



Warren County Water District

**Component Unit of
Warren County, Kentucky**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

December 31, 2022 and 2021



INTRODUCTORY SECTION





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FINANCIAL SECTION





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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

Opinion

We have audited the accompanying financial statements of Warren County Water District (the "District"), a component unit of Warren County, Kentucky, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warren County Water District as of December 31, 2022 and 2021, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 of the 2022 financial statements, the District had a change in accounting estimate relating to depreciation of the District's utility plant. Our opinion is not modified with respect to that matter.

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 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.

Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, and select pension/OPEB information on pages 43 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
April 14, 2023

Warren County Water District Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warren County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2022, and 2021. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

The following are highlights of Warren County Water District for year ending December 31, 2022:

- Total Net Position increased by \$10,109,471 or 6.6% to \$164,211,124 from \$154,101,653 reflecting several residential developments placed into service. In year 2021, Total Net Position increased by \$8,237,432 or 5.6% to \$154,101,653 from \$145,864,221 in year 2020 reflecting completed projects recorded to utility plant.
- Operating Revenues increased by \$1,724,501 or 8.7% to \$21,521,676 compared to \$19,797,175 in 2021 due to increases in retail rates and customer demand. In year 2021, Operating Revenues increased by \$2,134,476 or 12.1% to \$19,797,175 compared to \$17,662,699 in 2020 due to increases in retail rates and customer demand.
- Operating Expenses increased by \$3,768,728 or 20.4% to \$22,237,273 compared to \$18,468,545 in 2021 due to increases in supplier wholesale rates, customer demand, and adjustment to depreciation expense. In year 2021, Operating Expenses increased by \$1,643,895 or 9.8% to \$18,468,545 compared to \$16,824,650 in 2020 due to increases in supplier wholesale rates, customer demand, and depreciation.
- A Net Loss Before Contributions of \$883,875 was recorded compared to net income of \$1,283,492 in 2021 reflecting an accounting adjustment of \$1,599,743 to depreciation expense for estimated useful lives of utility plant. In year 2021, Income Before Contributions increased by \$357,165 or 38.6% to \$1,283,492 compared to \$926,357 in 2020 due to strong customer demand which increased metered revenue.
- Utility Plant increased by \$10,926,620 or 7.2%, net of depreciation, to \$163,003,556 from \$152,076,935 in 2021 due a considerable number of water & sewer line extensions from developers placed into service. In year 2020, Utility Plant increased by \$7,851,699 or 5.4%, net of depreciation, to \$152,076,935 from \$144,225,236 in 2020 due to system upgrades and improvements placed into service and the transfer of several water & sewer line extensions from developers.
- Total water sold and billed to the District's customers during the year amounted to 2.99 billion gallons compared to 2.87 billion gallons in the prior year, an increase of 4.2%. Total sewer service billed to customers totaled 1.35 billion gallons compared to 1.28 billion gallons in the prior year, an increase of 5.5%.
- The peak water demand month was July with 320 million gallons sold and the peak demand day was June 24th with 15.3 million gallons pumped.
- The water division added 579 customers and the sewer division added 648 customers throughout the year. The number of customers at the end of the year for the water and sewer divisions was 32,333 and 9,528, respectively.
- Average metered water revenue billed to customers was \$26.62 per residential customer and \$174.60 per commercial customer. Average sewer revenue was \$23.96 per residential customer and \$347.53 per commercial customer.
- The water division has a total of 1,191 miles of water main serving an average of 27 customers per mile. The sewer division has 216 miles of collection mains serving an average of 44 customers per mile.

Warren County Water District Management's Discussion and Analysis

Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Warren County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

Financial Analysis

Budgetary Analysis for the Year Ended December 31, 2022

Total Revenues were over budget by \$365,016 reflecting greater customer demand during the summer months. The following were near budgeted amounts: *Forfeited Discounts* (late charges), *Miscellaneous Service Revenue* (connection fees, collection fees, and meter tampering fees), *Other Revenues* (rental income, income from billing services). *Interest Income* exceeded budget due to higher rates of return on investments.

Total Expenses related to providing water and sewer service and maintaining the District's distribution and collection system were under budget by \$42,609. Operating expenses were over budget including purchased water and sewage disposal costs of \$222,856 and \$52,993, respectively. Other expenses were under budget due to an actuarial adjustment of \$255,473 to Other Post Employment Benefits (OPEB).

The District recorded an adjustment of \$1,599,743 to depreciation expense revising the estimated useful lives of Utility Plant (see Note 2: Change in Accounting Estimate). This accounting adjustment contributed to the *Loss before Contributions* of \$883,875. *Contribution in Aid of Construction* exceeded budget by \$1,461,254 reflecting continued growth and the transfer of water and sewer line extensions from developers. *Net Change in Net Position* totaled \$10,109,471 and was less than budget by \$1,053,629.

Table 1
TABLE OF BUDGETARY COMPARISON

	Budget Year 2022	Actual Year 2022	Variances Favorable \ (Unfavorable)
Revenues			
Metered Water Revenue	\$14,901,200	\$15,148,425	\$247,225
Metered Sewer Revenue	5,775,400	5,814,365	38,965
Forfeited Discounts	280,900	282,159	1,259
Miscellaneous Service Revenue	274,500	272,992	(1,508)
Interest Income	97,900	176,559	78,659
Other Revenues	206,700	207,116	416
Total Revenues	21,536,600	21,901,616	365,016
Expenses			
Operating Expenses	15,827,400	16,036,341	(208,941)
Depreciation	6,424,100	6,406,205	17,895
Interest Expense	380,900	387,566	(6,666)
Other Expenses	195,700	(44,621)	240,321
Total Expenses	22,828,100	22,785,491	42,609
Net Loss (Income)	(1,291,500)	(883,875)	407,625
Contribution in Aid of Construction	12,454,600	10,993,346	(1,461,254)
Net Change in Net Position	\$11,163,100	\$10,109,471	(\$1,053,629)

Warren County Water District Management's Discussion and Analysis

Budgetary Analysis for the Year Ended December 31, 2021

Total Revenues were over budget by \$199,798 reflecting greater customer demand than budgeted. The following were near budgeted amounts: *Forfeited Discounts* (late charges), *Miscellaneous Service Revenue* (connection fees, collection fees, and meter tampering fees), *Interest Income* and *Other Revenues* (rental income, income from billing services).

Total Expenses related to providing water and sewer service and maintaining the District's distribution and collection system were under budget by \$209,694. Operating expenses below budget include the following: (1) wages & benefits, \$75,439; (2) purchased water, \$45,871; (3) sewage disposal costs, \$44,595; and (4) remaining operating expenses were below budget by a net amount of \$43,789.

Income before Contributions totaled \$1,283,492 and exceeded budget by \$409,492. *Contribution in Aid of Construction* exceeded budget by \$5,805,640 reflecting the transfer of water and sewer line extensions from developers. *Net Change in Net Position* totaled \$8,237,432 and exceeded budget by \$6,215,132.

Table 2
TABLE OF BUDGETARY COMPARISON

	Budget Year 2021	Actual Year 2021	Variances Favorable \ (Unfavorable)
Revenues			
Metered Water Revenue	\$13,687,000	\$13,826,749	\$139,749
Metered Sewer Revenue	5,392,000	5,455,083	63,083
Forfeited Discounts	214,000	211,333	(2,667)
Miscellaneous Service Revenue	294,600	295,736	1,136
Interest Income	88,300	88,387	87
Other Revenues	242,600	241,010	(1,590)
Total Revenues	19,918,500	20,118,298	199,798
Expenses			
Operating Expenses	14,201,600	13,980,973	220,627
Depreciation	4,448,300	4,439,257	9,043
Interest Expense	331,100	343,759	(12,659)
Other Expenses	63,500	70,817	(7,317)
Total Expenses	19,044,500	18,834,806	209,694
Net Income Before Contributions	874,000	1,283,492	409,492
Contribution in Aid of Construction	1,148,300	6,953,940	5,805,640
Net Change in Net Position	\$2,022,300	\$8,237,432	\$6,215,132

Statement of Net Position

A summary of the District's Net Position is presented below in Table 3. The District's assets exceeded liabilities by \$164,211,124 for the year.

Current & Non-Current Assets totaled \$32,374,404, an increase of \$10,734,647 from last year reflecting construction funds obtained through a Kentucky Rural Water Finance Corporation (KRWFC) bank anticipation note of \$11,370,000. These funds will be used for various budgeted water and sewer projects over the next 21 months. *Utility Plant* is the largest portion of the District's assets and includes land, water distribution mains, sewer mains, pump stations, lift stations, storage tanks, vehicles, and equipment. In year 2022, utility plant totaled \$163,003,556 net of depreciation, reflecting an increase of \$10,926,621 over the prior year. The increase in utility plant includes residential developments placed into service during the year and various projects such as Automated Meter Reading (AMR), pump stations upgrades, tank painting, and line replacements. *Deferred Outflows of Resources* is the prepayment of the District's defined benefit retirement plan amortized over ten years through 2027. *Current and Non-Current Liabilities* totaled \$10,624,445 and increased \$885,451 reflecting an increase in developer rebates payable (see Note

Warren County Water District Management's Discussion and Analysis

1 Rebates Payable). *Long-Term Debt* totaled \$21,356,540, an increase of \$10,534,942 reflecting the KRWFC bank anticipation note combined with the reduction of other debt obligations.

The District's *Total Net Position* totaled \$164,211,124 and increased by \$10,109,471 comparatively over the prior year. *Total Liabilities & Net Position* totaled \$196,192,109 for year 2022, an increase of \$21,499,864, or 12.3%.

