

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CRITTENDEN-LIVINGSTON WATER )  
DISTRICT FOR AUTHORITY TO ENTER INTO A LOAN ) CASE NO. 2020-\_\_\_\_\_  
AGREEMENT WITH THE KENTUCKY )  
INFRASTRUCTURE AUTHORITY )

APPLICATION

Crittenden/Livingston Water District (CLWD), by counsel, petitions for an order approving the acquisition and installation of automated meter reading equipment pursuant to KRS 278.020(1).

In support of the application, the following information is provided:

1. CLWD's office address is 620 East Main, Salem, KY 42078. Applicant's email address is [slaydenronnie@yahoo.com](mailto:slaydenronnie@yahoo.com). Its principal officers are listed in its current Annual Report on page 15, which is filed with the Commission as are its prior years Reports;

2. CLWD is a non-profit water district organized under Chapter 74 and has no separate articles of incorporation;

3. A description of CLWDs water system and its property stated at original cost by accounts is contained in its 2018 Annual Report, which is incorporated by reference. The 2019 Report was filed by May 1, 2019.

4. CLWD serves retail customers in Crittenden and Livingston Counties and sells water at wholesale to non-affiliated water distribution systems in Livingston and Lyon Counties.

5. It proposes to acquire and install automated meter reading equipment as described in Exhibit A. The facilities include approximately 1400 transmitters and meters as well as related equipment and software. (Because no construction is involved Maps, Plans and Drawings for the facilities are not applicable. Bids are not necessary since the District seeks to use the same meters and software purchased with a previous KIA Fund B Loan. Bid documents and specifications are provided in Exhibit A). The District is financing the estimated \$315,000 through a low interest loan from the Kentucky Infrastructure Authority. The District has applied for the loan, and has received notice of approval. The district has sense requested a \$15,000 loan increase and is awaiting KIA approval.

6. The construction is in the public interest and is required to allow CLWD to continue to provide adequate service to its customers. The project will provide enhanced meter reading and customer service options. The project, its cost, need and other details are contained in Exhibit A.
7. The total project cost is approximately \$315,000. See Exhibit A.
8. Easements and rights of way are not required, see Exhibit A.
9. This service will not compete with any other utility in the area.
10. The proposed project, identified in Exhibit A, is scheduled to begin construction on PSC approval, estimated to be September 1, 2020 and be completed within 6 months. Board approval of the project was given on May 7, 2020, attached as Exhibit B.
11. No new franchises are required. No DOW permit is required. See Exhibit A.
12. Construction descriptions are in Exhibit A. Facts relied on to justify the public need are included in the project descriptions in Exhibit A. Based on the analysis included with Exhibit A, the installation of the automated facilities will result in significant monetary savings to the District.
13. Maps of the area showing location of the proposed facilities are in Exhibit A.
14. The construction costs will be funded by the KIA Fund C Loan for \$315,000.
15. Estimated operating costs for operation and maintenance, depreciation and debt service after construction are shown in Exhibits A and B.
16. A description of the facilities and operation of the system are in Exhibit A.
17. A full description of the route, location of the project, description of construction and related information is in Exhibit A.
18. The start date for construction; proposed in-service date; and total estimated cost of construction at completion are included in Exhibit A.
21. The use of the funds and need for the facilities is justified based on a the Project Description included as Exhibit A
22. No rate adjustment is being proposed.
23. Crittenden-Livingston Water District requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 12(1)(a), which requires that the financial exhibit filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the Application. There has

been no change that is material in nature in its financial condition or operation of the District since December 31, 2018. The financial information contained in Exhibits C and D is for the twelve (12) month period ending December 31, 2018 and the operational budget for 2019. This is the most recent published financial data available.

24. The following information is provided in response to 807 KAR 5:001 14(2):

a. Articles of Incorporation - None. CLWD is a statutorily created water district under KRS Chapter 74;

25. The following information is supplied pursuant to 807 KAR 5:001 15(2):

a. Facts relied upon to show that the application is in the public interest:  
See Exhibit A.

26. The following information is provided as required by 807 KAR 5:001 18(1):

b. A general description of the property is contained in the Annual Report, Exhibit E.

c. No stock is to be issued; No bonds are to be issued in this case;

d. There is no refunding or refinancing;

e. The proceeds of the financing are to construct the property described in Exhibit A and B.

f. The par value, expenses, use of proceeds, interest rates and other information is not applicable because no bonds are being issued at this time.

27. The following exhibits are provided pursuant to 807 KAR 5:001 18(2):

b. There are no trust deeds. All notes, indebtedness and mortgages are included in Exhibit C.

c. Property is to be constructed and is described in Exhibit A.

28. The following information is provided pursuant to 807 KAR 5:001 12(2):

a. No stock is authorized.

b. No stock is issued.

c. There are no stock preferences.

d. Mortgages are listed in Exhibit C.

e. Bonds are listed in Exhibit C.

f. Notes are listed in Exhibit C.

g. Other indebtedness is listed in Exhibit C.

h. No dividends have been paid.

i. Current balance sheet; income statement and debt schedule are attached as Exhibit D.

