

**Western Pulaski County Water District**

**Financial Statements**

**December 31, 2022 and 2021**



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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Western Pulaski County Water District  
Somerset, Kentucky

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities of Western Pulaski County Water District, 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 respective financial position of the business-type activities of Western Pulaski County Water District as of December 31, 2022 and 2021 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Western Pulaski County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 Western Pulaski County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Western Pulaski County Water District's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-6 and the Pension and OPEB Liability Schedules on pages 28-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Statement of Revenues, Expenses and Change in Net Position – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 Statements of Revenues, Expenses and Change in Net Position – Budget and Actual and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2023 on our consideration of the Western Pulaski County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Western Pulaski County Water District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

May 18, 2023

## **WESTERN PULASKI COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Western Pulaski County Water District, we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal year ending December 31, 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

For the year ended December 31, 2022 total operating and non-operating revenues (including capital contributions) were \$3,704,260 an decrease of \$637,170 from prior year, primarily due to a decrease in grant revenue.

Total operating and non-operating expenses amounted to \$3,977,463 for the year ended December 31, 2022, an increase of \$405,722, attributable mostly to an increase in water purchases and salaries and benefits as well as transmission and distribution maintenance expense.

Total assets and deferred outflows increased by \$1,250,834, and total liabilities and deferred inflows increased by \$1,524,037. These changes resulted in an decrease in net position of \$273,203.

During 2022, the District began Phase III of the Water System Improvements and Replacements project.

### **Overview of the Financial Statements**

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The financial statements include notes which explain in detail some of the information included in the financial statements.

### **Required Financial Statements**

The financial statements of Western Pulaski County Water District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of Western Pulaski County Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluation of the capital structure of Western Pulaski County Water District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of Western Pulaski County Water District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

# WESTERN PULASKI COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

## Western Pulaski County Water District Summary of Net Position December 31, 2022 and 2021

|   | <u>2022</u>          | <u>2021</u>          |
|---|----------------------|----------------------|
| Assets  |                      |                      |
| Total Current Assets                            | \$ 2,230,945         | \$ 3,005,446         |
| Total Restricted Assets                         | 1,035,342            | 713,592              |
| Net Capital Assets                              | <u>20,467,127</u>    | <u>18,929,481</u>    |
| <b>Total Assets</b>                             | <u>23,733,414</u>    | <u>22,648,519</u>    |
| <br>Deferred Outflows                           | <br><u>575,655</u>   | <br><u>409,716</u>   |
| <br>Liabilities                                 |                      |                      |
| Total Current Liabilities                       | 2,027,886            | 990,677              |
| Total Long-term Liabilities                     | <u>11,363,015</u>    | <u>11,180,227</u>    |
| <b>Total Liabilities</b>                        | <u>13,390,901</u>    | <u>12,170,904</u>    |
| <br>Deferred Inflows                            | <br><u>410,363</u>   | <br><u>106,323</u>   |
| <br>Net Position                                |                      |                      |
| Invested in capital assets, net of related debt | 9,431,438            | 8,938,817            |
| Restricted for equipment replacement            | 514,890              | 496,809              |
| Restricted for debt retirement                  | 520,452              | 216,783              |
| Unrestricted                                    | <u>41,025</u>        | <u>1,128,599</u>     |
| <b>Total Net Position</b>                       | <u>\$ 10,507,805</u> | <u>\$ 10,781,008</u> |

The largest portion (90%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding.

Restricted net position (10%) represents resources that are subject to external restrictions on how they may be used.

The balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens, consumers and creditors.



**WESTERN PULASKI COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Summary of Changes in Net Position  
For the Year Ended December 31, 2022 and 2021**

|                                       | <u>2022</u>          | <u>2021</u>          |
|---------------------------------------|----------------------|----------------------|
| Total operating revenues              | \$ 3,537,999         | \$ 3,542,581         |
| Total operating expenses              | <u>3,735,629</u>     | <u>3,326,790</u>     |
| Operating income (loss)               | (197,630)            | 215,791              |
| Total non-operating revenue (expense) | <u>(222,130)</u>     | <u>(218,423)</u>     |
| Income before capital contributions   | (419,760)            | (2,632)              |
| Capital contributions                 | <u>146,557</u>       | <u>772,321</u>       |
| Increase (decrease) in net position   | (273,203)            | 769,689              |
| Net position, beginning of year       | <u>10,781,008</u>    | <u>10,011,319</u>    |
| Net position, end of year             | <u>\$ 10,507,805</u> | <u>\$ 10,781,008</u> |

Net position decreased by \$273,203 from the prior year.

**Capital Asset Changes**

At December 31, 2022, the District had invested \$20,467,127 in capital assets net of accumulated depreciation. This amount represents a net increase of \$1,537,646 from the previous year due to construction projects in Oak Hill, Lees Ford and Fishing Creek Area.

**Budgetary Highlights**

The Western Pulaski County Water District adopts an annual operating budget after careful considerations of prior year and anticipated current year operations. The operating budget includes proposed expenses and the means to finance them. The District's operating budget remains in effect the entire year and is not revised. A budgetary comparison and analysis is presented on page 32 of this report.

**Debt Administration**

At December 31, 2022, the District had \$10,139,944 in outstanding debt, an increase of \$248,864 from the prior year's balance of \$9,891,080. The District incurred \$241,834 in interest expense associated with long term debt.

