284	91,683	100,829
2025	201,587	4,029	86,477	95,443
2026	204,968	3,770	81,567	90,007
2027	213,387	3,505	76,783	84,861
2028-2032	1,149,097	20,121	305,228	344,837
2033-2037	1,191,697	13,358	137,373	195,821
2038-2042	542,808	5,246	22,279	73,988
2043-2046	<u>374,500</u>	<u>-</u>	<u>13,834</u>	<u>21,676</u>
Total	<u>\$ 4,261,222</u>	<u>\$ 58,847</u>	<u>\$ 912,067</u>	<u>\$ 1,080,881</u>

Series 2013 C

In an ordinance of the Board of Commissioners, adopted on October 3, 1995, the District authorized and thereafter issued its \$996,000 "Water Revenue Bonds, Series 1995" for the purpose of providing funds for the installation of major extensions and additions to the system. All bonds of this issue maturing on or after January 1, 1999, shall be subject to redemption or prepayment at the option of the District prior to maturity in whole, or from time to time, in part, in the inverse order at par plus accrued interest provided that Rural Economic Development is holder of the bonds.

In an ordinance of the Board of Commissioners, adopted on September 13, 2002, the District authorized and thereafter issued its \$594,000 "Water Revenue Bonds, Series 2002" for the purpose of providing funds for the installation of major extensions and additions to the system. All bonds of this issue maturing on or after January 1, 1999, shall be subject to redemption or prepayment at the option of the District prior to maturity in whole, or from time to time, in part, in the inverse order at par plus accrued interest provided that Rural Economic Development is holder of the bonds.

Both bonds were refinanced for \$1,305,000 under Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds Series 2013 C as of March 27, 2013.

The Series 2013 C bond, referred to above, mature as to principal in installments on January 1, in each of the years and shall bear interest from their issue dates until payment of principal. Interest is payable semiannually on June 1 and January 1, of each year as established by the ordinance.

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All the Revenue Bonds are payable solely from, and secured by, a first pledge of the water revenues. So long as any of the bonds are outstanding and unpaid, the District shall continuously be maintained and operated in good condition. Rates and charges for services rendered will be imposed and collected so that gross revenues will be sufficient at all times, to provide for the payment of the operation and maintenance of the water plant, and to maintain the Depreciation and Sinking Funds described in Note 4.

If there is any default in the payment of the principal or interest on any of the outstanding bonds and suit is filed by a holder of said bond the court-having jurisdiction may appoint a receiver to administer the District with the power to charge and collect rates. These collected rates shall be sufficient to provide for the payment of the outstanding bonds and the operating and maintenance expenses. The income and revenues shall be in conformity with the bond resolution and the provisions of the applicable laws of Kentucky.

The bond covenants require that the rates for all utility services rendered by the District must be reasonable. The District must maintain adequate public liability insurance including fire, windstorm, fidelity bonds, and the hazards covered by a standard extended coverage policy. The bond covenant also requires an audit of the books of record and account pertinent to the system of the District within 60 days of year-end.

**Series 2016**

On December 31, 2016, the District issued \$1,900,000 Waterworks Revenue Bonds, Series 2016, for the purpose of extensions, additions, and improvements to the existing waterworks system. The bonds have an interest rate of 1.875% and will mature on January 1, 2046. The bond issue calls for semiannual interest payments and annual principal payments. The bonds require the District to establish an additional sinking fund to pay the principal and interest on the bonds.

**Kentucky Infrastructure Authority**

The District entered into an agreement with Kentucky Infrastructure Authority to finance a system upgrade totaling \$2,000,000. The bonds have an interest rate of 2.0% and will mature on June 1, 2038. The bond issue calls for semiannual interest payments and annual principal payments. The bonds require the District to establish a replacement reserve account. The annual replacement cost is \$5,000 and should be added to the replacement account each December 1 until the balance reaches \$50,000 and maintained for the life of the loan.

**Note Payable**

The District entered into a loan agreement with Farmers Bank on December 15, 2021, to purchase a Dodge truck. The amount financed was \$45,397 with an interest rate of 2.25%.