807 KAR 5:001

Section 8(1)	Full name and post office address of applicant and a reference to the particular provision of law requiring Application Commission approval.	Crittenden/Livingston Water District 620 East Main St. Salem KY 42078
Section 8 (2)	The original and 10 copies of the application with an additional copy for any party named therein as an interested party.	Yes
Section 8 (3)	If applicant is a corporation, a certified copy of the Articles of Incorporation and all amendments thereto or if the articles were filed with the PSC in a prior proceeding, a reference to the style and case number of the prior proceeding.	Not a corporation
Section 9 (2) (a)	The facts relied upon to show that the proposed new construction is or will be required by public convenience or necessity.	Exhibit A
(b)	Copies of franchises or permits, if any, from the proper public authority for the proposed new construction or extension, if not previously filed with the commission.	No franchises or permits required.
(c)	A full description of the proposed location, route, or routes of the new construction or extension, including a description of the manner in which same will be constructed, and also the names of all public utilities, corporations, or persons with whom the proposed new construction or extension is likely to compete.	Exhibit A



- |             |   |                |
|-------------|---|----------------|
| (d)         | Three (3) maps to suitable scale (preferably not more than two (2) miles per inch) showing the location or route of the proposed new construction or extension, as well as the location to scale of any like facilities owned by others located anywhere within the map area with adequate identification as to the ownership of such other facilities. | Exhibit A      |
| (e)         | The manner, in detail, in which it is proposed to finance the new construction or extension.  | Exhibit A & B  |
| (f)         | An estimated cost of operation after the proposed facilities are completed.   | Exhibit B      |
| KRS 322.340 | Engineering plans, specifications, plats and report for documents prepared by a registered engineer, requires that they be signed, sealed, and dated by an engineer registered in Kentucky.   | Not Applicable |

For these reasons, the District requests authorization to construct the facilities and any other order or authorization that may be necessary to obtain Commission approval for construction.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Robert B. Frazer', written over a horizontal line.

Robert B. Frazer  
Frazer & Massey  
200 S. Main St.  
PO Box 361  
Marion, KY 42064  
Phone: 270-965-2261  
Fax: 270-965-2262  
Email: [bfrazer@frazermassey.com](mailto:bfrazer@frazermassey.com)

COUNSEL FOR CRITTENDEN-  
LIVINGSTON WATER DISTRICT


COMMONWEALTH OF KENTUCKY )

)

COUNTY OF CRITTENDEN )

The undersigned, Randell O'Bryan, being duly sworn, deposes and states that he is the Chairman of the Crittenden-Livingston Water District, Applicant, in the above proceedings; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this July 10, Crittenden-Livingston Water.

  
Randell O'Bryan, Chairman

Crittenden-Livingston Water District

Subscribed and sworn to before me by Randell O'Bryan, Chairman of the Crittenden-Livingston Water District, on this July 10, 2020, Crittenden-Livingston Water.

My commission expires: 3/18/24.

  
Notary Public State-At-Large

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Certificate Application

Exhibit A – Project Description, Map, Budget, and Bid Specs

Exhibit B – Executive Summary KIA Fund C Revolving Loan Fund

Exhibit C – 2018 Compilation Report –Jessica K. Daniel, CPA

Exhibit D – 2019 Operating Budget

Exhibit E – 2018 Independent Audit – Kemper CPA Group

# EXHIBIT A

## Project Description

The Crittenden/Livingston Water District is proposing a project to replace approximately 1400 meters in Crittenden/Livingston Counties with radio read meters. This project will reduce the District's time reading meters by more than half and reduce O & M costs by limiting personnel costs. The meter replacement will affect approximately 45% of the systems residential customers. CLWD plans to finance the project through a low interest loan with the Kentucky Infrastructure Authority for \$315,000. This project is a zero sum project no rate increases are necessary to pay for the project. The utility plans to pay for the project through personnel cost reductions as well a reduction in vehicle costs associated with reading the meters. The water district currently employs two full time meter readers. This project will eliminate the need for one these employees who can continue working in the field only serving as a backup reader. This project is a continuation of a project from 2012 to install the first half of Crittenden-Livingston Water District's meters which was funded by a KIA Fund B loan. The district wishes to replace the rest of the meters with the same type of radio read meters from the first project with the current Fund C loan from KIA.

# SRF Project Cost Summary

**Project Title:** \_\_\_\_\_

**WRIS#:** \_\_\_\_\_

**Project Budget: Estimated**  enter date
**As Bid**  enter date
**Revised**  enter date

Cost Classification	SRF KIA Loan	Funding Source 1	Funding Source 2	Funding Source 3	Funding Source 4	Funding Source 5	Local Funds	Unfunded Costs	Total
1 Administrative Expenses									
2 Legal Expenses									
3 Land, Appraisals, Easements									
4 Relocation Expenses & Payments									
5 Planning									
6 Engineering Fees – Design									
7 Engineering Fees – Construction									
8 Engineering Fees – Inspection									
9 Engineering Fees – Other									
10 Construction									
11 Equipment									
12 Miscellaneous									
13 Contingencies									
<b>Total</b>									