**Request for Information**

This financial report is designed to provide our customers and creditors with a general overview of Western Pulaski County Water District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Western Pulaski County Water District at 2128 West Highway 80, Somerset, KY or by phone (606) 679-1569.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2022 and 2021**

| <b>Assets</b>   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| <b>Current Assets</b>                                 |                     |                     |
| Cash  | \$ 1,616,486        | \$ 2,544,129        |
| Accounts receivable                                   | 373,971             | 384,751             |
| Prepaid assets  | 7,798               | 7,798               |
| Inventory   | <u>232,690</u>      | <u>68,768</u>       |
| Total Current Assets                                  | <u>2,230,945</u>    | <u>3,005,446</u>    |
| <b>Non-current Assets</b>                             |                     |                     |
| Restricted Assets                                     |                     |                     |
| Cash - Depreciation fund                              | 514,890             | 496,809             |
| Cash - Bond and interest                              | <u>520,452</u>      | <u>216,783</u>      |
| Total Restricted Assets                               | <u>1,035,342</u>    | <u>713,592</u>      |
| Capital Assets  |                     |                     |
| Construction in progress                              | 1,332,389           | 19,232              |
| Land and land rights                                  | 494,938             | 494,938             |
| Utility plant in service                              | 28,519,173          | 28,775,126          |
| Equipment   | 797,658             | 781,813             |
| Accumulated depreciation                              | <u>(10,677,031)</u> | <u>(11,141,628)</u> |
| Net Capital Assets                                    | <u>20,467,127</u>   | <u>18,929,481</u>   |
| Total Non-current Assets                              | <u>21,502,469</u>   | <u>19,643,073</u>   |
| Total Assets  | <u>23,733,414</u>   | <u>22,648,519</u>   |
| Deferred Outflows                                     |                     |                     |
| Outflows relating to net pension and OPEB liabilities | <u>575,655</u>      | <u>409,716</u>      |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statements of Net Position, Concluded**  
**December 31, 2022 and 2021**

| <b>Liabilities</b>                                   | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| <b>Current Liabilities</b>                           |                      |                      |
| Accounts payable                                     | \$ 273,237           | \$ 257,333           |
| Construction accounts payable                        | 895,745              | 99,584               |
| Customer deposits                                    | 280,669              | 277,898              |
| Accrued liabilities                                  | 45,826               | 33,478               |
| Accrued interest                                     | 80,542               | 22,885               |
| Current maturities of long-term debt                 | 451,867              | 299,499              |
| Total Current Liabilities                            | <u>2,027,886</u>     | <u>990,677</u>       |
| <b>Long-term Liabilities</b>                         |                      |                      |
| Customer advances for construction                   | 65,780               | -                    |
| Accrued compensated absences                         | 34,422               | 37,427               |
| Long-term debt, less current maturities              | 9,688,077            | 9,591,581            |
| Net OPEB liability                                   | 363,592              | 371,356              |
| Net pension liability                                | 1,211,144            | 1,179,863            |
| Total Long-term Liabilities                          | <u>11,363,015</u>    | <u>11,180,227</u>    |
| Total Liabilities                                    | <u>13,390,901</u>    | <u>12,170,904</u>    |
| Deferred Inflows                                     |                      |                      |
| Inflows relating to net pension and OPEB liabilities | <u>410,363</u>       | <u>106,323</u>       |
| <b>Net Position</b>                                  |                      |                      |
| <b>Net Position</b>                                  |                      |                      |
| Invested in capital assets, net of related debt      | 9,431,438            | 8,938,817            |
| Restricted for equipment replacement                 | 514,890              | 496,809              |
| Restricted for debt retirement                       | 520,452              | 216,783              |
| Unrestricted   | <u>41,025</u>        | <u>1,128,599</u>     |
| Total Net Position                                   | <u>\$ 10,507,805</u> | <u>\$ 10,781,008</u> |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2022 and 2021**

|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| <b>Operating revenues:</b>                 |                      |                      |
| Residential water sales                    | \$ 3,184,765         | \$ 3,226,298         |
| Commercial water sales                     | 227,278              | 195,858              |
| Miscellaneous service revenues             | <u>125,956</u>       | <u>120,425</u>       |
| Total operating revenues                   | <u>3,537,999</u>     | <u>3,542,581</u>     |
| <b>Operating expenses:</b>                 |                      |                      |
| Water purchases                            | 1,420,890            | 1,352,790            |
| Utilities                                  | 113,864              | 103,651              |
| Transmission and distribution expense      | 120,938              | 29,327               |
| Meter readers                              | 89,005               | 93,877               |
| Office expense                             | 92,272               | 76,578               |
| Transportation expenses                    | 48,185               | 38,660               |
| Insurance                                  | 60,762               | 58,761               |
| Directors' fees                            | 12,000               | 12,200               |
| Employees' salaries and wages              | 600,881              | 501,882              |
| Employees' pensions and benefits           | 249,500              | 227,867              |
| Actuarial pension and OPEB expense         | 161,618              | 154,159              |
| Payroll taxes                              | 51,117               | 42,387               |
| Depreciation and amortization              | 584,358              | 509,373              |
| PSC tax assessment                         | 5,289                | 6,719                |
| Professional fees                          | 58,226               | 61,118               |
| Bad debts                                  | 12,586               | 27,241               |
| Miscellaneous                              | <u>54,138</u>        | <u>30,200</u>        |
| Total operating expenses                   | <u>3,735,629</u>     | <u>3,326,790</u>     |
| Operating income (loss)                    | <u>(197,630)</u>     | <u>215,791</u>       |
| <b>Non-operating revenue (expenses):</b>   |                      |                      |
| Rents from water property                  | 6,665                | 16,624               |
| Interest income                            | 13,039               | 9,904                |
| Interest expense on long-term debt         | <u>(241,834)</u>     | <u>(244,951)</u>     |
| Total non-operating revenue (expenses)     | <u>(222,130)</u>     | <u>(218,423)</u>     |
| Income/(loss) before capital contributions | <u>(419,760)</u>     | <u>(2,632)</u>       |
| <b>Capital contributions</b>               |                      |                      |
| Grant revenue                              | -                    | 615,834              |
| Tap fees                                   | <u>146,557</u>       | <u>156,487</u>       |
| Total capital contributions                | <u>146,557</u>       | <u>772,321</u>       |
| Increase (decrease) in net position        | (273,203)            | 769,689              |
| <b>Net position:</b>                       |                      |                      |
| Beginning of year                          | <u>10,781,008</u>    | <u>10,011,319</u>    |
| End of year                                | <u>\$ 10,507,805</u> | <u>\$ 10,781,008</u> |