**Changes in Business-Type Activities Debt**

A summary of changes in the business-type activities debt for the year ended December 31, 2022 follows:

	<u>Balance</u> 12/31/2021	<u>Debt</u> <u>Proceeds</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> 12/31/2022	<u>Due Within</u> <u>One Year</u>
<b><u>Business-Type Activities</u></b>					
Note Payable - Farmers Bank	\$ 45,397	\$ -	\$ 22,650	\$ 22,747	\$ 22,747
Revenue Bonds Payable	<u>4,399,385</u>	<u>-</u>	<u>138,163</u>	<u>4,261,222</u>	<u>189,935</u>
Total Business-Type Activities	<u>\$4,444,782</u>	<u>\$ -</u>	<u>\$ 160,813</u>	<u>\$4,283,969</u>	<u>\$ 212,682</u>

Interest expense for the year was \$97,687.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**7. EMPLOYEES' RETIREMENT PLAN**

**County Employees' Retirement System**

*Plan description.* 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
	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 - 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 January 1, 2014
	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:

	<u>Required Contributions</u>
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, 2022, the employer contribution rate was 22.78% for the period January 1, 2022 to June 30, 2022; and 23.40% for the period July 1, 2022 to December 31, 2022, 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, 2022, were \$46,808. Of this amount, \$40,237 is considered contributed to the pension requirement and \$6,571 is considered contributed



**Lyon County Water District**  
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to the health insurance requirement.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At December 31, 2022, the District reported a liability of \$382,343 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. There have been no actuarial assumptions or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021. 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, 2022. 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, 2022, the District's proportion was .005289%.

*Pension expense.* As a result of its requirement to contribute to CERS, the District recognized pension expenses of a negative \$7,108 for the year ended December 31, 2022. At December 31, 2022, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 409	\$ 3,405
Net differences between projected and actual investment earnings	9,802	-
Change of assumption	-	-
Changes in proportion and differences between employer contributions and share of contributions	15,372	32,682
Contributions subsequent to the measurement date	<u>19,583</u>	<u>-</u>
Totals	<u>\$ 45,166</u>	<u>\$ 36,087</u>

*Deferred Outflows of Resources.* The \$2,998,501 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Amortization/ (Accretion)</u>
December 31, 2023	\$ (23,449)
December 31, 2024	5,295
December 31, 2025	(3,213)
December 31, 2026	<u>10,863</u>
Total	<u>\$ (10,504)</u>

**Lyon County Water District**  
**Notes to the Financial Statements**  
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*Actuarial assumptions.* For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

The actuarial assumptions used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

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 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e. higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll-forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases.

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 for CERS nonhazardous
Investment rate of return	6.25% for CERS nonhazardous

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 was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the nonhazardous and hazardous plan.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

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

*Discount Rate.* The projection of cash flows used to determine the discount rate of 6.25% for CERS nonhazardous and CERS hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. 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	\$ 477,881	\$ 382,343	\$ 303,325

*Payables to the pension plan.* At December 31, 2022, the financial statements include \$3,517 in contractually required employee and employer contributions primarily for the month ended December 31, 2022. 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 comprehensive annual financial report issued by the Kentucky Public Pensions Authority and can be found at <https://kyret.ky.gov>.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**Other Postemployment Benefit Plan (OPEB)**

**CERS Medical Insurance Plan**

*Plan description.* 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 4.17% for the period January 1, 2022 to June 30, 2022; and 3.39% for the period July 1, 2022 to December 31, 2022.

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, 2022, the District reported a net OPEB liability of \$104,359 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022. At June 30, 2022, the District's proportion was .005288% for nonhazardous classified employees.

For the year ended December 31, 2022, the District recognized OPEB expense of \$5,088. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 10,505	\$ 23,932
Changes of assumptions	16,505	13,600
Net difference between projected and actual earnings on plan investments	4,236	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,581	24,136
Contributions subsequent to the measurement date, including implicit subsidy	<u>8,477</u>	<u>-</u>
Totals	<u>\$ 49,304</u>	<u>\$ 61,668</u>

The \$8,477 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and the December 31, 2022, implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2023.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amortization/ (Accretion)</u>
2023	\$ (7,159)
2024	(6,267)
2025	(8,896)
2026	<u>1,481</u>
	<u>\$ (20,841)</u>

*Actuarial Assumptions* The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Inflation	2.30%
Payroll Growth Rate	2.00% CERS nonhazardous
Salary Increase	3.30% - 10.30%, varies by service for CERS nonhazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

Post-65	Initial trend starting at 9.00% in 2024, and 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, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumptions is 2.30% per annum for both the nonhazardous and hazardous plan.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
<b>Equity</b>	<b>60.00%</b>	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
<b>Fixed Income</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
<b>Inflation Protected</b>	<b>20.00%</b>	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
<b>Total</b>	<b>100.00%</b>	
<b>Expected real return</b>		<b>4.28%</b>
<b>Long-term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.58%</b>

*Discount Rate.* The single discount rate of 5.70% for CERS nonhazardous plans were used to measure the total OPEB liability as of June 30, 2022. 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 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

*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 \$3,763.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

*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 (4.70%) or one percentage point higher (6.70%) than the current rate (5.70%):

	1% Decrease 4.70%	Current Discount Rate 5.70%	1% Increase 6.70%
The District's proportionate share of the net OPEB liability	\$ 139,512	\$ 104,359	\$ 75,300

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.* The following presents the Board'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 Service'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	\$ 77,589	\$ 104,359	\$ 136,506

*Payables to the OPEB plan.* At December 31, 2022, the financial statements include \$525 in contractually required employee and employer OPEB contributions primarily for the month ended December 31, 2022. The obligation was paid within prescribed time limits.