Funding Sources	Amount	Date Committed
1		
2		
3		
4		
5		
<b>Total</b>		

Local Funding Sources	Amount	Date Committed
1		
2		
3		
<b>Total</b>		

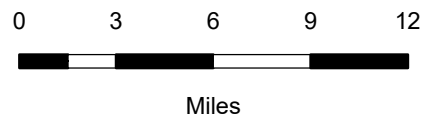
Cost Categories	Funding Source	Total Cost
Treatment (DW)		
Transmission and Distribution (DW)		
Source (DW)		
Storage (DW)		
WWTP Secondary Portion (CW)		
WWTP Advanced Portion (CW)		
Inflow and Infiltration Correction (CW)		
Major Sewer Rehabilitation (CW)		
Collector Sewers (CW)		
Combined Sewer Overflow Correction (CW)		
Interceptor Sewers Including Pump Station (CW)		
Purchase of Systems (DW and CW)		
Restructuring (DW and CW)		
Land Acquisition (DW and CW)		
<b>Total Costs</b>		

**Total Funding**

# Meter Replacement Project Crittenden/Livingston County WX21139031



Prepared by: Kyle Cunningham, Infrastructure Coordinator  
 Pennyriple Area Development District  
 Date: August 2019  
 File: WX21139031-project.mxd





## CONTENTS

### Crittenden Livingston County Water District Request for Bids Radio Read Water Meter System

1. Request for Bids
  2. Specifications
  3. Factors in Consideration of Bids
- 

#### **RADIO READ METER PROJECT REQUEST FOR BIDS**

Sealed Bids for Radio Read Meters and related equipment, software & services for Crittenden-Livingston County Water District will be received at, 620 E Main St, Salem, KY, 42078 until 7:00 P.M local time on September 26, 2011. The bids will be opened and read aloud at this time. Interested bidders should contact Crittenden Livingston County Water District for a bid packet (270) 988-2680.

### ADDITIONAL REQUIREMENTS

1. Bidders must submit a minimum of three (3) references, those references being municipalities or rural water utilities that are currently using the Bidder's proposed radio read system.
2. Bidder must include a detailed description of the warranty furnished with the meters and radio read system.
3. Bidder shall supply the name and phone number of the account manager who can provide service in addition to the manufacturer's product support line if needed after the sale. The availability and technical knowledge of the identified rep will be considered in determining the successful Bidder.

No Bidder may withdraw his Bid within ninety (90) consecutive days after the actual date of the bid opening.

All Bidders must request and receive a bid packet as it includes specifications for bids and factors taken into consideration for bids. Bid packets are available at the Crittenden Livingston County Water District office 620 E Main St, Salem, KY or by calling the District for a bid packet (270) 988-2680.

### FACTORS IN CONSIDERATION OF BIDS

Bids for the Crittenden Livingston County Water District Radio Read Water Meter System will be analyzed with respect to the following items:

1. Conformance to Bid Specifications and product features;
2. Performance of the proposed metering system as attested to by the Bidder's references and other sources
3. References from water utility clients of the Bidder;
4. Availability of qualified repair/service technicians and representatives;
5. Warranty offered;
6. Price.

Bid consideration will be by the above items and in the order presented. Crittenden Livingston County Water District reserves the right to select the best bid based on the Districts' needs, product features and experience of the provider and is not obligated to accept the lowest Bid if any or all of the items above are judged to be not adequate or of lesser quality or performance than another Bid. The District reserves the right to reject any and all Bids.

Bidders are encouraged to include information with which to determine the merit of the metering system with respect to the items listed above which will be helpful in comparing metering systems. Provide both a technical and laymen's explanation of the components and features of the system including meter accuracy, reading performance, provisions for transmitting in flooded situations, compatibility with other meter brands, reading collection devices whether handheld vehicle mounted or both, ability to provide leak detection, interval datalogging readings, and error detection.

## **SPECIFICATIONS:**

The quantity of meters and equipment requirements are as follows:

Meters:	Quantity
5/8 X 3/4 Inch Meters	1600
1 Inch Meters	40

### Equipment:

Include and describe all equipment needed for a fully automated mobile reading system for the above meters. Mobile equipment should include a magnetic mount antenna and be movable from vehicle to vehicle if needed. Equipment should also include a handheld for remaining manual reads. All equipment should be new not used.

### Software:

Include any meter reading software needed for the system. Also, include costs for upgrades or interfaces needed for billing software compatibility with the proposed radio read system. We currently use United Systems & Software Alliance UMS (1.800.455.3293).

### Training:

Include at least 2 days of onsite training for office and field staff.