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

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statement of Cash Flows**  
**December 31, 2022 and 2021**

|   | <u>2022</u>                | <u>2021</u>                |
|---|----------------------------|----------------------------|
| <b>Cash flows from operating activities:</b>  |                            |                            |
| Cash receipts from customers  | \$ 3,551,550               | \$ 3,596,611               |
| Cash payments to suppliers for goods and services                                       | (2,262,942)                | (1,778,872)                |
| Cash payments to employees for services   | <u>(865,386)</u>           | <u>(734,376)</u>           |
| Net cash provided by (used) in operating activities                                     | <u>423,222</u>             | <u>1,083,363</u>           |
| <b>Cash flows from capital and related financing activities:</b>                        |                            |                            |
| Principal paid on long-term debt  | (310,163)                  | (380,466)                  |
| Proceeds from debt  | 559,027                    | 1,588,414                  |
| Interest paid on long-term debt   | (184,177)                  | (319,730)                  |
| Additions to capital assets   | (2,122,004)                | (2,376,453)                |
| Increase (decrease) in construction payable   | 796,161                    | (241,854)                  |
| Increase (decrease) in customer advances  | 65,780                     | -                          |
| (Increase) decrease in other receivable   | -                          | 149,855                    |
| Grant revenue   | -                          | 615,834                    |
| Tap fees  | <u>146,557</u>             | <u>156,487</u>             |
| Net cash provided by (used) in financing activities                                     | <u>(1,048,819)</u>         | <u>(807,913)</u>           |
| <b>Cash flows from investing activities:</b>  |                            |                            |
| Rental income   | 6,665                      | 16,624                     |
| Interest income   | <u>13,039</u>              | <u>9,904</u>               |
| Net cash provided by (used) in investing activities                                     | <u>19,704</u>              | <u>26,528</u>              |
| <b>Net increase (decrease) in cash and cash equivalents</b>                             | <b>(605,893)</b>           | <b>301,978</b>             |
| Cash and cash equivalents, beginning of year  | <u>3,257,721</u>           | <u>2,955,743</u>           |
| <b>Cash and cash equivalents, end of year</b>   | <b><u>\$ 2,651,828</u></b> | <b><u>\$ 3,257,721</u></b> |
| <b>Reconciliation of operating income to</b>  |                            |                            |
| <b>net cash provided by operating activities:</b>                                       |                            |                            |
| Operating income (loss)   | \$ (197,630)               | \$ 215,791                 |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                            |                            |
| Depreciation and amortization   | 584,358                    | 509,373                    |
| Changes in assets and liabilities:  |                            |                            |
| (Increase) decrease in accounts receivable  | 10,780                     | 41,013                     |
| (Increase) decrease in prepaid assets   | -                          | 1,135                      |
| (Increase) decrease in inventory  | (163,922)                  | 21,568                     |
| Increase (decrease) in actuarial pension/OPEB   | 161,618                    | 154,159                    |
| Increase (decrease) in accounts payable   | 15,904                     | 108,315                    |
| Increase (decrease) in customer deposits  | 2,771                      | 13,017                     |
| Increase (decrease) in accrued liabilities  | <u>9,343</u>               | <u>18,992</u>              |
| Net cash provided (used) by operating activities  | <u>\$ 423,222</u>          | <u>\$ 1,083,363</u>        |

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

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies**

Organization

The Western Pulaski County Water District was organized under KRS 74.010 to provide water service to the residents of Western Pulaski County. The District's commissioners are appointed by the Pulaski County Judge-Executive.

The District grants credit to customers, substantially all of whom are local residents and commercial businesses in Western Pulaski County.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the District's financial statements. The District is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Position.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The District adopted the provisions of Governmental Accounting Standards Board (GASB) No. 34 *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."* GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components: (i) invested in capital position, net of related debt, (ii) restricted, and (iii) unrestricted.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of December 31, 2022 or 2021. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ending December 31, 2022 and 2021 was \$584,358 and \$509,373 respectively.

The estimated useful lives of capital assets are as follows:

|                              |            |
|------------------------------|------------|
| Transmission and Distributor | 62.5 years |
| Distribution Reservoirs      | 45 years   |
| Meter Installs and Services  | 40 years   |
| Structures and Improvements  | 38 years   |
| Pumping Equipment            | 20 years   |
| Vehicles and Equipment       | 10 years   |

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value. The District has adopted no formal investment policy.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position.

Inventory

Inventory is valued at lower of cost or net realizable value, using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capital addition as inventory items are consumed.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded**

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Bond and Interest Redemption Fund

The ordinances authorizing the bond issues require monthly deposits of one-twelfth of the annual bond principal requirement and one-sixth of the semi-annual interest requirement. For the years ended December 31, 2022 and 2021 the District had complied with this requirement.

Use of Estimates

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

Depreciation Fund

The ordinances authorizing the various bond and loan issues of the District require annual transfers into a depreciation fund until the maximum requirement of \$535,740 is reached. These funds can be used for capital improvements, expansions and extraordinary repairs. For the years ended December 31, 2022 and 2021 the District had complied with this requirement.

Compensated Absences

Full time employees with 1-3 years of service receive 1 week of paid vacation, 4-6 years, 2 weeks of vacation, 7-10 years, 3 weeks of vacation and 11 years or more, 4 weeks. Unused vacation time may be carried over from one calendar year to another with a maximum of 4 weeks accrued. Upon retirement or termination, employees are compensated for any currently accrued vacation pay.

New Accounting Principle:

During 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable. For the year ended December 31, 2022, the District had no qualifying leases to report.



**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 2 – Capital Assets**

Capital asset activity for the years ended December 31, 2021 and 2022 was as follows:

| <b>2021</b>                                 | Beginning<br>Balance | Additions        | Deletions          | Ending<br>Balance    |
|---|----------------------|------------------|--------------------|----------------------|
| <i>Capital Assets not being depreciated</i> |                      |                  |                    |                      |
| Land and rights                             | \$ 494,938           | \$ -             | \$ -               | \$ 494,938           |
| Construction in progress                    | 1,728,979            | 3,845,045        | (5,554,792)        | 19,232               |
| <i>Total Non-Depreciable Capital Assets</i> | <u>2,223,917</u>     | <u>3,845,045</u> | <u>(5,554,792)</u> | <u>514,170</u>       |
| <i>Capital Assets being depreciated</i>     |                      |                  |                    |                      |
| Transmission and distribution lines         | 6,799,768            | 3,368,236        | -                  | 10,168,004           |
| Line extensions                             | 11,522,765           | -                | -                  | 11,522,765           |
| Meter installations                         | 2,984,738            | 302,086          | (50,350)           | 3,236,474            |
| Services                                    | 568,482              | -                | -                  | 568,482              |
| Communication radios                        | 9,106                | -                | -                  | 9,106                |
| Office equipment                            | 223,590              | -                | -                  | 223,590              |
| Equipment and tools                         | 80,308               | 16,878           | -                  | 97,186               |
| Office building                             | 255,572              | -                | -                  | 255,572              |
| Buildings                                   | 227,695              | -                | -                  | 227,695              |
| Distribution reservoir                      | 1,262,945            | -                | -                  | 1,262,945            |
| Hydrants                                    | 20,147               | -                | -                  | 20,147               |
| Electric pumping equipment                  | 1,114,042            | 399,000          | -                  | 1,513,042            |
| Vehicles                                    | 451,931              | -                | -                  | 451,931              |
| <i>Total Depreciable Capital Assets</i>     | <u>25,521,089</u>    | <u>4,086,200</u> | <u>(50,350)</u>    | <u>29,556,939</u>    |
| Less: Accumulated depreciation              | <u>(10,682,605)</u>  | <u>(509,373)</u> | <u>50,350</u>      | <u>(11,141,628)</u>  |
| Total Net Capital Assets                    | <u>\$ 17,062,401</u> |                  |                    | <u>\$ 18,929,481</u> |
| <b>2022</b>                                 | Beginning<br>Balance | Additions        | Deletions          | Ending<br>Balance    |
| <i>Capital Assets not being depreciated</i> |                      |                  |                    |                      |
| Land and rights                             | \$ 494,938           | \$ -             | \$ -               | \$ 494,938           |
| Construction in progress                    | 19,232               | 1,546,682        | (233,525)          | 1,332,389            |
| <i>Total Non-Depreciable Capital Assets</i> | <u>514,170</u>       | <u>1,546,682</u> | <u>(233,525)</u>   | <u>1,827,327</u>     |
| <i>Capital Assets being depreciated</i>     |                      |                  |                    |                      |
| Transmission and distribution lines         | 10,168,004           | 233,525          | (920,203)          | 9,481,326            |
| Line extensions                             | 11,522,765           | -                | -                  | 11,522,765           |
| Meter installations                         | 3,236,474            | 559,477          | (97,950)           | 3,698,001            |
| Services                                    | 568,482              | -                | -                  | 568,482              |
| Communication radios                        | 9,106                | -                | -                  | 9,106                |
| Office equipment                            | 223,590              | -                | -                  | 223,590              |
| Equipment and tools                         | 91,986               | 15,845           | -                  | 107,831              |
| Office building                             | 255,572              | -                | -                  | 255,572              |
| Buildings                                   | 227,695              | -                | -                  | 227,695              |
| Distribution reservoir                      | 1,262,945            | -                | -                  | 1,262,945            |
| Hydrants                                    | 20,147               | -                | -                  | 20,147               |
| Electric pumping equipment                  | 1,513,042            | -                | (30,802)           | 1,482,240            |
| Vehicles                                    | 457,131              | -                | -                  | 457,131              |
| <i>Total Depreciable Capital Assets</i>     | <u>29,556,939</u>    | <u>808,847</u>   | <u>(1,048,955)</u> | <u>29,316,831</u>    |
| Less: Accumulated depreciation              | <u>(11,141,628)</u>  | <u>(584,358)</u> | <u>1,048,955</u>   | <u>(10,677,031)</u>  |
| Total Net Capital Assets                    | <u>\$ 18,929,481</u> |                  |                    | <u>\$ 20,467,127</u> |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 3 – Long-Term Debt**

Long-term debt consists of the following bonds payable at December 31, 2022 and 2021:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Series 2002A Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$900,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.  | \$ 649,000          | \$ 649,000          |
| Series 2002B Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$550,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.  | 394,000             | 394,000             |
| Series 2010 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$911,000; due in annual installments on January 1, through 2049; interest rate of 2.25% due semi-annually on January 1 and July 1.  | 734,000             | 734,000             |
| Series 2012E Water Revenue Bonds issued through Kentucky Rural Water Finance Corporation in the amount of \$2,080,000; (to refund Series 2001A and 2001B revenue bonds) due in annual installments on July 1, through 2035; interest rate of 2.2 - 3.7% due semi-annually on January 1 and July 1. | 900,000             | 1,040,000           |
| Series 2013 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$1,400,000; due in annual installments on January 1, through 2053; interest rate of 2.25% due semi-annually on January 1 and July 1.  | 1,222,500           | 1,222,500           |
| Series 2018 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$2,225,000; due in annual installments on January 1, through 2057; interest rate of 2.50% due semi-annually on January 1 and July 1.  | <u>2,115,000</u>    | <u>2,115,000</u>    |
| Total Bonds Payable:   | <u>\$ 6,014,500</u> | <u>\$ 6,154,500</u> |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 3 – Long-Term Debt, Continued**

Long-term debt consists of the following notes not yet finalized at December 31, 2022 and 2021:

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| KIA B20-004 Loan issued through Kentucky Infrastructure Authority for Water System Improvements project not to exceed \$1,146,000; interest of 1.50% due monthly succeeding date of initial draw of funds. A loan servicing fee of .20% of the annual outstanding balance shall be payable as part of each interest payment. Principal payments are due June 1 and December 1 beginning December 2021.  | 997,048             | 839,232             |
| KIA F16-003 Loan issued through Kentucky Infrastructure Authority of the Federally Assisted Drinking Water Revolving Loan Fund for Water System Improvements project not to exceed \$3,304,000; interest of 1.75% due monthly succeeding date of initial draw of funds. A loan servicing fee of .25% of the annual outstanding balance shall be payable as part of each interest payment. Principal payments due June 1 and December 1 upon final draw of loan funds. | \$ 3,128,396        | \$ 2,897,348        |
| Total Notes Payable:  | <u>\$ 4,125,444</u> | <u>\$ 3,736,580</u> |