**8. COMMITMENTS**

**Contracts for Water Supply**

The District entered into contracts with the City of Eddyville, the City of Kuttawa, the City of Princeton, and the Crittenden-Livingston Water District which states that the Cities and Water District will provide water to the District.



**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**9. 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, 2022, 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.

**10. 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 2022 annual PSC Report as required. Further, the PSC requires that all customer deposit refunds be paid with interest. This requirement has been fulfilled.

**11. ECONOMIC DEPENDENCIES**

The majority of the District's revenue consists of charges for water-related services to customers in Lyon County, Kentucky. For the year ended December 31, 2022, the revenues from these sources totaled \$1,423,089. The District also receives monies from the United States Department of Agriculture and the Kentucky Infrastructure Authority whenever funds are available.

**12. COMPENSATED ABSENCES**

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

1 to 5 years	12 days
6+ years	15 days

Employees are allowed to carryforward 80 hours of vacation time. Upon termination of employment, an employee will be paid for all unused vacation leave. The liability for unused vacation time at December 31, 2022 was \$4,733.

The District's policy on sick pay states that employees will be granted 1/2 sick day per month. Employees are allowed to carryforward 240 hours of sick time. Sick leave is forfeited upon termination of employment. The liability for unused sick time at December 31, 2022 was \$1,759.

**13. 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**

**Lyon County Water District**  
**Schedule of Revenues, Expenses, and**  
**Changes in Net Position - Budget and Actual**  
**For the Year Ended December 31, 2022**

<b><u>Revenues</u></b>	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>		<b>with Final Budget Positive (Negative)</b>
Water revenues	\$ 1,450,000	\$ 1,401,000	\$ 1,423,089	\$ 22,089
Other	850	-	-	-
<b>Total Operating Revenues</b>	<b><u>1,450,850</u></b>	<b><u>1,401,000</u></b>	<b><u>1,423,089</u></b>	<b><u>22,089</u></b>
<b><u>Operating Expenses</u></b>				
Water expenses	425,000	432,000	965,246	(533,246)
Depreciation	342,000	336,000	335,979	21
Wastewater expenses	561,200	713,500	27,138	686,362
Payroll and other taxes	12,000	15,000	14,771	229
<b>Total Operating Expenses</b>	<b><u>1,340,200</u></b>	<b><u>1,496,500</u></b>	<b><u>1,343,134</u></b>	<b><u>153,366</u></b>
<b><u>Operating Income (Loss)</u></b>	<b><u>110,650</u></b>	<b><u>(95,500)</u></b>	<b><u>79,955</u></b>	<b><u>175,455</u></b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment income	3,500	1,000	1,064	64
Grant proceeds	-	-	55,882	55,882
Interest on debt	(115,000)	(115,000)	(97,687)	17,313
<b>Total Nonoperating Revenue (Expenses)</b>	<b><u>(111,500)</u></b>	<b><u>(114,000)</u></b>	<b><u>(40,741)</u></b>	<b><u>73,259</u></b>
<b><u>Net Income before Capital Contributions</u></b>	<b>(850)</b>	<b>(209,500)</b>	<b>39,214</b>	<b>248,714</b>
<b><u>Capital Contributions</u></b>				
Tap-on fees	10,500	30,000	30,994	994
<b>Total Capital Contributions</b>	<b><u>10,500</u></b>	<b><u>30,000</u></b>	<b><u>30,994</u></b>	<b><u>994</u></b>
<b><u>Change in Net Position</u></b>	<b><u>\$ 9,650</u></b>	<b><u>\$ (179,500)</u></b>	<b>70,208</b>	<b><u>\$ 249,708</u></b>
<b><u>Net Position-Beginning of Year</u></b>			<b><u>3,214,923</u></b>	
<b><u>Net Position-End of Year</u></b>			<b><u>\$ 3,285,131</u></b>	

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

<u>Year Ended</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (2)</u>
<b><u>CERS Nonhazardous</u></b>					
2022	0.005289%	\$382,343	\$174,220	219.46%	52.42%
2021	0.004977%	\$317,323	\$123,352	257.25%	57.33%
2020	0.006202%	\$475,688	\$143,895	330.58%	47.81%
2019	0.007366%	\$518,054	\$175,603	295.01%	50.45%
2018	0.006546%	\$398,671	\$181,770	219.33%	53.54%
2017	0.006997%	\$409,556	\$158,492	258.41%	53.30%
2016	0.00639%	\$314,713	\$175,888	178.92%	55.50%
2015	0.00551%	\$237,005	\$139,779	169.55%	59.97%
2014	0.005572%	\$180,777	\$150,398	169.55%	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.