Minimum requirements for radio read meters are as follows:

1. Both positive displacement and inferential cold water meters will be considered. Proposed meters should meet or exceed new meter accuracy standards set forth in the latest AWWA Standard C7XX specification. Each meter shall carry a factory test tag certifying flow accuracy.
2. Meter registers must use an encoder technology with mechanical odometer; pulse technology will not be accepted. Registers should be magnetic-driven, easily read with unobstructed numbered wheels, LCD displays are not preferred.
3. The radio meters should provide the district with data logging for daily and/or hourly consumption.
4. The radio meters & equipment should allow the District to collect readings in a drive-by automated environment. A handheld is also preferred.
5. All Bidders who meet the required specification are encouraged to bid.
6. The Bidder shall provide a per unit price and a Bid total, using the quantities established in the Bid request for the meters and radio read system as outlined above (meters, equipment, software, training). Also include annual maintenance related to each item.
7. The Bidder shall enclose his or her Bid in a sealed envelope marked as:  
**SEALED BID: RADIO READ METERS.**



P.O. Box 547, 205 Ash Street, Benton, Kentucky 42025  
 Phone: (270) 527-3293 • Toll-Free: 1-800-455-3293  
 FAX: (270) 527-3132 • www.united-systems.com

United Systems & Software, Inc. is a software development firm that specializes in serving the information technology needs of utilities and local government. Founded in 1977, USS now serves over 400 customers within nine-state region. As a distributor of Itron Automatic Meter Reading (AMR) technology, we offer complete AMR systems, radio transmitters & receivers, encoded meters, handheld & mobile computers, software, installation, training and on-going support.

## Itron

September 26, 2011

Pricing valid for 90 days

**SEALED BID: Radio Read Meters**  
 Crittenden-Livingston Co Water District  
 620 E Main St, Ph: (270) 988-2680

Qty	Product/Service Description	Unit Price	Ext. Price
<b>Itron <u>Drive-By Mobile Handheld</u> AMR System- Itron ChoiceConnect™ Meters, Equipment, Software &amp; Services</b>			
<b>Meters:</b>			
1600	Itron Flostar 5/8x3/4 Single Jet (inferential) Meters, encoder register 1/10 <sup>th</sup> gallon resolution Low flow accuracy 1/16 <sup>th</sup> gallon per minute. NSF-61 approved. Itron 100W drive-by datalogging endpoints (radio modules). ---SWS---11/28/11--Addendum-Alternate meter selected.	\$ 160.00	\$ 256,000.00
1600	Mastermeter 5/8x3/4 Bottom Load Multijet Meters, encoder register 1/10 <sup>th</sup> gallon resolution Itron 100W drive-by datalogging endpoints (radio modules).	\$ 160.00	\$ 256,000.00
40	Itron Flostar 1" Single Jet (inferential) Meters, encoder register 1 gallon resolution Low flow accuracy 1/4 <sup>th</sup> gallon per minute. NSF-61 approved. Itron 100W drive-by datalogging endpoints (radio modules). ---SWS---11/28/11--Addendum-Alternate meter selected.	\$ 200.00	\$ 8,000.00
40	Mastermeter 1" Bottom Load Multijet Meters, encoder register 1 gallon resolution Itron 100W drive-by datalogging endpoints (radio modules).	\$ 200.00	\$ 8,000.00
<b>Equipment:</b>			
1	Mobile Collector Lite Kit for FC300SR Handheld Includes: MCLite-PORT RF UNIT, mag. antenna, all cables for power & communications, in-vehicle cradle- Ram-mount specific to vehicle Not included. Estimated \$200-\$400. 1-year Itron Warranty included, 2nd Year Maintenance: \$576 Normal Price \$9,300- Bid Package discounted -\$5,000.	\$ 4,300.00	\$ 4,300.00
1	Itron Environmentally Sealed, Windows CE-Based FC300SR Radio Ready Handheld Unit Includes Serial Dock & Charging Station, software and all related cables. Can be used with or without the MC-Lite for additional walk-by non-radio situations 1-Year Itron Warranty included, 2nd year maintenance: \$473./unit Normal Price \$5,055- Bid Package discounted -\$4,055.	\$ 1,000.00	\$ 1,000.00
<b>Software:</b>			
1	<b>ALLIANCE™</b> Meter Reading System Interface: (Itron, Sensus, Neptune, Mastermeter, etc...) license, on-line help, 1 <sup>st</sup> Year Maintenance Included, 2 <sup>nd</sup> Year Maintenance: \$395 (existing)	\$ 1,995.00	\$ 1,995.00
1	Itron MV-RS BB Host Software - Up to 7,500 Meters License 1 <sup>st</sup> year maintenance included, 2 <sup>nd</sup> year maintenance: \$1,104.00	\$ 3,335.00	\$ 3,335.00
<b>Training:</b>			
1	Itron System Start-up Services Plan – USS to provide up to 2 Days On-site Services for Installation/Training & System Start-up , Onsite training based on an 8 hour day, all travel expenses are included. Daily Rate \$1,100.	\$ 2,200.00	\$ 2,200.00
<b>Total AMR Bid Price:</b>			<b>\$ 276,830.00</b>

Continued on next page...



### Metering & Radio Technology Considerations-

#### Flow Rate Information:

Most new mechanical/traditional meters are AWWA accurate at 1/8 to 1/4 gpm at low flows (7.5gph to 15gph flow rate). Flow rate accuracy is important to capture revenue and typically reduces over time as a meter wears. The Itron Flostar is a Single Jet meter accurate at 1/16 gpm at low flow (3.75gph flow rate). A meter accurate at 1/8 gpm flow rate equals 7.5gph flow rate while a 1/4 gpm flow rate equals 15 gph.