Table 3
CONDENSED STATEMENT OF NET POSITION
December 31, 2022

Assets	Year 2022	Year 2021	Increase (Decrease)	
Current & Non-Current Assets	\$32,374,404	\$21,639,757	\$10,734,647	49.6%
Utility Plant	163,003,556	152,076,935	10,926,621	7.2%
Total Assets	195,377,960	173,716,692	21,661,268	12.5%
Deferred Outflows of Resources				
Deferred Outflows - Retirement Plan	814,149	975,553	(161,404)	-16.5%
Total Assets & Deferred Outflows	196,192,109	174,692,245	21,499,864	12.3%
Liabilities				
Current & Non-Current Liabilities	10,624,445	9,768,994	855,451	8.8%
Net Long-Term Debt	21,356,540	10,821,598	10,534,942	97.4%
Total Liabilities	31,980,985	20,590,592	11,390,393	55.3%
Net Position				
Net Investment in Capital Assets	152,943,259	141,465,895	11,477,364	8.1%
Restricted for Depreciation Reserves	3,672,117	5,523,787	(1,851,670)	-33.5%
Unrestricted	7,595,748	7,111,971	483,777	6.8%
Total Net Position	164,211,124	154,101,653	10,109,471	6.6%
Total Liabilities & Net Position	\$196,192,109	\$174,692,245	\$21,499,864	12.3%

Statement of Revenues, Expenses, and Changes in Net Position

This statement identifies various revenue and expense items, which impact the change in net position. A summary of this statement is presented in Table 4 below.

Table 4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

	Year 2022	Year 2021	Increase (Decrease)	
Operating Revenues				
Metered Water Revenue	\$15,148,425	\$13,826,749	\$1,321,676	9.6%
Metered Sewer Revenue	5,814,365	5,455,083	359,282	6.6%
Forfeited Discounts	282,159	211,333	70,826	33.5%
Miscellaneous Service Revenue	276,727	304,010	(27,283)	-9.0%
Total Operating Revenues	21,521,676	19,797,175	1,724,501	8.7%
Operating Expenses				
Wages & Benefits	2,709,897	2,636,776	73,121	2.8%
Commissioner Fees	30,000	30,000	-	0.0%
Purchased Water	7,471,956	6,287,729	1,184,227	18.8%
Sewage Disposal	3,203,293	2,890,405	312,888	10.8%

Warren County Water District Management's Discussion and Analysis

Purchased Power	717,523	663,070	54,453	8.2%
Materials & Chemicals	332,134	265,131	67,003	25.3%
Contractual Services	841,972	739,264	102,708	13.9%
Rental of Building	57,998	57,233	765	1.3%
Equipment	327,286	286,755	40,531	14.1%
Depreciation	6,406,205	4,439,257	1,966,948	44.3%
Other Operating Expenses	139,009	172,925	(33,916)	-19.6%
Total Operating Expenses	<u>22,237,273</u>	<u>18,468,545</u>	<u>3,768,728</u>	<u>20.4%</u>
Non-Operating Revenues (Expenses)				
Interest Income	176,559	88,387	88,172	99.8%
Rental Income	134,929	166,233	(31,304)	-18.8%
Non-Utility Income	82,261	83,631	(1,370)	-1.6%
Gain (Loss) on Disposals	(7,361)	61,557	(68,918)	-112.0%
Debt Issuance Cost	(167,100)	(101,187)	(65,913)	65.1%
Interest Expense	(387,566)	(343,759)	(43,807)	12.7%
Total Non-Operating Revenues (Expenses)	<u>(168,278)</u>	<u>(45,138)</u>	<u>(123,140)</u>	<u>272.8%</u>
(Loss) Income Before Capital Contributions	<u>(883,875)</u>	<u>1,283,492</u>	<u>(2,167,367)</u>	<u>-168.9%</u>
Capital Contributions	10,993,346	6,953,940	4,039,406	58.1%
Change in Net Position	10,109,471	8,237,432	1,872,039	22.7%
Net Position, Beginning of Year	154,101,653	145,864,221	8,237,432	5.6%
Total Net Position, End of Year	<u>164,211,124</u>	<u>154,101,653</u>	<u>\$10,109,471</u>	<u>6.6%</u>

Total Operating Revenue increased by \$1,724,501 or 8.7% compared to the prior year. *Metered Water Revenue* and *Metered Sewer Revenue* increased by \$1,321,676 and \$359,282, respectively, reflecting retail rate increases and increases in customer demand. On September 1st, retail rate increases were implemented in both water and sewer divisions to absorb wholesale purchased water and disposal rate increases from the District's provider, Bowling Green Municipal Utilities (BGMU). Overall, the volume of water sold during the year totaled 2.99 billion gallons versus 2.87 billion gallons in the prior year, a 4.2% increase of 120 million gallons. The volume of sewer revenue billed totaled 1.35 billion gallons versus 1.28 billion gallons last year, a 5.5% increase of 70 million gallons. The District continues to experience significant growth with the water division adding 579 customers for a total of 32,333, and the sewer division adding 648 customers for a total of 9,528 customers. *Forfeited Discounts* which are late charges increased by \$70,826 and *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees decreased by \$27,283 compared to the prior year.

Total Operating Expenses increased by \$3,768,728, a 20.4% increase when compared to the prior year. *Wages & Benefits* increased by \$73,121 reflecting increases in transmission & distribution wages and a decrease in Other Post Employment Benefit (OPEB) expense. *Purchased Water* and *Sewage Disposal* costs increased by \$1,184,227 and \$312,888 respectively, due to increases in customer demand and supplier wholesale rate increases. *Depreciation* expense increased by \$1,966,948 reflecting an accounting adjustment of \$1,599,743 revising the useful lives of utility plant in accordance with National Association of Regulatory Utility Commissioners guidelines for depreciable assets (see Note 2: Change in Accounting Estimate).

Loss Before Capital Contributions was \$883,875 reflecting the impact of the accounting adjustment for useful lives recorded to depreciation expense. *Capital Contributions* of \$10,993,346 recorded during the year included the following: contributions from residential developers of \$6,763,803; contributions from the Inter-Modal Transportation Authority (ITA) of \$2,088,645; new meter installation fees \$955,974; new sewer tap fees \$470,590, Kentucky Transportation Cabinet of \$247,760; and various other contributions totaling \$466,574.

Warren County Water District Management's Discussion and Analysis

Changes in Utility Plant

The largest portion of the District's assets are invested in the water distribution and sewer collection system amounting to \$163,003,556 net of depreciation, as of December 31, 2022. Table 4 details changes in capital assets.

Table 5
CHANGES IN UTILITY PLANT
(Net of Depreciation)

	December 31, 2022	December 31, 2021	Increase (Decrease)	
WATER DIVISION				
Land	\$1,323,353	\$1,323,353	\$0	0.0%
Structures	5,515,710	2,370,453	3,145,257	132.7%
Pumping Equipment	1,078,316	4,646,068	-3,567,752	-76.8%
Storage Tanks	8,004,373	8,283,126	-278,753	-3.4%
Distribution Mains	53,510,087	51,562,122	1,947,965	3.8%
Meters	20,878,427	19,020,955	1,857,472	9.8%
Hydrants	4,113,383	3,819,070	294,313	7.7%
Hardware & Software	544,835	592,655	-47,820	-8.1%
Vehicles and Equipment	1,114,472	1,046,157	68,315	6.5%
Other	200,578	333,555	-132,977	-39.9%
Construction In Progress	1,862,833	1,326,048	536,785	40.5%
Subtotal - Water Division	<u>98,146,367</u>	<u>94,323,561</u>	<u>3,822,805</u>	<u>4.1%</u>
SEWER DIVISION				
Land	\$1,325,112	\$70,602	\$1,254,510	1776.9%
Structures	12,083,031	9,027,816	3,055,215	33.8%
Pumping Equipment	354,942	3,394,247	-3,039,305	-89.5%
Collection Mains	38,612,726	35,566,871	3,045,855	8.6%
Taps	8,115,239	6,350,010	1,765,229	27.8%
Hardware & Software	53,371	67,342	-13,971	-20.7%
Other	182,585	136,036	46,549	34.2%
Construction In Progress	4,130,183	3,140,450	989,733	31.5%
Subtotal - Sewer Division	<u>64,857,189</u>	<u>57,753,374</u>	<u>7,103,815</u>	<u>12.3%</u>
TOTAL - WATER & SEWER	<u>\$163,003,556</u>	<u>\$152,076,935</u>	<u>\$10,926,620</u>	<u>7.2%</u>

Total utility plant net of depreciation increased by \$10,926,620 or 7.2%, compared to the prior year. The increase in utility plant consisted of the following: (1) water and sewer line extensions from developers, \$2,091,663 and \$5,534,519 respectively; (2) AMR System additions, \$2,041,193; (3) purchase of land on Russellville Road, \$1,254,510; (4) customer meter installations, \$1,130,252; (5) Highway 185 & Penns Chapel Road water line replacement, \$437,853; (6) Elrod Road lift station replacement, \$421,691; (7) Louisville Road pump station replacement, \$202,297; (8) Pleasant Hill Tank Painting, \$202,151; (9) various lift stations improvements, \$189,529; (10) other asset additions, \$2,363,772; (11) an increase in construction in progress, \$1,526,518; and (12) a reduction of \$6,469,328 for accumulated depreciation which includes the accounting adjustment for useful lives of utility plant.

The adoption of NARUC guidelines for depreciable assets resulted in reduced useful lives for many asset classes and extended lives for others. Pumping equipment for water and sewer decreased by \$3,567,752 and \$3,039,305 respectively and reflects a reduction in useful life from 50 years to 20 years. However, water distribution mains useful life was extended from 50 years to 62.5 years and sewer collection mains useful life was extended from 50 to 52.5 years. The District's replacement history has found asset lives outlined by NARUC accurately reflect the life expectancy of assets in service.

Warren County Water District Management's Discussion and Analysis

Long-Term Debt

The District's debt obligations include United States Department of Agriculture (USDA) bonds, Kentucky Rural Water Finance Corporation (KRWFC) loans, and Kentucky Infrastructure Authority (KIA) loans. In October 2022, the District issued the KRWFC, Series 2022D bank anticipation note totaling \$11,370,000 and maturing on August 1, 2024. Series 2022D loan proceeds will provide funding for various water and sewer projects over the next 21 months. December 31, 2022, the District had \$22,015,966 in outstanding principal compared to \$11,385,745 in the previous year, an increase of \$10,630,221.