Principal and interest maturities of long-term debt are as follows:

|           | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------|---------------------|---------------------|---------------------|
| 2023      | \$ 451,867          | \$ 252,698          | \$ 704,565          |
| 2024      | 463,209             | 241,153             | 704,362             |
| 2025      | 481,535             | 229,029             | 710,564             |
| 2026      | 371,918             | 216,406             | 588,324             |
| 2027      | 380,859             | 207,278             | 588,137             |
| 2028-2032 | 2,045,474           | 890,535             | 2,936,009           |
| 2033-2037 | 2,191,681           | 620,658             | 2,812,339           |
| 2038-2042 | 1,848,901           | 350,275             | 2,199,176           |
| 2043-2047 | 727,000             | 186,269             | 913,269             |
| 2048-2052 | 699,500             | 99,061              | 798,561             |
| 2053-2057 | 478,000             | 27,559              | 505,559             |
|           | <u>\$10,139,944</u> | <u>\$ 3,320,921</u> | <u>\$13,460,865</u> |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 3 – Long-Term Debt, Concluded**

Long-term debt activity for the years ended December 31, 2022 and 2021 was as follows:

| Debt        | Balance<br>January 1, 2022 | Additions         | Debt Payments<br>and Reductions | Balance<br>December 31, 2022 | Amount Due<br>within One Year |
|-------------|----------------------------|-------------------|---------------------------------|------------------------------|-------------------------------|
| RD 2002A    | \$ 649,000                 | \$ -              | \$ -                            | \$ 649,000                   | \$ (21,000)                   |
| RD 2002B    | 394,000                    | -                 | -                               | 394,000                      | (13,000)                      |
| RD 2010     | 734,000                    | -                 | -                               | 734,000                      | (19,000)                      |
| KRWFC 2012E | 1,040,000                  | -                 | (140,000)                       | 900,000                      | (140,000)                     |
| RD 2013     | 1,222,500                  | -                 | -                               | 1,222,500                    | (27,500)                      |
| KIA F16-003 | 2,897,348                  | 361,005           | (129,957)                       | 3,128,396                    | (141,616)                     |
| RD 2018     | 2,115,000                  | -                 | -                               | 2,115,000                    | (38,500)                      |
| KIA B20-004 | 839,232                    | 198,022           | (40,206)                        | 997,048                      | (51,251)                      |
|             | <u>\$ 9,891,080</u>        | <u>\$ 559,027</u> | <u>\$ (310,163)</u>             | <u>\$ 10,139,944</u>         | <u>\$ (451,867)</u>           |

| Debt        | Balance<br>January 1, 2021 | Additions           | Debt Payments<br>and Reductions | Balance<br>December 31, 2021 | Amount Due<br>within One Year |
|-------------|----------------------------|---------------------|---------------------------------|------------------------------|-------------------------------|
| RD 2002A    | \$ 688,000                 | \$ -                | \$ (39,000)                     | \$ 649,000                   | \$ -                          |
| RD 2002B    | 418,000                    | -                   | (24,000)                        | 394,000                      | -                             |
| RD 2010     | 770,500                    | -                   | (36,500)                        | 734,000                      | -                             |
| KRWFC 2012E | 1,175,000                  | -                   | (135,000)                       | 1,040,000                    | (140,000)                     |
| RD 2013     | 1,276,000                  | -                   | (53,500)                        | 1,222,500                    | -                             |
| KIA F16-003 | 2,166,632                  | 730,716             | -                               | 2,897,348                    | (122,150)                     |
| RD 2018     | 2,189,000                  | -                   | (74,000)                        | 2,115,000                    | -                             |
| KIA B20-004 | -                          | 857,698             | (18,466)                        | 839,232                      | (37,349)                      |
|             | <u>\$ 8,683,132</u>        | <u>\$ 1,588,414</u> | <u>\$ (380,466)</u>             | <u>\$ 9,891,080</u>          | <u>\$ (299,499)</u>           |

**Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The District performed calculations of excess investment earnings on various bonds and at December 31, 2021 and does not expect to incur a liability.

**Note 4 – Commitments**

The Water System Improvements and Replacements Project began in 2017. During 2022 the District began Phase III of the project related to Oak Hill, Lees Ford and Fishing Creek Areas. The Kentucky Infrastructure Authority granted approval of loan F16-003 funds not to exceed \$3,304,000 and loan B20-004 funds not to exceed \$1,146,000. As of December 31, 2022 the District had drawn \$4,125,444 of available KIA loan funds. The USDA Rural Development approved bonds of \$4,472,000 and grant funds in the amount of \$725,000 to be used for the Fishing Creek Area project. As of December 31, 2022, the bond and grant funds had not yet been expended.

**Note 5 – Subsequent Events**

Management has evaluated subsequent events through May 18, 2023, the date which the financial statements were available to be issued. The Public Service Commission approved a three phase water rate increase which will be implemented January 1, 2023, 2024 and 2025, for a total rate increase of 22.47% on minimum bills over a three year period.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 6 – Cash and Investments**

The carrying amount of the District's cash deposits was \$2,651,828 and \$3,257,721 for the years ending December 31, 2022 and 2021 respectively and the bank balances were \$2,673,742 and \$3,289,996. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank. All of the District's deposits were either insured by FDIC or by collateral pledged by the financial institution. The District does not have a formal investment policy.

**Note 7– Pension Plan**

Governments providing defined benefit pensions are required to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The District participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer retirement system administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). CERS is a defined benefit plan created by the Kentucky General Assembly. The Plan covers substantially all full-time employees. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching five years of service and are established by the state statute. Benefits of CERS members are calculated on the basis of age, final average salary, and service credit. For retirement purposes, employees are grouped into three tiers, based on hire date:

|        |                      |  |
|--------|----------------------|--|
| Tier 1 | Participation date   | Before September 1, 2008   |
|        | Unreduced retirement | 27 years service or 65 years old   |
|        | Reduced retirement   | At least 5 years service and 55 years old<br>At least 25 years service and any age                 |
| Tier 2 | Participation date   | September 1, 2008 - December 31, 2013  |
|        | Unreduced retirement | At least 5 years service and 65 years old<br>Or age 57+ and sum of service years plus age equal 87 |
|        | Reduced retirement   | At least 10 years service and 60 years old   |
| Tier 3 | Participation date   | After December 31, 2013  |
|        | Unreduced retirement | At least 5 years service and 65 years old<br>Or age 57+ and sum of service years plus age equal 87 |
|        | Reduced retirement   | Not available  |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 7 – Pension Plan, Continued**

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at [www.kyret.ky.gov](http://www.kyret.ky.gov)

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's average rate of pay and any dependent child will receive 50% of the decedent's average rate of pay up to 75% for three dependent children. Five years' service is required for nonservice related disability benefits. There have been no assumption changes since June 30, 2020. Senate Bill 169 passed during the 2021 Legislative Session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. There were no other material plan provision changes.