#### Data Logging:

Data Logging allows a utility to view more than just a monthly reading. It comes in various forms from daily to hourly and for varying lengths of time from a month or even 6 months. Retrieval of the data logging varies by manufacturer. In most cases, a return trip to the meter is required to collect the information (after the meter was read and the customer had a complaint). The collection may require physical access to the meter pit and may require various tools to initiate the transmission. The Itron 100W differs from the traditional data logging collection routine. Data logging for the past 40 daily reads can be collected from all meters while reading your route at normal speed. Or, select accounts can collect 40 days of hourly readings (960) while reading the route; these will require a reduced driving speed. In either case, this data is automatically downloaded to the meter reading host machine with regular monthly billing readings. With data logging collection at the time of reading, the data is already in the office when the customer calls (reducing return trips). In office data can also be used for turn on/off situations without a trip to the meter.

#### Time Synchronization:

Itron 100W radio modules have time synchronization system wide by capturing readings and interval data on the top of every hour. If certain meters or all meters are set to collect hourly datalogging this allows for time synchronized data analysis. For example, a master meter or distribution meter hourly datalogging will show exactly what usage was used from say 8am Mon to 8am Tue, etc. Further analysis can be done with time synchronized data to subtract the combined usage of all meters fed by a master meter to calculate water loss for a specific section and time period.

#### Signal Strength:

AMR systems aren't created equally and signal strength directly relates to performance. The stronger the signal, the less likely a missed read will occur. It also plays a crucial role in reducing travel routes and reading collection times. But, products must balance power, battery life & cost. All Itron radios have an expected 20 year battery life and 10 year full warranty. Many systems still operate at 1mw or less. Check the fcc code, part #249 is single or dual channel at 1mw or less, part #247 is multi channel at 1000mw or less. Itron radios are part#247 and the 100W has two available power modes at 10mw & 250mw. Low power systems will recommend or require plastic lids. While all manufacturers' radio modules will perform better under a plastic lid than a cast iron lid, Itron 100W modules will work under cast iron lids if desired.

#### Frequency & Bandwidth:

Most systems on the market today utilize the unlicensed 900Mhz channel. Some operate on only one or two channels while others such as Itron utilize spread spectrum technology allowing multiple channels. The Itron 100W broadcasts a signal on 200Khz wideband channels within the 902-928Mhz frequency across 50 channels in mobile mode and 120 channels in fixed network mode. Multiple channels reduce the likelihood of interference within the bandwidth. Plus, the Itron 100W is self-learning as it will quit using certain channels if there is RF traffic in that specific area. A few systems utilize a specific FCC licensed frequency. While you own the rights to that frequency you may still encounter interference. Such systems typically utilize a very narrow bandwidth and only have a few channels to operate within, thus compounding issues if there is interference or if much data throughput is needed.

#### Wired vs. Wireless:

AMR systems today are either wired or wireless and both have pros and cons. A wired option has more installation & trouble-shooting capabilities but can introduce infrequent cable issues. With a wired option (unattached or attached to a pit lid) the radio is installed closer to the top thus reducing many transmission issues. Most wired solutions are hardwired directly to the meter. However, the Itron solution includes a waterproof inline connector. The inline connector allows for easy troubleshooting; simply try a new radio to see if a radio or meter has failed. An inline connector also allows the use of virtually any meter on the market. A wireless option is easy to install and reduces possible cable issues. However, a wireless option will be at the bottom of a pit (possibly full of water). To reduce missed reads, a wireless option should transmit at a higher power. If a wireless device fails, most often the register or the entire meter must be pulled for trouble shooting.

#### Meter Compatibility:

Itron modules auto-detect the brand of meter when connected, change-outs on existing meters and/or meter registers with AMR compatible meter and/or registers is an available option. Itron 100W encoder Radio Modules are compatible with all meters that accept the following registers:

Badger: ADE meter registers	Elster/AMCO/ABB/Kent: InVISION meter registers
Mastermeter encoder register with inline connector.	Mueller/Hersey: Translator meter registers
Neptune/Schlumberger: ProRead & Ecoder meter registers	Sensus/Invensys/Rockwell: ICE or ECR meter registers

#### Bid Options:

Option 1: A laptop based mobile system can be substituted for an additional \$3,500.

Option 2: Mueller Nutating disc PD meters can be substituted at \$150 each with the 100W instead of the Flostar at \$160 each.



P.O. Box 547, 205 Ash Street, Benton, Kentucky 42025  
Phone: (270) 527-3293 • Toll-Free: 1-800-455-3293  
FAX: (270) 527-3132 • www.united-systems.com

**General:**

Prices do not include sales tax (if applicable). This quotation shall remain firm for ninety (90) days from the quotation date, unless modified in writing by USS prior to USS acceptance. All related invoices shall be paid on a Net 10 Day basis. All services are to be delivered during USS' standard service window (8AM-4:30PM, Monday thru Friday, excluding USS Holidays).