Factors Affecting Next Year's Budget

- The inflationary impact on the cost of materials, equipment, and services.
- The ability to procure materials and equipment in a timely and cost-effective manner. The current supply chain environment impacts the District's ability to acquire sufficient resources to operate, maintain, and extend its water and sewer system to meet current and future needs.
- Significant projects to upgrade and extend the District's water and sewer system were budgeted.
- The District budgeted system improvements that will be funded by proceeds from the American Rescue Plan Act (ARPA).
- The impact of regulatory requirements from the Kentucky Division of Water, Kentucky Public Service Commission, and the Environmental Protection Agency.

The District's board of commissioners adopted the budget for year 2023 at its meeting held in November 2022. Metered water sales and metered sewer revenue combined are budgeted to increase by 6.0%. Total revenue is budgeted to increase by 7.7% and total expenses are budgeted to increase by 13.2% from year 2022. A net loss before contributions of \$928,700 is budgeted. Debt service payments are expected to total \$1,533,600 for both divisions with a reduction in outstanding debt of \$958,500. Capital expenditures for the year are budgeted to total \$49,966,249 with contributions from customers and governmental agencies totaling \$29,446,924, from financing totaling \$16,828,900, and from in-house funds totaling \$3,690,425.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at www.warrenwater.com.

Warren County Water District Statements of Net Position

<i>December 31,</i>	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 9,282,831	\$ 10,783,665
Accounts receivable:		
Customer accounts receivable, net of allowance for uncollectibles of \$451,070 and \$459,801, respectively	2,499,114	2,315,456
Accounts receivable – Butler County Water System	127,688	136,692
Accounts receivable – Simpson County Water District	111,748	94,481
Other accounts receivable	656,201	541,671
Interest receivable	56,014	7,658
Materials and supplies inventory	1,520,900	992,195
Prepaid expenses	103,385	94,902
Total current assets	14,357,881	14,966,720
Non-current assets		
Utility Plant		
Utility plant in service	229,550,228	213,680,797
Construction in progress	5,993,016	4,466,498
Less accumulated depreciation	(72,539,688)	(66,070,360)
Total utility plant, net	163,003,556	152,076,935
Restricted cash and equivalents	4,051,364	3,683,643
Restricted investments	13,360,594	2,339,531
Investments	250,000	250,000
Accounts receivable:		
Accounts receivable – Butler County Water System	122,164	131,284
Accounts receivable – Simpson County Water District	85,528	91,992
Other assets	146,873	176,587
Total non-current assets	181,020,079	158,749,972
Total assets	195,377,960	173,716,692
Deferred outflows of resources		
Deferred outflows related to retirement security plan	814,149	975,553
Total assets and deferred outflows	\$ 196,192,109	\$ 174,692,245

-Continued-

The accompanying notes are an integral part of these financial statements.

Warren County Water District
Statements of Net Position
(Continued)

<i>December 31,</i>	2022	2021
Liabilities		
Current liabilities		
Accounts payable	\$ 2,240,443	\$ 2,059,939
Accounts payable – Butler County Water System	5,950	5,614
Accounts payable – Simpson County Water District	6,215	7,302
Accrued expenses	991,496	862,690
Contractor advances for construction	173,428	88,611
Current portion of long-term debt	808,476	739,779
Total current liabilities	4,226,008	3,763,935
Non-current liabilities		
Long-term debt		
Bonds and loans payable	1,584,500	1,584,500
Notes payable	20,431,466	9,801,245
Less: Net unamortized bond premium	149,050	175,632
Less: Current portion of long-term debt	(808,476)	(739,779)
Net long-term debt	21,356,540	10,821,598
Customer meter deposits	1,601,197	1,528,876
Rebates payable	3,657,173	2,915,375
Unearned revenue for cellular leases	76,839	76,366
Other post employment benefit obligation	1,063,228	1,484,442
Total non-current liabilities	27,754,977	16,826,657
Total liabilities	31,980,985	20,590,592
Net Position		
Net investment in capital assets	152,943,259	141,465,895
Restricted	3,672,117	3,535,360
Unrestricted	7,595,748	9,100,398
Total net position	164,211,124	154,101,653
Total liabilities and net position	\$ 196,192,109	\$ 174,692,245

The accompanying notes are an integral part of these financial statements.

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position

<i>For the years ended December 31,</i>	2022	2021
Operating Revenues		
Metered sales		
Residential	\$ 12,044,505	\$ 11,040,168
Industrial	5,254,709	4,843,750
Commercial	3,663,576	3,397,914
Total metered sales	20,962,790	19,281,832
Forfeited discounts	282,159	211,333
Miscellaneous service revenue	276,727	304,010
Total operating revenues	21,521,676	19,797,175
Operating Expenses		
Source of supply expense		
Purchased water	7,471,956	6,287,729
Sewage disposal	3,203,293	2,890,405
Total source of supply expense	10,675,249	9,178,134
Pumping plant expense		
Power purchased	705,648	651,104
Chemicals	37,535	18,473
Contractual services	6,044	6,218
Rental expense	4,971	4,906
Insurance	14,347	13,625
Total pumping plant expense	768,545	694,326
Transmission and distribution expense		
Salaries and benefits	1,221,418	1,019,628
Power purchased	12,191	11,966
Contractual services	166,519	163,448
Rental expense	19,057	18,805
Transportation	222,291	178,679
Insurance	44,067	42,049
Materials and supplies	237,679	196,756
Total transmission and distribution expense	1,923,222	1,631,331

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The accompanying notes are an integral part of these financial statements.

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position
(Continued)

<i>For the years ended December 31,</i>	2022	2021
Operating Expenses		
Customer accounts expense		
Salaries and benefits	887,516	880,969
Contractual services	289,857	269,490
(Recovery) uncollectible accounts - net	(8,730)	27,203
Rental expense	28,999	28,616
Transportation	94,567	100,303
Insurance	7,553	7,169
Miscellaneous	8,950	6,944
Materials and supplies	12,060	11,752
Total customer accounts expense	1,320,772	1,332,446
Administrative and general expense		
Salaries and benefits	600,647	736,179
Office supplies	45,010	38,150
Commissioner fees	30,000	30,000
Contractual services	379,552	300,108
Insurance	12,661	12,294
Rental expense	4,971	4,906
Regulatory commission expense	32,683	34,778
Miscellaneous	27,478	28,863
Transportation	10,278	7,773
Total administrative and general expense	1,143,280	1,193,051
Depreciation	6,406,205	4,439,257
Total operating expenses	22,237,273	18,468,545
Operating (loss) income	(715,597)	1,328,630
Non-Operating Revenues (Expenses)		
Interest income	176,559	88,387
Rental income	134,929	166,233
Non-utility income	82,261	83,631
(Loss) gain on disposal of assets	(7,361)	61,557
Debt issuance cost	(167,100)	(101,187)
Interest expense	(387,566)	(343,759)
Total non-operating revenues (expenses) - net	(168,278)	(45,138)

-continued-

The accompanying notes are an integral part of these financial statements.

Warren County Water District
Statements of Revenues, Expenses, and Changes in Net Position
(Continued)

<i>For the years ended December 31,</i>	2022	2021
(Loss) income before capital contributions	(883,875)	1,283,492
Capital contributions	10,993,346	6,953,940
Change in net position	10,109,471	8,237,432
Total net position – beginning of year	154,101,653	145,864,221
Total net position – end of year	\$ 164,211,124	\$ 154,101,653

The accompanying notes are an integral part of these financial statements.

Warren County Water District Statements of Cash Flows

<i>For the years ended December 31,</i>	2022	2021
Operating Activities		
Receipts from customers and users	\$ 21,338,018	\$ 19,305,161
Receipts from rental and non-utility income	217,190	249,864
Payments to suppliers for goods and services	(13,565,729)	(11,561,226)
Payments to employees	(1,825,611)	(1,623,006)
Net cash provided by operating activities	6,163,868	6,370,793
Noncapital Financing Activities		
Interest paid on customer deposits	(1,684)	(1,590)
Net cash used in noncapital financing activities	(1,684)	(1,590)
Capital and Related Financing Activities		
Proceeds from long-term debt	11,370,000	2,930,000
Principal repayment on long-term debt	(739,779)	(3,982,882)
Proceeds from sale of assets	15,798	74,629
Interest paid on long-term debt	(315,248)	(357,112)
Payment of debt issuance cost	(167,100)	-
Acquisition and construction of capital assets	(6,566,108)	(5,619,197)
Net cash provided by (used in) capital and related financing activities	3,597,563	(6,954,562)
Investing Activities		
Maturity of short-term investments	250,000	7,551,382
Purchase of short-term investments	(11,271,063)	(4,953,068)
Interest income	128,203	92,873
Net cash (used in) provided by investing activities	(10,892,860)	2,691,187
Net (decrease) increase in cash and cash equivalents	(1,133,113)	2,105,828
Balances – beginning of year	14,467,308	12,361,480
Balances – end of year	\$ 13,334,195	\$ 14,467,308

The accompanying notes are an integral part of these financial statements.