Required contributions by the employee are based on the tier:

|        | <u>Required Contribution</u> |
|--------|------------------------------|
| Tier 1 | 5%                           |
| Tier 2 | 5% + 1% for insurance        |
| Tier 3 | 5% + 1% for insurance        |

Employer contribution rates for CERS are determined by the KRS Board without further legislative review. The methods used to determine the employer contribution rates for KRS are specified in Kentucky Revised Statutes 61.565. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly. House Bill 362 was enacted in the 2018 legislative sessions that limits the annual increase in the CERS employer contribution over the prior fiscal year to 12% per year for the period July 1, 2018 to June 30, 2028, or until the full actuarial required contribution is met.

At December 31, 2022, the District reported a liability for its proportionate share of the net pension liability for CERS.

|  |              |
|--|--------------|
| District's proportionate share of the CERS net pension liability | \$ 1,211,144 |
|--|--------------|

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was .018996%.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 7 – Pension Plan, Continued**

For the year ended December 31, 2022, the District recognized pension expense of \$248,994. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience<br>in the measurement of the total pension liability              | \$ 9,245                                      | \$ -   |
| Net difference between projected and actual<br>earnings on pension plan investments                                 | 31,230  | 208,410                                      |
| Changes in assumptions  | 10,804  | -  |
| Changes in proportion and differences between<br>employer contributions and proportionate<br>share of contributions | 136,092                                       | 11,755                                       |
| District contributions subsequent to the<br>measurement date  | <u>127,197</u>                                | <u>-</u>                                     |
|   | <u><u>\$ 314,568</u></u>                      | <u><u>\$ 220,165</u></u>                     |

The 2021 CERS employer contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows related to pensions will be amortized and recognized in pension expense as follows:

| <u>Year Ended</u> | <u>Net Deferred Outflows<br/>(Inflows)</u> |
|-------------------|--|
| 12/31/2023        | \$ 48,215                                  |
| 12/31/2024        | (30,459)                                   |
| 12/31/2025        | (50,550)                                   |
| 12/31/2026        | -  |
| 12/31/2027        | -  |
|                   | <u><u>\$ (32,794)</u></u>                  |

*Actuarial assumptions*—Prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30:

|   |                 |
|---|-----------------|
| Inflation   | 2.30%           |
| Projected salary increases  | 3.30% to 10.30% |
| Investment rate of return, net of investment<br>expense and inflation | 6.25%           |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 7 – Pension Plan, Continued**

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

*Long term rate of return:* The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The following table presents the allocation and long-term expected return on plan assets:

| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| US Equity                   | 21.75%                   | 5.70%   |
| Non-US Equity               | 21.75%                   | 6.35%   |
| Private Equity              | 10.00%                   | 9.70%   |
| Specialty Credit/High Yield | 15.00%                   | 2.80%   |
| Core Bonds                  | 10.00%                   | 0.00%   |
| Cash                        | 1.50%                    | -0.60%  |
| Real Estate                 | 10.00%                   | 5.40%   |
| Real Return                 | <u>10.00%</u>            | 4.55%   |
| Total                       | <u>100.0%</u>            |   |

*Discount rate:* The discount rate used to measure the total pension liability was 6.25%.



**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 7 – Pension Plan, Concluded**

*Projected cash flows:* The projection of cash flows used to determine the discount rate assumed that plan employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year closed amortization period of the unfunded actuarial accrued liability.

*Municipal bond rate:* The discount rate determination does not use a municipal bond rate.

*Periods of projected benefit payments:* The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefits payments to determine the total pension liability for each system.

The following table presents the net pension liability of the District, calculated using the discount rates selected by CERS, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

|  | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|------------------------------|--------------------|
| CERS   | 5.25%              | 6.25%                        | 7.25%              |
| District's proportionate share<br>of net pension liability | \$1,553,350        | \$1,211,144                  | \$927,977          |

*Pension plan fiduciary net position*—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CERS. The effect of the net pension liability on the District's net position has been determined on the same basis used by Kentucky Retirement Systems.

Non-hazardous plan members are required to contribute 5% of their annual creditable compensation. The Western Pulaski County Water District is required to contribute at actuarially determined rates. The pension contribution rate was 22.78% for the year ended June 30, 2022 and 23.40% for the year ended June 30, 2023 for non-hazardous employees' annual creditable compensation. The OPEB contribution rate was 4.17% for the years ended June 30, 2022 and 3.39% for the year ended June 30, 2023. The contribution requirements of the plan members of the Western Pulaski County Water District, are established and may be amended by the Board of Trustees of KRS.

For the year ended December 31, 2022, the District's total covered payroll was approximately \$591,000. The District contributed approximately \$129,000 for pension and \$26,000 for OPEB benefits and employees contributed approximately \$30,000 for pension and OPEB benefits.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 8 – Other Postemployment Benefits (OPEB)**

Kentucky Retirement Systems provides participants their proportionate share of the OPEB unfunded liability calculated by Gabriel, Roeder, Smith & Co (GRS) to be used in financial reports. KRS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Plan Description:* The Kentucky Retirement Systems' Insurance Fund is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, District, school board, and any additional eligible local agencies electing to participate.

*Benefits Provided:* The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plans' anticipated long-term healthcare cost increase. In general,, the updated assumption is assuming higher future increase in healthcare costs. There were no other material assumption changes. Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions. There were no other material plan provision changes.

*Contributions:* The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 8 – Other Postemployment Benefits (OPEB), Continued**

Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. See chart for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

| <u>Dollar Contribution for Fiscal Year 2021</u>        |                    | <u>Portion Paid by Insurance Fund</u> |                                 |
|--|--------------------|---------------------------------------|---------------------------------|
| For Member participation date on or after July 1, 2003 |                    | As of June 30, 2021                   |                                 |
| <u>System</u>  | (in whole dollars) | <u>Years of service</u>               | <u>% Paid by Insurance Fund</u> |
| KERS Non-hazardous                                     | \$ 13.78           | 20+ years                             | 100.00%                         |
| KERS Hazardous   | \$ 20.68           | 15-19 years                           | 75.00%                          |
| CERS Non-hazardous                                     | \$ 13.78           | 10-14 years                           | 50.00%                          |
| CERS Hazardous   | \$ 20.68           | 4-9 years                             | 25.00%                          |
| SPRS   | \$ 20.68           | Less than 4 years                     | 0.00%                           |

Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate and the actuarial assumptions and methods adopted by the Board of Trustees. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The distributions from the retiree health insurance trust pay the employers' portion of the blended premiums, not the employers' portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

*OPEB Plan Fiduciary Net Position:* Detailed information about the Plan's fiduciary net position is available in the separately issued KRS financial statements.