2 <sup>nd</sup> Year Maintenance-Recommended but Optional		Unit Pricing	Extended Pricing
1	ITRON MVRS / OMR annual maintenance:	\$ 1,104.	\$ 1,104.
1	ITRON MCLite-Port Mobile Unit annual maintenance / Each	\$ 576.	\$ 576.
1	ITRON FC200SR Handheld annual maintenance / Each	\$ 473.	\$ 473.
2	Existing Unitech PDA- Being Replaced(Existing maint)	\$ -395.	\$ -790.

Thank you,

Scott W. Smith

*Scott W Smith / Territory Manager*

United Systems & Software, Inc.  
Office 1.800.455.3293 ~ Mobile 1.270.703.0697

**Agreement & Terms**

Both parties agree to the following terms and conditions as they related to the software, hardware and services outlined within this Sales Order outline:

1. This quotation shall remain firm for ninety (90) days from the date submitted, unless modified in writing by USS prior to USS acceptance.
2. This quotation supersedes all previous quotations, and all previous quotations are null and void.
3. Acceptance of this Agreement also requires the client to execute Itron's Indirect Sales Agreement.
4. The Client will be billed upon shipment or delivery of goods & services. All related invoices shall be paid on a 'Net 10 day' basis.
5. The system, which may include both equipment and software, includes the manufacturer's warranty. Warranty services will be provided on a mail-in depot basis with the manufacturer's warranty provisions prevailing. See Itron's End User License Agreement (EULA) for warranty durations on each system component.
6. Delivery shall be within 30-90 days. USS shall not be responsible for any delays beyond its control. Quotations do not include related shipping and/or sales tax, if applicable.
7. USS shall not be liable for any consequential damages arising out of the use of the system.

USS and the client understand and agree to the terms and conditions as outlined. Client acknowledges that Client has read this Agreement, understands it, and agrees to be bound by its terms. Client further agrees this is the complete and exclusive statement of Agreement between the parties, which supersedes all implied, oral, and written communications between the parties relating to this Agreement.

This Agreement shall be effective when signed by both parties.

This Agreement is entered into as of this \_\_\_ day of \_\_\_\_\_, 2011.

**UNITED SYSTEMS & SOFTWARE, INC.**

**CRITTENDEN LIVINGSTON CO WD**

By/Title: *Scott W Smith / Territory Manager*

By/Title: \_\_\_\_\_

# EXHIBIT B

<b>EXECUTIVE SUMMARY</b>		Reviewer	Meili Sun	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	May 7, 2020	
<b>#N/A</b>		KIA Loan Number	C20-002	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21139031	
<b>BORROWER</b>		CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT LIVINGSTON COUNTY		
<b>BRIEF DESCRIPTION</b>				
This project will replace 1,400 customer meters in the Crittenden-Livingston service area, primarily in Livingston County, with radio read meters. The installation of new meters will help the District save operating and maintenance costs by reducing up to 50% of the time and labor required for meter reading.				
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>		
Fund C Loan	\$300,000	RD Fee %	Actual %	
		Administrative Expenses		\$7,250
		Equipment		290,000
		Contingency		2,750
<b>TOTAL</b>	<b>\$300,000</b>	<b>TOTAL</b>		<b>\$300,000</b>
<b>REPAYMENT</b>	Rate	2.75%	Est. Annual Payment \$20,202	
	Term	20 Years	1st Payment	6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer	N/A		
	Bond Counsel	Rubin & Hays		
<b>PROJECT SCHEDULE</b>	Bid Opening	Aug-20		
	Construction Start	Sep-20		
	Construction Stop	Feb-21		
<b>DEBT PER CUSTOMER</b>	Existing	\$3,218		
	Proposed	\$2,744		
<b>OTHER DEBT</b>	See Attached			
<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>	
	Current	3,613	\$56.03 (for 4,000 gallons)	
	Additional	0	\$56.03 (for 4,000 gallons)	
<b>REGIONAL COORDINATION</b>	This project is consistent with regional planning recommendations.			
<b>CASHFLOW</b>	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2016	918,643	1,051,589	(132,946)	0.9
Audited 2017	1,101,988	1,099,080	2,908	1.0
Audited 2018	1,024,194	1,162,226	(138,032)	0.9
Projected 2019	1,142,362	1,067,179	75,183	1.1
Projected 2020	1,382,272	1,054,623	327,649	1.3
Projected 2021	1,600,015	1,061,085	538,930	1.5
Projected 2022	1,705,330	1,095,963	609,367	1.6
Projected 2023	1,674,884	1,098,206	576,678	1.5



Reviewer: Meili Sun  
Date: May 7, 2020  
Loan Number: C20-002

**KENTUCKY INFRASTRUCTURE AUTHORITY  
GOVERNMENTAL AGENCIES LOAN FUND (FUND C)  
CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT, LIVINGSTON COUNTY  
PROJECT REVIEW  
WX21139031**

**I. PROJECT DESCRIPTION**

The Crittenden-Livingston County Water District (“District”) is requesting a Fund C loan in the amount of \$300,000 for the Automatic Meter Reading (AMR) Replacement project. This project will replace 1,400 aging customer meters in the Crittenden-Livingston service area, primarily in Livingston County, with radio read meters. The installation of new meters will help the District save operating and maintenance costs by reducing up to 50% of the time and labor required for meter reading.