Warren County Water District Statements of Cash Flows

<i>For the years ended December 31,</i>	2022	2021
Reconciliation of Operating (Loss) Income to Net Cash Provided By Operating Activities		
Operating (loss) income	\$ (715,597)	\$ 1,328,630
Adjustments to reconcile net operating (loss) income to net cash provided by operating activities:		
Depreciation expense	6,602,313	4,668,736
Amortization of debt premium / discount	23,825	14,943
Rental and non-utility income	217,190	249,864
Loss (gain) on disposal of assets	7,361	(61,557)
Changes in assets and liabilities:		
Net increase in accounts receivable	(183,658)	(492,014)
Net increase in other receivables	(107,209)	(264,165)
Net increase in prepaid expenses	(8,483)	(3,278)
Net increase in materials and supplies inventory	(528,705)	(256,860)
Net decrease in retirement security plan costs	161,404	161,404
Net decrease (increase) in other assets	29,714	(24,724)
Net increase in accounts payable	179,753	575,560
Net increase (decrease) in accrued liabilities	34,347	(13,311)
Net increase (decrease) in contractor advances	84,817	(4,570)
Net increase in customer deposits	72,321	101,480
Net (decrease) increase in unamortized bond premium - net	(26,582)	195,399
Net increase in rebates payable	741,798	97,009
Net increase in other liabilities	473	285
Net (decrease) increase in other post employment benefit obligation	(421,214)	97,962
Net cash provided by operating activities	\$ 6,163,868	\$ 6,370,793
Non-Cash Capital and Financing Activities		
Contributed constructed water and sewer lines at cost	\$ 10,993,346	\$ 6,953,940
Total non-cash capital and financing activities	\$ 10,993,346	\$ 6,953,940

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Warren County Water District (“District”) is a tax-exempt division of Warren County, Kentucky organized under KRS 74.010. The District operates water and sewer services for the residents of Warren County, Kentucky and surrounding areas.

The District is governed by a five-member board of commissioners (the “Board”). The criteria for determining the District as a component unit of Warren County, Kentucky, the primary government, is financial accountability. In accordance with Section 2100; *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and it is able to impose its will on that organization. The commissioners of the Board are appointed by the Warren County Judge Executive. Warren County is able to impose its will on the District through the ability to remove appointed members of the Board at will.

Measuring Focus, Basis of Accounting, and Financial Statement Presentation

The District’s financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the District conform to applicable generally accepted accounting principles as defined in the pronouncements of GASB. The District’s basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity. The financial statements of the District include the accounts of the Water Division and the Sewer Division after elimination of all significant inter-division accounts and transactions.

The District operates as an enterprise activity, using the flow of economic resources measurement focus. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the enterprise fund’s principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses for the enterprise funds include the cost of sales and service, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

The District’s cash equivalents are considered to be liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of restricted and unrestricted cash and cash equivalents.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Customer accounts receivable result from unpaid billings for service to customers and from unpaid billings related to work performed or materials sold to certain entities. All customer accounts receivable are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the District is based on past history of uncollectible accounts and management's analysis of current accounts. Customer accounts receivable also contains an estimate of services rendered, but not yet billed as of the end of the year. The receivable is derived from the cycle billings generated subsequent to year end and prorated for usage in December.

Materials and Supplies

All materials and supplies inventories are valued using the weighted average cost method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets

Certain proceeds of the bond issues and certain resources set aside for their repayment along with reserves for depreciation of plant are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Investments

Investments consist primarily of non-participating non-negotiable certificates of deposit and are recorded at cost. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool, which are utilized by the District in limited smaller levels of investments.

Utility Plant

Utility plant, which include property, plant, equipment, and construction in progress, are recorded at historical cost or estimated historical cost if purchased, constructed, or contributed. Original cost includes materials, labor, transportation, and such other indirect costs as engineering, supervision, and employee fringe benefits.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during a construction period is recognized as an expense.

As property units are retired in the ordinary course of business, the cost of the property plus removal cost less salvage, is charged to accumulated depreciation. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Warren County Water District Notes to Financial Statements

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Utility Plant (Continued)

	2022	2021
Buidlings & Improvements	35 - 37.5 years	50 years
Mains - Water Distribution	62.5 years	50 years
Mains - Sewer Collection	52.5 years	50 years
Meters	20 years	50 years
Service Lines	40 years	50 years
Storage Tanks	45 years	50 years
Trucks	7 years	5 - 10 years
Hydrants	50 years	50 years
Pumps	20 years	50 years
Furniture & Fixtues	22.5 years	10 years
Equipment	10 - 12.5 years	10 - 15 years

On January 1, 2022, the District had a change in accounting estimate by adjusting the estimated useful lives of certain utility plant assets – See Note 2.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The District has two items that qualify for reporting as deferred outflows of resources, the deferred amount of prepayments to the District’s retirement security plan. See retirement security plan note below.

Long Term Debt

Debt is a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Compensated Absences

The District’s policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the statement of net position. Accumulated sick leave lapses when employees leave the employment of the District and, accordingly upon separation from service, no monetary obligation exists.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Security Plan

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan (“RS Plan”) administered by the National Rural Electric Cooperative Association (“NRECA”), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. Note 9 provides further detail on the RS Plan.

In prior years, the District was given the opportunity to lower the retirement age of their employees to sixty two. The cost of reducing the retirement age of the District’s retirement plan has been recognized as a deferred outflow of resources and is being amortized using the straight-line method over a thirty-year period as allowed by the agreement with the retirement group.

In prior years, the District made a prepayment as a deferred outflow of resources of \$1,556,940 to the District’s retirement plan in order to achieve a lower annual required contribution (“ARC”) requirement along with making various modifications to the District’s retirement plan. The payment will lower the ARC over a ten-year period ending in 2028; therefore, the payment will be amortized over a ten-year period as a component of the District’s pension costs.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the total OPEB liability and OPEB expense, information about the District’s employees and contributions made have been determined on the same basis as they are reported to the District’s actuary. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Note 10 provides further detail on the total OPEB liability.

For defined benefit OPEB, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Rebates Payable

Rebates payable are amounts paid by contractors to improve property by adding water and/or sewer connections which are eligible to be refunded to the contractor either entirely or in part, dependent upon the number of future residents attaching to the water and/or sewer connections. Amounts not refunded are transferred to capital contributions after the ten-year eligibility period has lapsed or when it is highly unlikely that the rebate will be requested by contractors.

Bond Discount and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Unamortized amounts are reflected in the long term obligations in the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

The donor cost of contributed property and equipment is included in capital contributions. Contributions are recognized in the statements of revenues, expenses, and changes in net position when earned. Contributions may include connect fees; developer contributed utility systems; capital grants and other supplemental support by other utilities and industrial customers; and federal, state, and local grants in support of system improvements. Assets acquired through contributions from developers or other customers are capitalized at donor cost at the date of donations.

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This component of net position represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - The restricted component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets will be reduced by liabilities and deferred inflows of resources related to those assets in the determination of restricted net position. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The majority of the District's business activity is with customers located within Warren County, Kentucky. The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses are usually minimal and are generally within management's expectations.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation. There was no effect on the prior year change in net position.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through April 14, 2023, which was the date the financial statements were made available. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation of this Statement was not significant to the District.

Recent Accounting Pronouncements Not Yet Adopted

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements Not Yet Adopted (continued)

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*, 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 requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The District is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: CHANGE IN ACCOUNTING ESTIMATE

The District reviews the estimated useful lives of the Utility Plant on an ongoing basis. In the year ended December 31, 2022, this review indicated that the actual lives of certain structures, transmission and distribution lines, machinery, and equipment used in the distribution and operation of the Utility were different than the estimated useful lives used for depreciation purposes in the District's financial statements.

As a result, effective January 1, 2022, the Utility changed its estimates of the useful lives of certain structures, transmission and distribution lines, machinery, and equipment to better reflect the estimated periods during which these assets will remain in service. The effect of this change in estimate was to increase 2022 depreciation expense by approximately \$1,600,000 and decrease 2022 change in net position by approximately \$1,600,000.

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits and Certificates of Deposit

At December 31, 2022 and 2021 the District’s deposits and certificates of deposit consisted of the following:

<i>December 31,</i>	2022	2021
Cash and cash equivalents	\$ 9,274,111	\$ 10,778,815
Restricted cash and cash equivalents	4,051,364	3,683,643
Investments	250,000	250,000
Restricted investments	10,212,145	1,240,962
	\$ 23,787,620	\$ 15,953,420

The District maintains its deposits and certificates of deposit with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2022 and 2021 the carrying amount of the District’s deposits and certificates of deposit totaled \$23,787,620 and \$15,953,420, respectively, and the bank balances totaled \$24,307,759 and \$16,446,790, respectively. Of the bank balances, \$24,307,759 and \$16,446,790, were covered by FDIC insurance or by collateral held by an institution for the pledging bank in the District’s name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s formal deposit policy for custodial credit risk requires deposits in banks which are in excess of the FDIC insurance coverage to be secured by the bank pledging securities in direct obligations of the United States of America or by approved security bonds. As of December 31, 2022 and 2021, none of the District’s deposits and certificates of deposit were exposed to custodial credit risk.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. However, the District’s bond agreement further limits its investment choices.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. At December 31, 2022 and 2021, there are no investments in any one issuer that represents 5% or more of the total investments.

Interest Rate Risk

The District’s investment policy limits investment maturities of less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Warren County Water District
Notes to Financial Statements**

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value

GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the District’s assets at fair value as of December 31, 2022:

As of December 31, 2022	Level 1	Level 2	Level 3	Total
Restricted Investments				
United States Treasuries	\$ 441,885	-	-	\$ 441,885
Debt securities - US government obligations	-	2,706,564	-	2,706,564
Total restricted investments	\$ 441,885	\$ 2,706,564	\$ -	\$ 3,148,449

**Warren County Water District
Notes to Financial Statements**

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value (continued)

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2021:

As of December 31, 2021	Level 1	Level 2	Level 3	Total
Restricted Investments				
United States Treasuries	\$ 443,319	\$ -	\$ -	\$ 443,319
Debt securities - US government obligations	-	655,250	-	655,250
Total restricted investments	\$ 443,319	\$ 655,250	\$ -	\$ 1,098,569

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

Debt and equity securities – Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique based on the price or yield of similar debt securities.

Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments consisted of the following at December 31, 2022 and 2021:

<i>December 31,</i>	2022	2021
Construction funds	\$ 11,283,733	\$ 632,077
Sinking funds	1,461,672	680,552
Depreciation funds	3,031,431	2,903,283
Debt service reserve funds	-	272,140
Customer deposits	1,635,122	1,535,122
	\$ 17,411,958	\$ 6,023,174

The construction funds contain unspent debt proceeds which are available for paying the cost of construction of projects related to the District's water and sewer system.

The sinking funds and debt service reserve funds are restricted to the payment of principal and interest on long-term debt.

The depreciation funds are restricted to payment for improvements and approved repairs.

The customer deposits fund is restricted to hold customer deposits until service is terminated.

Warren County Water District Notes to Financial Statements

NOTE 4: CUSTOMER ACCOUNTS RECEIVABLE

For the water and sewer systems, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to December 31, 2022 (unbilled receivable), is estimated and accrued at year end. If the District deems any amounts uncollectible an allowance for doubtful accounts is established. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

At December 31, 2022 and 2021, customer accounts receivable consist of the following:

<i>December 31,</i>	2022	2021
Billed	\$ 1,313,231	\$ 1,373,219
Unbilled	1,636,953	1,402,038
Total	2,950,184	2,775,257
Less allowance for uncollectibles	(451,070)	(459,801)
Customer accounts receivable - net	\$ 2,499,114	\$ 2,315,456

NOTE 5: UTILITY PLANT

Utility plant activity for the year ended December 31, 2022 is as follows:

Description	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
Utility plant, not being depreciated					
Land and land rights	\$ 1,393,954	\$ 1,254,510	\$ -	\$ -	\$ 2,648,464
Construction in progress	4,466,498	12,035,205	10,508,687	-	5,993,016
Total utility plant, not being depreciated	5,860,452	13,289,715	10,508,687	-	8,641,480
Utility plant, being depreciated					
Buildings and improvements	14,815,137	893,993	-	7,627,028	23,336,158
Mains and pumping	150,788,243	7,517,701	-	(7,627,028)	150,678,916
Meters and hydrants	40,365,233	5,922,734	63,157	-	46,224,810
Office furniture and equipment	3,205,671	151,372	-	-	3,357,043
Equipment	3,112,559	285,264	92,986	-	3,304,837
Total utility plant, being depreciated	212,286,843	14,771,064	156,143	-	226,901,764
Less accumulated depreciation	66,070,360	6,602,313	132,985	-	72,539,688
Total utility plant, being depreciated, net	146,216,483	8,168,751	23,158	-	154,362,076
Total utility plant, net	\$ 152,076,935	\$ 21,458,466	\$ 10,531,845	\$ -	\$ 163,003,556

Warren County Water District Notes to Financial Statements

NOTE 5: UTILITY PLANT (Continued)

Utility plant activity for the year ended December 31, 2021 is as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Utility plant, not being depreciated				
Land and land rights	\$ 1,393,954	\$ -	\$ -	\$ 1,393,954
Construction in progress	4,298,874	12,435,663	12,268,039	4,466,498
Total utility plant, not being depreciated	5,692,828	12,435,663	12,268,039	5,860,452
Utility plant, being depreciated				
Buildings and improvements	14,122,145	692,992	-	14,815,137
Mains and pumping	143,502,592	7,285,651	-	150,788,243
Meters and hydrants	36,370,798	4,017,081	22,646	40,365,233
Office furniture and equipment	3,120,465	85,206	-	3,205,671
Equipment	3,015,277	321,308	224,026	3,112,559
Total utility plant, being depreciated	200,131,277	12,402,238	246,672	212,286,843
Less accumulated depreciation	61,598,869	4,668,736	197,245	66,070,360
Total utility plant, being depreciated, net	138,532,408	7,733,502	49,427	146,216,483
Total utility plant, net	\$ 144,225,236	\$ 20,169,165	\$ 12,317,466	\$ 152,076,935

NOTE 6: LONG-TERM DEBT

Long-term debt consists of the following:

<i>December 31,</i>	2022	2021
Revenue bonds, U.S. Department of Agriculture Series 2005A, with a 4.25% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2045.	\$ 954,000	\$ 954,000
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C11-02, with a 3.00% interest rate, payable monthly. Principal payments are due monthly until payoff June 1, 2033.	493,349	532,738
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2013B, with varying interest rates commencing at 2.30% and increasing to 3.30% over the life of the loan, payable semiannually. Principal payments are due annually every February 1, and vary until payoff on February 1, 2028.	775,000	920,000

**Warren County Water District
Notes to Financial Statements**

NOTE 6: LONG-TERM DEBT (CONTINUED)

<i>December 31,</i>	2022	2021
Refunding revenue bonds, Kentucky Rural Water Finance Corporation Series 2016B, with varying interest rates between 2.25% and 3.25% over the life of the loan, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2030.	1,415,000	1,575,000
Note payable/direct borrowing, Kentucky Infrastructure Association Loan B19-006, with a 2.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2040.	1,849,233	1,925,739
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C19-002, with a 3.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2040.	1,833,884	1,917,768
Revenue bonds, U.S. Department of Agriculture Series 2019, with a 2.375% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2060.	630,500	630,500
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2021A, with a 4.00% to 4.3% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2039.	2,695,000	2,930,000
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2022D, with a 3.5% interest rate, payable semiannually. Principal payment is due on August 1, 2024.	11,370,000	-
Total bonds and notes payable/direct borrowings	22,015,966	11,385,745
Less unamortized premium (discount) on bonds - net	149,050	175,632
Less current portion of bonds and notes payable	(808,476)	(739,779)
Net long-term debt	\$ 21,356,540	\$ 10,821,598

Warren County Water District Notes to Financial Statements

NOTE 6: LONG-TERM DEBT (CONTINUED)

On June 8, 2021, the District issued \$2,930,000 in Refunding Revenue Bonds with an interest rate of 4.0 to 4.3 percent to refund \$400,000 of outstanding 1993 Series bonds with an interest rate of 4.5 percent, to refund \$530,000 of outstanding 2004 Series bonds with an interest rate of 4.3 and 4.5 percent, to refund \$1,380,000 of outstanding 2012 Series bonds with an interest rate of 3.2 to 4.2 percent, and to pay \$898,037 of an outstanding loan payable to the Kentucky Infrastructure Authority with an interest rate of 3.0 percent. The net proceeds of \$3,249,401, net of \$102,268 in underwriting fees, insurance, and other issuance costs. An additional \$211,326 of Series 1993, 2004, and 2012 sinking fund monies and original issuance premium of \$210,342 were used to refund the 1993, 2004, and 2012 Series bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$17,131. This difference is being charged to operations through the year 2048 using the effective-interest method. The District completed the refunding to reduce its total debt service payments over the next 18 years by \$457,120 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$339,362.

On October 27, 2022, the District issued \$11,370,000 in Revenue Bonds with an interest rate of 3.5 percent to finance extensions, additions, and improvements to the District's water and sewer system.

The District has various financial and non-financial debt covenants and restrictions as set forth in the bond and loan agreements. Failure to fulfill any of the debt covenants and restrictions, or failure to cure any such failure within 30 days, constitute an event of default. In the event of default, the respective owners of the bonds may enforce and compel the duties and obligations set forth within the bond agreement.

The District's outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the District is unable to make a payment at the times specified in the agreement.

Unamortized net premiums and (discounts) on the debt issuances totaled \$149,050 and \$175,632 as of December 31, 2022 and 2021, respectively. Related amortization income/(expenses) for the years ended December 31, 2022 and 2021 totaled \$23,825 and 14,943, respectively.

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

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 2005A	\$ 954,000	\$ -	\$ -	\$ 954,000	\$ 26,000
KIA C11-02	532,738	-	39,389	493,349	40,587
KRWFC 2013B	920,000	-	145,000	775,000	150,000
KRWFC 2016B	1,575,000	-	160,000	1,415,000	165,000
KIA B19-006	1,917,768	-	83,884	1,833,884	85,571
KIA C19-002	1,925,739	-	76,506	1,849,233	78,818
USDA Series 2019	630,500	-	-	630,500	7,500
KRWFC 2021A	2,930,000	-	235,000	2,695,000	255,000
KRWFC 2022D	-	11,370,000	-	11,370,000	-
	<u>\$ 11,385,745</u>	<u>\$ 11,370,000</u>	<u>\$ 739,779</u>	<u>\$ 22,015,966</u>	<u>\$ 808,476</u>

**Warren County Water District
Notes to Financial Statements**

NOTE 6: LONG-TERM DEBT (CONTINUED)

The following is a summary of long-term debt transactions for the year ended December 31, 2021:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 1993	\$ 424,000	\$ -	\$ 424,000	\$ -	\$ -
Refunding Series 2004A	650,000	-	650,000	-	-
USDA Series 2005A	1,003,000	-	49,000	954,000	-
KIA C11-02	570,963	-	38,225	532,738	39,389
KIA C15-003	920,664	-	920,664	-	-
KRWFC 2012B	1,435,000	-	1,435,000	-	-
KRWFC 2013B	1,060,000	-	140,000	920,000	145,000
KRWFC 2016B	1,730,000	-	155,000	1,575,000	160,000
KIA B19-006	2,000,000	-	82,232	1,917,768	83,884
KIA C19-002	2,000,000	-	74,261	1,925,739	76,506
USDA Series 2019	645,000	-	14,500	630,500	-
KRWFC 2021A	-	2,930,000	-	2,930,000	235,000
	<u>\$ 12,438,627</u>	<u>\$ 2,930,000</u>	<u>\$ 3,982,882</u>	<u>\$ 11,385,745</u>	<u>\$ 739,779</u>

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2022 are as follows:

Year(s)	Principal	Interest	Total
2023	\$ 808,476	\$ 607,323	\$ 1,415,799
2024	12,200,320	676,613	12,876,933
2025	856,793	250,969	1,107,762
2026	713,922	224,879	938,801
2027	736,203	201,734	937,937
2028-2032	2,854,359	716,518	3,570,877
2033-2037	2,066,503	395,162	2,461,665
2038-2042	1,202,390	153,200	1,355,590
2043-2047	256,500	53,728	310,228
2048-2052	106,000	31,968	137,968
2053-2057	127,500	18,139	145,639
2058-2060	87,000	3,011	90,011
Total	<u>\$ 22,015,966</u>	<u>\$ 3,333,244</u>	<u>\$ 25,349,210</u>

**Warren County Water District
Notes to Financial Statements**

NOTE 6: LONG-TERM DEBT (CONTINUED)

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$22,015,966 in water system long-term debt. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely from water customer net revenues and are payable through 2060. The total principal and interest remaining to be paid on the bonds is \$25,349,210. Principal and interest paid for the current year and total customer net revenues were \$1,055,027 and \$21,521,676 respectively.