**Lyon County Water District**  
**Schedule of Pension Contributions**  
**For the Years Ended December 31**  
**Last Ten Years (1)**

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<b><u>CERS Nonhazardous</u></b>					
2022	\$40,237	\$40,237	\$ -	\$174,220	22.78% / 23.40%
2021	\$25,024	\$25,024	\$ -	\$123,352	19.30% / 22.78%
2020	\$27,697	\$27,697	\$ -	\$143,895	19.30% / 19.30%
2019	\$31,073	\$31,073	\$ -	\$175,603	16.22% / 19.30%
2018	\$27,925	\$27,925	\$ -	\$181,770	14.48% / 16.22%
2017	\$28,030	\$28,030	\$ -	\$158,492	13.95% / 14.48%
2016	\$28,511	\$28,511	\$ -	\$175,888	12.42% / 13.95%
2015	\$22,637	\$22,637	\$ -	\$139,779	12.75% / 12.42%
2014	\$22,229	\$22,229	\$ -	\$150,398	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.

**Lyon County Water District**  
**Schedule of Changes in Benefits and Assumptions Pension**  
**For the Year Ended December 31, 2022**

***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 disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. 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%.

2022: There have been no changes in actuarial assumptions since June 30, 2021.

**Lyon County Water District**  
**Schedule of Changes in Benefits and Assumptions Pension**  
**For the Year Ended December 31, 2022**

***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, 2022, were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date of June 30, 2021, to the plan's fiscal year ending June 30, 2022, using the generally accepted actuarial principles. The following actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2020
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. <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.</i>
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 Rate of 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.

2022: House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees.

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

<u>Year Ended</u>	<u>District's proportion of the net OPEB liability</u>	<u>District's proportionate share of the net OPEB 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 OPEB liability (2)</u>
<b><u>CERS Nonhazardous</u></b>					
2022	0.005288%	\$ 104,359	\$174,220	59.90%	60.95%
2021	0.004975%	\$ 95,244	\$123,352	77.21%	62.91%
2020	0.006200%	\$149,711	\$143,895	104.04%	51.67%
2019	0.007364%	\$123,859	\$175,603	70.53%	60.44%
2018	0.006546%	\$116,223	\$181,770	63.94%	57.62%
2017	0.006997%	\$140,664	\$158,492	88.75%	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 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.



**Lyon County Water District**  
**Schedule of OPEB Contributions**  
**For the Years 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
<b><u>CERS Nonhazardous</u></b>					
2022	\$6,571	\$6,571	\$ -	\$174,220	4.17% / 3.39%
2021	\$6,467	\$6,467	\$ -	\$123,352	4.76% / 4.17%
2020	\$6,924	\$6,924	\$ -	\$143,895	4.76% / 4.76%
2019	\$8,748	\$8,748	\$ -	\$175,603	5.26% / 4.76%
2018	\$9,046	\$9,046	\$ -	\$181,770	4.70% / 5.26%
2017	\$9,311	\$9,311	\$ -	\$158,492	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.

**Lyon County Water District**  
**Schedule of Changes in Benefits and Assumptions OPEB**  
**For the Year Ended December 31, 2022**

***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%.

2022: There have been no changes in actuarial assumptions since June 30, 2021.

***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, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date of June 30, 2021 to the plan's fiscal year ending June 30, 2022 using generally accepted actuarial principles. The actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2020
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. <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.</i>
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 6.40% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.300% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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.

**Lyon County Water District**  
**Schedule of Changes in Benefits and Assumptions OPEB**  
**For the Year Ended December 31, 2022**

*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.

2022: Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement.

**JESSICA K. DANIEL, CPA PSC**  
CERTIFIED PUBLIC ACCOUNTANT

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**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  
Lyon County Water District  
Kuttawa, 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 Lyon County Water District, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Lyon County Water District's basic financial statements, and have issued our report thereon dated July 18, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lyon County 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. (2022-1).

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lyon County 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*.

**Lyon County Water District's Response to Findings**

Lyon County Water District's response to findings identified in our audit 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.

Handwritten signature of Jessica K Dail CPA PSC in black ink.

Eddyville, Kentucky  
July 18, 2023

**Lyon County Water District**  
**Schedule of Findings and Responses**  
**For The Year Ended December 31, 2022**

**2022-1 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. A third party accounting firm has been contracted to provide office staff, bookkeeping, payroll, and preparing monthly reports for Board review.

**Lyon County Water District**  
**Schedule of Prior Year 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. A third party accounting firm has been contracted to provide office staff, bookkeeping, payroll, and preparing monthly reports for Board review.