A PSC regulated system, the District is a regional provider that serves approximately 3,600 retail customers and wholesales to 2 water districts and 4 municipals. All retail and wholesale rates are subject to PSC approval.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 7,250
Equipment	290,000
Contingency	<u>2,750</u>
<b>Total</b>	<b>\$ 300,000</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
<b>KIA Fund C Loan</b>	<b>\$ 300,000</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Fund C Loan	\$ 300,000
Interest Rate	2.75%
Loan Term (Year)	<u>20</u>
Estimated Annual Debt Service	\$ 19,602
Administrative Fee (0.20%)	<u>600</u>
<b>Total Annual Debt Service</b>	<b>\$ 20,202</b>

## V. PROJECT SCHEDULE

Bid Opening	August 2020
Construction Start	September 2020
Construction Stop	February 2021

## VI. RATE STRUCTURE

### A. Customers

Customers	Current
Residential	3,586
Commercial	17
Industrial	10
Total	3,613

### B. Rates

	Retail			
	Current	Prior	Proposed	Proposed
Date of Last Rate Increase	05/23/19	05/01/15	05/23/20	05/23/21
Minimum	\$20.72	\$17.84	\$22.70	\$24.76
Next 9,000 Gallons	11.77	10.14	12.89	14.08
Over 10,000 Gallons	10.09	8.69	11.05	12.06
Cost for 4,000 gallons	\$56.03	\$48.26	\$61.37	\$67.00
Increase %	16.1%		9.53%	9.17%
Affordability Index (Rate/MHI)	1.7%	1.4%	1.8%	2.0%
	Wholesale			
	Current	Prior	Proposed	Proposed
Date of Last Rate Increase	05/23/19	05/01/15	05/23/20	05/23/21
Per 1,000 Gallons	2.83	2.58	3.08	3.34
Increase %	9.69%		8.83%	8.44%

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 9,023 with a Median Household Income (MHI) of \$40,121. The median household income for the Commonwealth is \$46,535. This project will qualify for a standard loan term at 2.75% interest rate.

Year	Population		County Unemployment	
	County	% Change	Date	Rate
1980	9,219		June 2005	5.9%
1990	9,062	-1.7%	June 2010	11.8%
2000	9,804	8.2%	June 2015	7.0%
2010	9,519	-2.9%	June 2019	5.7%
Current	9,288	-2.4%		
Cumulative %		0.7%		

## VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2016 through December 31, 2018. The non-cash impacts of GASB 68 - Accounting and Financial Reporting for Pensions and GASB 75 - Other Postemployment Benefit had been removed from operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

### HISTORY

Total revenues increased 5.1% from \$2.29 million in 2016 to \$2.41 million in 2018 while operating expenses increased less than 1% from \$1.40 million to \$1.41 million during the same period. The debt coverage ratio was 0.9, 1.0, and 0.9 for 2016, 2017, and 2018 respectively.

The balance sheet reflected a current ratio of 0.7, a debt to equity ratio of 2.0, 31.9 days of sales in accounts receivable, and 0.2 month of operating expenses in unrestricted cash.

### PROJECTIONS

Projections are based on the following assumptions:

- 1) Water rates will go up in 3 phases as approved by the PSC in May, 2019:
  - Phase 1 – 16.1% retail and 9.7% wholesale, effective May 23, 2019
  - Phase 2 - 9.5% retail and 8.8% wholesale, effective May 23, 2020
  - Phase 3 - 9.2% retail and 8.4% wholesale, effective May 23, 2021.
- 2) Operating expenses will increase 2% each year for inflation.
- 3) The District will use force labor with the help of an outside contractor to install the new meters.
- 4) Debt coverage ratio is 1.5 in 2021 when full year principal and interest repayments are expected to begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund C loan.

#### REPLACEMENT RESERVE

The replacement reserve will be 5% (\$15,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$1,000 yearly) each December 1 for 15 years and maintained for the life of the loan.

### IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Waterworks Revenue Bonds 2008 Series	\$ 925,000	2030
2013 KRWFC Bonds	2,705,000	2029
2013 KRWFC Bonds	1,870,000	2040
KIA Loan B11-010	413,106	2023
KIA Loan F01-005	229,019	2023
KIA Loan F16-021	918,763	2037
KACO Lease 2017C	2,300,000	2039
KACO Lease 2018 B	2,020,000	2040
Farmers Bank Line of Credit	10,157	2019
<b>Total</b>	<b>\$ 11,391,045</b>	

### X. CONTACTS

<b>Legal Applicant</b>	
Name	Crittenden-Livingston County Water District
Address	620 E Main St Salem, KY 42078
County	Livingston
Authorized Official	Randell O'Bryan, Chairman
Phone	(270) 988-2680

<b>Project Contact - Applicant</b>	
Name	Ronnie Slayden, Superintendent
Organization	Crittenden-Livingston County Water District
Address	620 E Main St Salem, KY 42078
Phone	(270) 988-2680
Email	slaydenronnie@yahoo.com