NOTE 7: RELATED PARTIES

The District provides management, engineering, and repair and maintenance services to both, the Butler County Water System and Simpson County Water District as defined in the “Joint Operations Agreement” dated February 14, 2019. In the ordinary course of business, the District has and expects to continue to have transactions with Butler County Water System and Simpson County Water District.

In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2022:

	Accounts Receivable	Accounts Payable
Butler County Water System	\$ 249,852	\$ 5,950
Simpson County Water District	\$ 197,276	\$ 6,215

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2021:

	Accounts Receivable	Accounts Payable
Butler County Water System	\$ 267,976	\$ 5,614
Simpson County Water District	\$ 186,473	\$ 7,302

**Warren County Water District
Notes to Financial Statements**

NOTE 7: RELATED PARTIES (Continued)

For the year ended December 31, 2022, the District allocated expenses to related parties as follows:

Description	Butler County Water System	Simpson County Water District
Wages and benefits:		
Operation	\$ 516,264	\$ 258,392
Administrative:		
Supervision and administration	140,541	99,205
Accounting	45,464	32,092
Customer service	104,296	63,600
Engineering	8,597	22,889
Operations - other	252,233	155,387
Additions to plant	98,417	174,379
Special projects	19,938	60,504
Totals	\$ 1,185,750	\$ 866,448

For the year ended December 31, 2021, the District allocated expenses to related parties as follows:

Description	Butler County Water System	Simpson County Water District
Wages and benefits:		
Operation	\$ 466,612	\$ 210,590
Administrative:		
Supervision and administration	129,800	92,358
Accounting	38,309	27,259
Customer service	96,910	60,912
Engineering	13,577	23,255
Operations - other	205,461	120,185
Additions to plant	103,147	142,895
Special projects	22,924	40,167
Totals	\$ 1,076,740	\$ 717,621

NOTE 8: MAJOR SUPPLIER

The District purchases all water and sewer services from the Bowling Green Municipal Utilities ("BGMU"). The agreement was renewed on December 4, 2018 for an additional forty-five years. Any rate adjustments are approved by BGMU, the District, and the Kentucky Public Service Commission.

NOTE 9: EMPLOYEE RETIREMENT PLAN

Plan Description

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan (“RS Plan”) administered by the National Rural Electric Cooperative Association (“NRECA”), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78.

Financial Information

The RS Plan publishes a financial statement and a copy can be obtained by writing or calling the Plan Administrator, NRECA, PO Box 6007, Lincoln, NE, 68506; telephone number 866-NRECA99. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145; PN 333).

Benefits Provided

The District had 59 and 54 employees participating in the RS Plan on December 31, 2022 and 2021, respectively. Upon retirement at the normal age of sixty-two, the annual estimated benefit is calculated as: Benefit Level (1.6% eligible service years from January 1, 1976 to April 1, 1999, 1.85% for service years from April 1, 1999 to January 1, 2018, and 1% for service years after January 1, 2018) multiplied by the number of continuous years in the plan multiplied by the average of the highest five salary years. Other plans were in effect prior to January 1, 1976 and benefit calculations will vary in accordance with an employee's hire date. The District decreased the normal retirement age to sixty-two and increased the benefit level. The District's Board of Commissioners has the authority to amend certain terms of the RS Plan, including benefit levels provided for each year of service, normal retirement age, eligibility for participation, and required employee contributions to the plan. Other terms such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by the District. Each employer in the RS plan elects to participate in the plan.

Contribution Requirements

The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payrolls over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each employer's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's pay level). The District must contribute annually in accordance with the terms of the RS Plan. The District's Board of Commissioners may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. The District's

NOTE 9: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Contribution Requirements (Continued)

contribution rate for Year 2022 was 12.83% and for Year 2021 was 12.13% of employees' base pay for those employees who have been employed with the District for over one year and have worked the number of hours to qualify.

The District can choose to withdraw from the RS Plan, subject to plan provisions that require the District to fully fund its share of the RS Plan liabilities before withdrawing.

NOTE 10: POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired District employees and their dependents under certain conditions. A summary of retiree medical, prescription drug and dental insurance benefits are in the District's Operating Policy NO. 109, paragraph J. This Operating Policy may be obtained by writing to Jacob Cuarta, General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. The District does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

Benefits Provided

Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement after reaching age 60 and meeting a combined age plus years of service of at least 75. Coverage during retirement continues in the group health plans. Employees covered by the plan make contributions toward the plan premiums.

Plan Membership

Plan membership consisted of the following:

<i>December 31,</i>	2022	2021
Inactive members currently receiving benefits	4	4
Active members	72	62
Total	76	66

Investment Policy

The District's obligation is unfunded at December 31, 2022 and 2021. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Contributions

The contribution requirements of retired employees are established and may be amended by the District's Board of Commissioners. If an employee retires at a minimum age of 60 and their age plus years of service equals 75, the District will pay 70 percent of the premium for employee and spouse coverage for a period not to exceed 5 years. All retirees and their spouses may be allowed to retain the coverage as set forth with 100 percent of the premium being paid by the retiree. For fiscal years 2022 and 2021 respectively, the District contributed \$47,581 and \$47,085 towards the healthcare plan.

2022 Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Alternative Measurement Method (AMM)
Measurement Date	December 31, 2022
Valuation Date	December 31, 2022
Reporting Date	December 31, 2022
Measurement Period	January 1, 2022 to December 31, 2022
Discount Rate	3.72%
As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total OPEB liability was 3.72% as of December 31, 2022.	
General Inflation	3.00%
Salary Increases	2.50%
Health Care Cost Trend Rates	4% - all years
Mortality	2020 United States Life Tables

This AMM valuation reflects the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 2.12% to 3.72%.

2022 Discount Rate

The discount rate used to measure the OPEB liability was 3.72% for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate changed from the prior measurement date.

**Warren County Water District
Notes to Financial Statements**

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

2021 Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. For 2021 assume actuarial assumptions are exactly realized. Update procedures were used to roll forward the service cost and total OPEB liability to the December 31, measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Alternative Measurement Method (AMM)
Measurement Date	December 31, 2020
Valuation Date	December 31, 2020
Reporting Date	December 31, 2020
Measurement Period	January 1, 2020 to December 31, 2020
Discount Rate	2.12%
As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total OPEB liability was 2.12% as of December 31, 2020.	
General Inflation	3.00%
Salary Increases	2.50%
Health Care Cost Trend Rates	4% - all years
Mortality	2016 United States Life Tables

This AMM valuation reflects the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 4.1% to 2.12%.

2021 Discount Rate

The discount rate used to measure the OPEB liability was 2.12% for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate changed from the prior measurement date.

Total OPEB Liability

	As of <u>December 31, 2022</u>
Actuarial Present Value of Future Benefits	
Retired - Employees/Spouses	\$ 117,422
Actives - Employees/Spouses	2,015,496
Total	<u>\$ 2,132,918</u>
Total OPEB Liability	
Retired - Employees/Spouses	\$ 117,422
Actives - Employees/Spouses	945,806
Total	<u>\$ 1,063,228</u>

**Warren County Water District
Notes to Financial Statements**

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Total OPEB Liability (continued)

As of December 31, 2022 and 2021, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

Changes in the Total OPEB Liability

<i>December 31,</i>	2022	2021
Balance Forward - beginning of year	\$ 1,484,442	\$ 1,386,480
Changes for the year:		
Service cost	116,586	113,742
Interest in the total OPEB liability	33,438	31,305
Changes in benefits	-	-
Difference between expected and actual experience	(398,737)	-
Changes in assumptions	(124,920)	-
Benefit payments, including employee refunds	(47,581)	(47,085)
Net changes	(421,214)	97,962
Balance, end of year	\$ 1,063,228	\$ 1,484,442

OPEB Expense

	Year Ended December 31, 2022	Year Ended December 31, 2021
Service Cost	\$ 116,586	\$ 113,742
Interest on Total OPEB Liability	33,438	31,305
Effect of Plan Changes	-	-
Economic/Demographic (Gains)/Losses	(398,737)	-
Assumption Changes	(124,920)	-
OPEB Expense	\$ (373,633)	\$ 145,047

Expected Remaining Service Lives

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members,

**Warren County Water District
Notes to Financial Statements**

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Expected Remaining Service Lives (continued)

determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

However, if using AMM procedures, changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors are immediately recognized in OPEB expense.

2022 Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (2.72%) and 1-percentage-point higher (4.72%) than the current discount rate:

	1% Decrease (2.72%)	Current Discount Rate (3.72%)	1% Increase (4.72%)
District's total OPEB liability	\$ 1,131,776	\$ 1,063,228	\$ 988,617

2021 Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (1.12%) and 1-percentage-point higher (3.12%) than the current discount rate:

	1% Decrease (1.12%)	Current Discount Rate (2.12%)	1% Increase (3.12%)
District's total OPEB liability	\$ 1,534,694	\$ 1,484,442	\$ 1,396,754

2022 Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (3.00%) and 1-percentage-point higher (5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
District's total OPEB liability	\$ 946,302	\$ 1,063,228	\$ 1,200,964

**Warren County Water District
Notes to Financial Statements**

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

2021 Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (3.00%) and 1-percentage-point higher (5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
District's total OPEB liability	\$ 1,288,823	\$ 1,484,442	\$ 1,717,892

Note 11: OTHER EMPLOYEE BENEFITS

The District currently participates in 401(a) and 457(b) retirement plans through Transamerica Retirement Solutions Corporation. Full-time employees meeting certain eligibility requirements can participate in the plan to the extent allowed under Internal Revenue Service rules. The District's contribution to the plan is limited to employees who have been employed for over one year and consists of a 3% contribution and a 100% matching contribution of up to 4% of the employee's base salary. For the year ended December 31, 2022 and 2021, respectively, the District contributed \$238,026 and \$218,008 to the 401(a) plan.