At December 31, 2022, the District reported a liability of \$363,592 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. At June 30, 2021, the District's proportionate share was .018992%.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 8 – Other Postemployment Benefits (OPEB), Continued**

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense of \$69,253 for the year ended December 31, 2022 and reported deferred inflows and deferred outflows of resources from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows<br>of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience in the measurement of the OPEB liability                    | \$ 57,175                            | \$ 108,557                          |
| Net difference between projected and actual investment earnings on OPEB investments                           | 18,319                               | 75,198                              |
| Changes in assumptions and other inputs   | 70,381                               | 338                                 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 71,449                               | 6,105                               |
| District contributions subsequent to the measurement date of the OPEB liability                               | 43,763                               | -                                   |
|   | <u>\$ 261,087</u>                    | <u>\$ 190,198</u>                   |

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

| Year Ended | Net Deferred<br>Outflows/(Inflows) |
|------------|------------------------------------|
| 12/31/2023 | \$ 17,345                          |
| 12/31/2024 | 17,959                             |
| 12/31/2025 | (8,178)                            |
| 12/31/2026 | -                                  |
| 12/31/2027 | -                                  |
| Total      | <u>\$ 27,126</u>                   |

*Actuarial Assumptions:* The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021 using generally accepted actuarial principles. The KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2019:

|                           |                 |
|---------------------------|-----------------|
| Assumed investment return | 6.25%           |
| Inflation factor          | 2.30%           |
| Salary increases          | 3.30% to 10.30% |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 8 – Other Postemployment Benefits (OPEB), Continued**

Mortality rates were based on the RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females).

The long-term expected rate of return was determined by using a building-block method in which the best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

|                             |                |        |
|-----------------------------|----------------|--------|
| US Equity                   | 18.75%         | 4.50%  |
| Non-US Equity               | 18.75%         | 5.25%  |
| Private Equity              | 10.00%         | 6.65%  |
| Specialty Credit/High Yield | 15.00%         | 3.90%  |
| Core Bonds                  | 13.50%         | -0.25% |
| Cash                        | 1.00%          | -0.75% |
| Real Estate                 | 5.00%          | 5.30%  |
| Opportunistic               | 3.00%          | 2.25%  |
| Real Return                 | <u>15.00%</u>  | 3.95%  |
| Total                       | <u>100.00%</u> |        |

*Discount Rate:* The single discount rate of 5.20% for Non-hazardous employees was used to measure the total OPEB liability as of June 30, 2021. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 28, 2021. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

|   | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| CERS-Discount Rate                                      | 4.20%              | 5.20%                            | 6.20%              |
| District's proportionate share<br>of net OPEB liability | \$ 261,743         | \$ 363,592                       | \$ 486,526         |

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 8 – Other Postemployment Benefits (OPEB), Concluded**

*Healthcare Trend Rate:* The initial trend rate for participants under 65 years of age starts at 6.25% at January 1, 2021 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. For those over 65 years of age the trend rate starts at 5.50% at January 1, 2021 and gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The following table presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

|   | <u>1% Decrease</u> | <u>Healthcare<br/>Cost Current<br/>Trend Rate</u> | <u>1% Increase</u> |
|---|--------------------|---|--------------------|
| Healthcare Cost Trent Rate                              | 4.20%              | 5.20%   | 6.20%              |
| District's proportionate share<br>of net OPEB liability | \$ 499,210         | \$ 363,592  | \$ 252,296         |

**Note 9 – Deferred Inflows/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 or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2022 the District reported deferred outflows related to the pension and OPEB liabilities in the amount of \$575,655.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2022 the District reported deferred inflows related to the pension and OPEB liabilities in the amount of \$410,363.

## **Required Supplementary Information**

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**County Employees Retirement System**  
**Last Ten Fiscal Years as of December 31<sup>st</sup> \*\***

|   | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| District's portion of the net pension liability   | 0.018996%    | 0.015383%    | 0.014255%    | 0.01351%    | 0.01441%    | 0.01207%    | 0.01152%    | 0.01198%    |
| District's proportionate share of net pension liability   | \$ 1,211,144 | \$ 1,179,863 | \$ 1,002,561 | \$ 822,557  | \$ 843,637  | \$ 594,353  | \$ 495,402  | \$ 388,639  |
| District's covered-employee payroll   | \$ 591,000   | \$ 534,000   | \$ 440,000   | \$ 373,000  | \$ 337,000  | \$ 345,000  | \$ 340,000  | \$ 260,000  |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 204.93%      | 220.95%      | 227.85%      | 220.52%     | 250.34%     | 172.28%     | 145.71%     | 149.48%     |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 57.33%       | 47.81%       | 50.45%       | 53.54%      | 53.30%      | 55.50%      | 59.97%      | 66.80%      |

\*\* Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.