Employees with less than twenty-five years of continuous service shall accrue annual leave at the rate of fifteen days per year. Employees with more than twenty-five years of continuous service accrue annual leave at the rate of twenty days per year. Unused annual leave in excess of ten days accumulate at the end of the year and are payable upon request to employees with more than 240 accumulated annual leave days. All accumulated annual leave is payable to employees upon termination. At December 31, 2022 and 2021, the District's accrued compensated absences for annual leave totaled \$461,179 and \$412,172, respectively.

Employees accrue sick days at the rate of one sick day per month worked. The sick pay accumulation is unlimited and is payable upon retirement for all sick leave in excess of 800 hours at the rate of one day's pay for each 100 hours or fraction thereof. At December 31, 2022 and 2021, the District's accrued compensated absences for sick leave totaled \$40,498 and \$40,385, respectively.

Note 12: RISKS OF LOSS

The District's risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management and agents on an annual basis.

Note 13: COMMITMENTS

The District has entered into an agreement with an entity, which is a joint venture with the City of Bowling Green, KY (City) and Warren County, KY (County), to develop the water and sewer system for their plant with a grant received from the Kentucky Cabinet for Economic Development (“KCED”). To meet the requirements of the KCED, the District had to place a surety with KCED for \$615,000 until July 1, 2025, which equals the cost of the grant. In turn, the joint city-county development agrees to contribute the water and sewer improvements. If the entity does not meet the employment goals required by the grant agreement, the surety will be maintained by KCED, however if the employment goals are met the surety will be returned to the District.

The District has entered into a contract to extend water and sewer service and construct a 2-million-gallon elevated storage tank into the next phase of the joint City-County development which will be reimbursed by these entities. The anticipated expenditures for this contract is \$14,000,000. The total cost incurred as of December 31, 2022 is \$5,400,000. Costs related to the extension of the water and sewer service will be contributed by the City-County development upon the receipt of cost reimbursements. The District has entered into an additional agreement with the County and the City to pledge a percentage of future metered revenues generated from customers in this joint City-County development, which shall be paid to the City and County, annually.

The District has entered into a contract to extend water and sewer service into the 3rd phase of the joint City-County development as well as improve water and sewer accessibility to the Sunnyside-Gott area. The anticipated expenditures for this contract is \$46,000,000. The joint City-County development will reimburse these costs with funding appropriated by the Kentucky Legislature. The District has engaged a consultant to request a Declaratory Order from the Kentucky Public Service Commission to verify the project is administered correctly.

In August 2017, WCWD’s Board of Commissioners approved the installation of an automated meter reading (AMR) system. The project will be installed on approximately 33,500 services over a five year period and will collect consumption data using a radio based transmission system that will eliminate the need to physically read meters each month. The AMR system will include acoustic leak detection capabilities that will continuously monitor mains and service lines for water leaks. The estimated cost of the project is \$8,042,000 and will be funded by WCWD. The project started installation in February 2019 and is projected to be completed in December 2023. Total cost incurred as of December 31, 2022 is \$7,724,000.

The District has committed to an upgrade of its system-wide SCADA (supervisory control and data acquisition) system. The system consists of RTU’s (remote terminal units) which provide telemetry, control, and alarming for 111 pump stations, storage tanks, and metering sites. The estimated cost of the project is \$3,108,800 and will be funded with a bank anticipation loan through Kentucky Rural Water Finance Corporation (KRWFC). Total cost incurred as of December 31, 2022, is \$57,400.

In year 2022, Warren County Water District received grant awards through the American Rescue Plan Act (“ARPA”) including the following: (1) a grant award of \$2,440,372 from the State of Kentucky as part of the Cleaner Water Program (CWP) Round 1 for water and sewer improvement projects; (2) a grant award of \$3,800,000 from the State of Kentucky as part of the Cleaner Water Program (CWP) Round 2 for water improvements projects; (3) grants directly from the County of Warren in the amount of \$3,811,000 for additional sewer improvements. Total cost incurred as of December 31, 2022, is \$370,350.

A KIA loan has been accepted in the amount of \$2,100,000 for the replacement of the Woodburn tank and construction of a new tank in the 68W area. The design of the Woodburn portion of the project is nearly complete and will be issued for bids.

Note 13: COMMITMENTS (Continued)

The District has entered into contracts with the Kentucky Transportation Cabinet to relocate water lines along Hwy 185 and Hwy 242. The estimated cost of this work is \$866,309.50.

**Warren County Water District
Schedule of Employer Required Contributions**

RETIREMENT SECURITY PLAN

	Year 1 2022	Year 2 2021	Year 3 2020	Year 4 2019	Year 5 2018	Year 6 2017	Year 7 2016	Year 8 2015	Year 9 2014	Year 10 2013
Contractually Required Contribution	\$ 407,968	\$ 376,320	\$ 371,285	\$ 343,827	\$ 335,398	\$ 782,066	\$ 785,396	\$ 674,876	\$ 658,698	\$ 689,385

NOTE: This schedule is intended to present a ten-year trend per GASB 78.

Warren County Water District Notes to the Schedule of Employer Required Contributions

The table below summarized the District's contribution rates, contractually required contribution amounts, and factors significantly affecting contribution rates for the RS Plan.

Year	Contribution Rate	Contribution Amount Required and Paid	Average Age	Factors Significantly Affecting Contribution Rate
2013	25.89%	\$ 689,385	43	Actual 2011 investment return was significantly lower than assumed 8.5% expected annual return.
2014	26.37%	\$ 658,698	44	Increase in the average age of District participants.
2015	25.89%	\$ 674,879	43	Decrease in the average age of District participants.
2016	27.17%	\$ 785,396	44	Increase in the average age of District participants and lower than assumed 7.75% expected annual return.
2017	27.55%	\$ 782,066	45	Increase in the average age of District participants.
2018	11.86%	\$ 335,398	45	Decrease in the contribution rate due to prepayment of unfunded balance and reduction of benefits.
2019	11.55%	\$ 343,827	43	Decrease in the average age of District participants.
2020	11.56%	\$ 371,285	42	Decrease in the average age of District participants.
2021	12.13%	\$ 376,320	43	Increase in the average age of District participants.
2022	12.83%	\$ 407,968	45	Increase in the average age of District participants.

NOTE: This schedule is intended to present a ten-year trend per GASB 78.

Warren County Water District Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 116,586	\$ 113,742	\$ 88,789	\$ 86,623	\$ 54,508
Interest	33,438	31,305	64,112	61,497	35,620
Changes of benefit terms	-	-	-	-	406,050
Difference between expected and actual experience	(398,737)	-	(209,922)	-	136,938
Changes of assumptions	(124,920)	-	9,064	-	(24,914)
Benefit payments	(47,581)	(47,085)	(81,011)	(91,962)	(73,479)
Net change in total OPEB liability	(421,214)	97,962	(128,968)	56,158	534,723
Total OPEB liability - beginning	1,484,442	1,386,480	1,515,448	1,459,290	924,567
Total OPEB liability - ending	\$ 1,063,228	\$ 1,484,442	\$ 1,386,480	\$ 1,515,448	\$ 1,459,290
Covered-employee payroll	\$ 4,677,134	\$ 4,007,172	\$ 3,909,436	\$ 3,409,453	\$ 3,326,296
District total OPEB liability as a percentage of covered-employee payroll	22.73%	37.04%	35.46%	44.45%	43.87%

NOTE: GASB codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the years for which information is available.

Warren County Water District Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Notes to Schedule

Changes of Benefit Terms

In 2018 there was a change in the benefit terms which expands the allowed coverage period from three years to five years. The retirement age assumption was changed from age 63 to age 62 in reflection of this change. There was no change in the benefit terms for 2019, 2020, 2021 or 2022.

Changes of Assumptions

In 2018, the discount rate was increased from 3.78% to 4.10%. There was no change in assumptions for 2019.

In 2020, the discount rate was decreased from 4.10% to 2.12%. Future health care cost trend rates were adjusted from 5% to 4%. There was no change in assumptions for 2021.

In 2022, the discount rate was increased from 2.12% to 3.72%.

Warren County Water District Schedule of Budgetary Comparison

For the year ended December 31, 2022

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Metered water revenue	\$ 14,476,200	\$ 14,901,200	\$ 15,148,425	\$ 247,225
Metered sewer revenue	5,623,000	5,775,400	5,814,365	38,965
Forfeited discounts	242,900	280,900	282,159	1,259
Miscellaneous service revenue	329,500	274,500	272,992	(1,508)
Other water revenue	8,600	3,600	3,135	(465)
Other sewer revenue	-	-	600	600
Interest income	69,900	97,900	176,559	78,659
Rental income - utility property	164,400	134,400	134,929	529
Non-utility income - storm water	67,500	68,700	68,452	(248)
Total revenues	20,982,000	21,536,600	21,901,616	365,016
Expenses				
Salaries and wages	1,875,400	1,840,400	1,851,974	(11,574)
Commissioner fees	30,000	30,000	30,000	-
Fringe benefits	1,092,400	1,062,400	1,063,196	(796)
Purchased water	7,154,100	7,249,100	7,471,956	(222,856)
Sewage disposal	3,145,300	3,150,300	3,203,293	(52,993)
Purchased power	696,500	731,500	717,523	13,977
Chemicals	21,000	39,000	37,385	1,615
Materials and supplies	241,200	302,200	294,749	7,451
Contractual services - accounting	26,600	26,600	24,506	2,094
Contractual services - legal	12,000	18,500	14,740	3,760
Contractual services - other	715,600	790,600	802,726	(12,126)
Rental of building / property	101,600	101,600	57,998	43,602
Equipment expense	289,800	305,800	327,286	(21,486)
Insurance - general liability	62,500	63,500	73,520	(10,020)
Insurance - other	12,900	11,900	5,108	6,792
Regulatory expense	32,600	31,600	32,683	(1,083)
Bad debt expense	35,100	37,100	(8,730)	45,830
Miscellaneous expense	20,300	35,300	36,428	(1,128)
Total expenses	15,564,900	15,827,400	16,036,341	(208,941)

Warren County Water District Schedule of Budgetary Comparison

For the year ended December 31, 2022

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Other (Revenues) and Expenses				
Depreciation	4,635,600	6,424,100	6,406,205	17,895
Miscellaneous non-operating income	(15,000)	(15,000)	(13,809)	(1,191)
Interest expense	325,800	380,900	387,566	(6,666)
Unamortized debt expense	9,700	172,700	167,100	5,600
Disposition (gain) loss	-	(12,200)	7,361	(19,561)
OPEB expense	47,700	50,200	(205,273)	255,473
Total other (revenues) expenses	5,003,800	7,000,700	6,749,150	251,550
Total expenses	20,568,700	22,828,100	22,785,491	42,609
Income (loss) before capital contributions	413,300	(1,291,500)	(883,875)	407,625
Capital contributions	16,454,600	12,454,600	10,993,346	(1,461,254)
Change in net position	\$ 16,867,900	\$ 11,163,100	\$ 10,109,471	\$ (1,053,629)

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2022</i>	Water Division	Sewer Division	Eliminating Entries	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 2,216,095	\$ 7,066,736	\$ -	\$ 9,282,831
Accounts receivable:				
Customer accounts receivable, net of allowance for uncollectibles	1,786,100	713,014	-	2,499,114
Accounts receivable – Butler County Water System	127,622	66	-	127,688
Accounts receivable – Simpson County Water District	110,770	978	-	111,748
Accounts receivable – Water Division	-	641,876	(641,876)	-
Accounts receivable – Sewer Division	160,505	-	(160,505)	-
Other accounts receivable	574,159	82,042	-	656,201
Interest receivable	25,591	30,423	-	56,014
Materials and supplies inventory	1,520,900	-	-	1,520,900
Prepaid expenses	90,009	13,376	-	103,385
Total current assets	6,611,751	8,548,511	(802,381)	14,357,881
Non-current assets				
Utility Plant				
Utility plant in service	150,046,552	79,503,676	-	229,550,228
Construction in progress	1,862,833	4,130,183	-	5,993,016
Less accumulated depreciation	(53,763,018)	(18,776,670)	-	(72,539,688)
Total utility plant, net	98,146,367	64,857,189	-	163,003,556

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2022</i>	Water Division	Sewer Division	Eliminating Entries	Total
Non-current assets				
Restricted cash and equivalents	3,159,647	891,717	-	4,051,364
Restricted investments	4,790,543	8,570,051	-	13,360,594
Investments	-	250,000	-	250,000
Accounts receivable:				
Accounts receivable – Butler County Water System	122,164	-	-	122,164
Accounts receivable – Simpson County Water District	85,528	-	-	85,528
Accounts receivable – Sewer Division	149,221	-	(149,221)	-
Other assets	94,985	51,888	-	146,873
Total non-current assets	106,548,455	74,620,845	(149,221)	181,020,079
Total assets	113,160,206	83,169,356	(951,602)	195,377,960
Deferred outflows of resources				
Deferred outflows related to retirement security plan	814,149	-	-	814,149
Total assets and deferred outflows	\$ 113,974,355	\$ 83,169,356	\$ (951,602)	\$ 196,192,109

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Liabilities				
Current liabilities				
Accounts payable	\$ 1,729,260	\$ 660,404	\$ (149,221)	\$ 2,240,443
Accounts payable – Butler County Water System	5,950	-	-	5,950
Accounts payable – Simpson County Water District	6,215	-	-	6,215
Accounts payable – Water Division	-	160,505	(160,505)	-
Accounts payable – Sewer Division	641,876	-	(641,876)	-
Accrued expenses	887,425	104,071	-	991,496
Contractor advances for construction	63,428	110,000	-	173,428
Current portion of long-term debt	541,471	267,005	-	808,476
Total current liabilities	3,875,625	1,301,985	(951,602)	4,226,008
Non-current liabilities				
Long-term Obligations				
Bonds and loans payable	954,000	630,500	-	1,584,500
Notes payable	8,628,513	11,802,953	-	20,431,466
Less: Net unamortized bond premium (discount)	71,768	77,282	-	149,050
Less: Current portion of long-term debt	(541,471)	(267,005)	-	(808,476)
Net long-term obligations	9,112,810	12,243,730	-	21,356,540
Customer meter deposits	1,207,344	393,853	-	1,601,197
Rebates payable	2,010,202	1,646,971	-	3,657,173
Unearned revenue for cellular leases	76,839	-	-	76,839
Other post employment benefit obligation	1,063,228	-	-	1,063,228
Total non-current liabilities	13,470,423	14,284,554	-	27,754,977
Total liabilities	17,346,048	15,586,539	(951,602)	31,980,985

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Net Position				
Net investment in capital assets	92,176,084	60,767,175	-	152,943,259
Restricted for depreciation reserves	2,694,065	337,366	-	3,031,431
Restricted for KCED Agreement	352,127	288,559	-	640,686
Unrestricted	1,406,031	6,189,717	-	7,595,748
Total net position	96,628,307	67,582,817	-	164,211,124
Total liabilities and net position	\$ 113,974,355	\$ 83,169,356	\$ (951,602)	\$ 196,192,109

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2022</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Revenues				
Metered sales				
Residential	\$ 9,596,148	\$ 2,448,357	\$ -	\$ 12,044,505
Industrial	2,682,760	2,571,949	-	5,254,709
Commercial	2,869,517	794,059	-	3,663,576
Total metered sales	15,148,425	5,814,365	-	20,962,790
Forfeited discounts	195,714	86,445	-	282,159
Miscellaneous service revenue	238,905	37,822	-	276,727
Total operating revenues	15,583,044	5,938,632	-	21,521,676
Operating Expenses				
Source of supply expense				
Purchased water	7,471,956	-	-	7,471,956
Sewage disposal	-	3,203,293	-	3,203,293
Total source of supply expense	7,471,956	3,203,293	-	10,675,249
Pumping plant expense				
Power purchased	550,058	155,590	-	705,648
Chemicals	150	37,385	-	37,535
Contractual services	3,022	3,022	-	6,044
Rental expense	4,971	-	-	4,971
Insurance	9,737	4,610	-	14,347
Total pumping plant expense	567,938	200,607	-	768,545

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2022</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Expenses (Continued)				
Transmission and distribution expense				
Salaries and benefits	1,009,858	211,560	-	1,221,418
Power purchased	12,191	-	-	12,191
Contractual services	120,722	45,797	-	166,519
Rental expense	19,057	-	-	19,057
Transportation	184,058	38,233	-	222,291
Insurance	41,382	2,685	-	44,067
Materials and supplies	214,245	23,434	-	237,679
Total transmission and distribution expense	1,601,513	321,709	-	1,923,222
Customer accounts expense				
Salaries and benefits	766,218	121,298	-	887,516
Contractual services	226,456	63,401	-	289,857
(Recovery) uncollectible accounts - net	(9,794)	1,064	-	(8,730)
Rental expense	28,999	-	-	28,999
Transportation	94,456	111	-	94,567
Insurance	4,868	2,685	-	7,553
Miscellaneous	8,795	155	-	8,950
Materials and supplies	11,986	74	-	12,060
Total customer accounts expense	1,131,984	188,788	-	1,320,772

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2022</i>	Water Division	Sewer Division	Eliminating Entries	Total
Administrative and general expense				
Salaries and benefits	513,702	86,945	-	600,647
Office supplies	36,937	8,073	-	45,010
Commissioner fees	15,000	15,000	-	30,000
Contractual services	321,210	58,342	-	379,552
Insurance	7,431	5,230	-	12,661
Rental expense	4,971	-	-	4,971
Regulatory commission expense	23,624	9,059	-	32,683
Miscellaneous	18,951	8,527	-	27,478
Transportation	10,258	20	-	10,278
Total administrative and general expense	952,084	191,196	-	1,143,280
Depreciation	4,283,988	2,122,217	-	6,406,205
Total operating expenses	16,009,463	6,227,810	-	22,237,273
Operating loss	(426,419)	(289,178)	-	(715,597)
Non-Operating Revenues (Expenses)				
Interest income	84,569	91,990	-	176,559
Rental income	140,154	(5,225)	-	134,929
Non-utility income	82,248	13	-	82,261
Loss on disposal of assets	(7,361)	-	-	(7,361)
Debt issuance cost	(45,785)	(121,315)	-	(167,100)
Interest expense	(227,649)	(159,917)	-	(387,566)
Total non-operating revenues (expenses) - net	26,176	(194,454)	-	(168,278)

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2022</i>	Water Division	Sewer Division	Eliminating Entries	Total
Loss before capital contributions	(400,243)	(483,632)	-	(883,875)
Capital contributions	4,076,714	6,916,632	-	10,993,346
Change in net position	3,676,471	6,433,000	-	10,109,471
Total net position – beginning of year	92,952,568	61,149,085	-	154,101,653
Total net position – end of year	\$ 96,629,039	\$ 67,582,085	\$ -	\$ 164,211,124



REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS



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

Board of Commissioners
Warren County Water District
Bowling Green, 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 Warren County Water District (the "District"), a component unit of Warren County, Kentucky, 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, and have issued our report thereon dated April 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
April 14, 2023



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