**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of the District's Pension Contributions**  
**County Employees Retirement System**  
**Last Ten Fiscal Years as of December 31<sup>st</sup> \*\***

|  | <u>2022</u>      | <u>2021</u>      | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     |
|--|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 127,197       | \$ 109,935       | \$ 85,044       | \$ 65,969       | \$ 52,091       | \$ 65,000       | \$ 62,000       | \$ 46,000       |
| Contributions in relation to the contractually required contribution | <u>(127,197)</u> | <u>(109,935)</u> | <u>(85,044)</u> | <u>(65,969)</u> | <u>(52,091)</u> | <u>(65,000)</u> | <u>(62,000)</u> | <u>(46,000)</u> |
|  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered-employee payroll                                  | \$ 591,000       | \$ 534,000       | \$ 440,000      | \$ 373,000      | \$ 337,000      | \$ 345,000      | \$ 340,000      | \$ 260,000      |
| Contributions as a percentage of covered-employee payroll            | 21.52%           | 20.59%           | 19.33%          | 17.69%          | 15.46%          | 18.84%          | 18.24%          | 17.69%          |

\*\*Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**County Employees Retirement System**  
**Last Ten Fiscal Years as of December 31<sup>st</sup> \*\***

|  | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| District's portion of the net OPEB liability   | 0.018992%   | 0.153790%   | 0.014251%   | 0.01351%    | 0.01441%    |
| District's proportionate share of net OPEB liability   | \$ 363,592  | \$ 371,356  | \$ 239,695  | \$ 371,356  | \$ 289,751  |
| District's covered-employee payroll  | \$ 591,000  | \$ 534,000  | \$ 440,000  | \$ 373,000  | \$ 337,000  |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 61.52%      | 69.54%      | 54.48%      | 99.56%      | 85.98%      |
| Plan fiduciary net position as a percentage of the total OPEB liability                                  | 62.91%      | 51.67%      | 60.44%      | 57.62%      | 52.40%      |

\*\* Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of the District's OPEB Contributions**  
**County Employees Retirement System**  
**Last Ten Fiscal Years as of December 31<sup>st</sup> \*\***

|   | <u>2022</u>     | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                     | \$ 31,799       | \$ 27,484       | \$ 21,261       | \$ 19,016       | \$ 17,364       |
| Contributions in relation to the contractually<br>required contribution | <u>(31,799)</u> | <u>(27,484)</u> | <u>(21,261)</u> | <u>(19,016)</u> | <u>(17,364)</u> |
|   | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered-employee payroll                                     | \$ 591,000      | \$ 534,000      | \$ 440,000      | \$ 373,000      | \$ 337,000      |
| Contributions as a percentage of covered-<br>employee payroll           | 5.38%           | 5.15%           | 4.83%           | 5.10%           | 5.15%           |

\*\*Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and Change in Net Position – Budget and Actual**  
**For the Year Ended December 31, 2022**

|  | Original and<br>Final Budget | Actual              | Variance<br>Favorable<br>(Unfavorable) |
|--|------------------------------|---------------------|--|
| <b>Operating revenues:</b>               |                              |                     |  |
| Water sales                              | \$ 3,280,068                 | \$ 3,412,043        | \$ 131,975                             |
| Miscellaneous service revenues           | <u>135,713</u>               | <u>125,956</u>      | <u>(9,757)</u>                         |
| Total operating revenues                 | <u>3,415,781</u>             | <u>3,537,999</u>    | <u>122,218</u>                         |
| <b>Operating expenses:</b>               |                              |                     |  |
| Salaries and wages                       | 547,920                      | 612,881             | (64,961)                               |
| Purchased water                          | 926,196                      | 1,420,890           | (494,694)                              |
| Materials and supplies                   | 237,312                      | 213,210             | 24,102                                 |
| Contractual services                     | 165,048                      | 147,231             | 17,817                                 |
| Transportation                           | 38,004                       | 48,185              | (10,181)                               |
| Insurance                                | 189,396                      | 60,762              | 128,634                                |
| Other expenses                           | 415,424                      | 648,112             | (232,688)                              |
| Depreciation                             | <u>702,900</u>               | <u>584,358</u>      | <u>118,542</u>                         |
| Total operating expenses                 | <u>3,222,200</u>             | <u>3,735,629</u>    | <u>(513,429)</u>                       |
| Operating income                         | <u>193,581</u>               | <u>(197,630)</u>    | <u>(391,211)</u>                       |
| <b>Non-operating revenue (expenses):</b> |                              |                     |  |
| Rents from water property                | 26,900                       | 6,665               | (20,235)                               |
| Interest income and other                | -                            | 13,039              | 13,039                                 |
| Interest expense on long-term debt       | <u>(179,880)</u>             | <u>(241,834)</u>    | <u>(61,954)</u>                        |
| Total non-operating revenue (expenses)   | <u>(152,980)</u>             | <u>(222,130)</u>    | <u>(69,150)</u>                        |
| Income before capital contributions      | <u>40,601</u>                | <u>(419,760)</u>    | <u>(460,361)</u>                       |
| <b>Capital contributions</b>             |                              |                     |  |
| Grant proceeds                           | 50,000                       | -                   | (50,000)                               |
| Customer contributions                   | <u>50,000</u>                | <u>146,557</u>      | <u>96,557</u>                          |
| Total capital contributions              | <u>100,000</u>               | <u>146,557</u>      | <u>46,557</u>                          |
| Increase/(Decrease) in net position      | 140,601                      | (273,203)           | (413,804)                              |
| <b>Net position:</b>                     |                              |                     |  |
| Beginning of year                        | <u>10,781,008</u>            | <u>10,781,008</u>   | <u>-</u>                               |
| End of year                              | <u>\$10,921,609</u>          | <u>\$10,507,805</u> | <u>\$ (413,804)</u>                    |

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

To the Board of Commissioners  
Western Pulaski County Water District  
Somerset, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Western Pulaski County Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Western Pulaski County Water District's basic financial statements and have issued our report thereon dated May 18, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Western Pulaski County Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Pulaski County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Pulaski County Water 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

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

## **Western Pulaski County Water District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Western Pulaski County Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Western Pulaski County Water District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

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

*Campbell, Myers and Ratledge, PLLC*

Glasgow, Kentucky

May 18, 2023

**Western Pulaski County Water District  
Schedule of Findings and Responses  
For the Year Ended December 31, 2022**

**2022-001 Internal Control over Financial Reporting**

**Criteria:**

Strong internal control related to inventory management require documentation of physical inventory counts, at a minimum, annually.

**Condition:**

While performing our audit procedures related to inventory, management could not provide documentation of a physical inventory count performed at year end.

**Effect:**

Because of the increased quantity of inventory purchased during the year as well as the increased prices, it was difficult for management to determine a precise inventory balance at year end which could lead to misstatements on the financial statements.

**Recommendation:**

We recommend that the District maintain a spreadsheet of inventory on hand with related prices and update quantities, at a minimum, on an annual basis at year end.

**Management Response:**

Management understands the importance of maintaining proper inventory and has obtained a spreadsheet to begin formal documentation of quantities on hand. At December 31, 2023, the District will physically count and document the quantities and prices of inventory on hand.