**Project Administrator**

Name	Kyle Cunningham, Infrastructure Coordinator
Organization	Pennyrile ADD
Address	300 Hammond Dr Hopkinsville, KY 42240
Phone	(270) 886-9484
Email	kyle.cunningham@ky.gov

**XI. RECOMMENDATIONS**

KIA staff recommends approval of the loan with the standard conditions.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2016</u>	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>
<b>Balance Sheet</b>								
<b>Assets</b>								
Current Assets	445,375	484,330	503,380	531,229	620,258	749,744	883,418	998,753
Other Assets	21,022,320	20,852,855	19,701,562	19,084,039	18,668,490	18,702,965	18,493,789	18,258,463
Total	<u>21,467,695</u>	<u>21,337,185</u>	<u>20,204,942</u>	<u>19,615,268</u>	<u>19,288,748</u>	<u>19,452,709</u>	<u>19,377,207</u>	<u>19,257,216</u>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	1,613,922	744,023	720,830	733,990	777,398	830,852	864,353	841,221
Long Term Liabilities	12,306,339	13,094,014	12,708,712	12,045,343	11,339,466	10,881,035	10,090,003	9,323,003
Total Liabilities	<u>13,920,261</u>	<u>13,838,037</u>	<u>13,429,542</u>	<u>12,779,333</u>	<u>12,116,864</u>	<u>11,711,887</u>	<u>10,954,356</u>	<u>10,164,224</u>
Net Assets	<u>7,547,434</u>	<u>7,499,148</u>	<u>6,775,400</u>	<u>6,835,935</u>	<u>7,171,884</u>	<u>7,740,822</u>	<u>8,422,851</u>	<u>9,092,992</u>
<b>Cash Flow</b>								
Revenues	2,291,704	2,417,743	2,407,553	2,553,849	2,822,449	3,070,456	3,205,620	3,205,620
Operating Expenses	1,398,318	1,340,456	1,406,376	1,434,504	1,463,194	1,493,458	1,523,307	1,553,753
Other Income	25,257	24,701	23,017	23,017	23,017	23,017	23,017	23,017
Cash Flow Before Debt Service	<u>918,643</u>	<u>1,101,988</u>	<u>1,024,194</u>	<u>1,142,362</u>	<u>1,382,272</u>	<u>1,600,015</u>	<u>1,705,330</u>	<u>1,674,884</u>
<b>Debt Service</b>								
Existing Debt Service	1,051,589	1,099,080	1,162,226	1,067,179	1,054,623	1,050,984	1,075,761	1,078,004
Proposed KIA Loan	0	0	0	0	0	10,101	20,202	20,202
Total Debt Service	<u>1,051,589</u>	<u>1,099,080</u>	<u>1,162,226</u>	<u>1,067,179</u>	<u>1,054,623</u>	<u>1,061,085</u>	<u>1,095,963</u>	<u>1,098,206</u>
Cash Flow After Debt Service	<u>(132,946)</u>	<u>2,908</u>	<u>(138,032)</u>	<u>75,183</u>	<u>327,649</u>	<u>538,930</u>	<u>609,367</u>	<u>576,678</u>
<b>Ratios</b>								
Current Ratio	0.3	0.7	0.7	0.7	0.8	0.9	1.0	1.2
Debt to Equity	1.8	1.8	2.0	1.9	1.7	1.5	1.3	1.1
Days Sales in Accounts Receivable	27.3	32.0	31.9	31.9	31.9	31.9	31.9	31.9
Months Operating Expenses in Unrestricted Cash	0.4	0.4	0.2	0.3	0.8	1.7	2.6	3.5
Debt Coverage Ratio	0.9	1.0	0.9	1.1	1.3	1.5	1.6	1.5

# EXHIBIT C

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**COMPILED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**



**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**COMPILED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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**ACCOUNTANT'S COMPILATION REPORT**

To the Board of Commissioners  
Crittenden-Livingston County Water District  
Salem, Kentucky

Management is responsible for the accompanying financial statements of the business-type activities of Crittenden-Livingston County Water District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

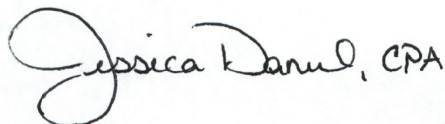
Supplementary Information

Accounting principles generally accepted in the United States of America require that the following supplementary information be presented to supplement the basic financial statements:

- Management's Discussion and Analysis
- Budgetary Comparison Schedule
- Schedule of Proportionate Share of Net Pension Liability
- Schedule of Pension Contributions
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of OPEB Contributions

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 not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to Crittenden-Livingston County Water District.



Eddyville, Kentucky  
July 29, 2019

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140 COMMERCE ST.  
PO BOX 909  
EDDYVILLE, KY 42038

270-388-4114 OFFICE  
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**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

The Crittenden-Livingston County Water District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the year ended December 31, 2018. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

**FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows of resources of the District exceed its total liabilities and deferred inflows of resources at December 31, 2018 by \$6,761,299 (Net Position). Of this amount \$714,347 is restricted, and \$7,117,644 is invested in capital assets net of the related debt, leaving negative unrestricted net position of \$1,070,692.
- The District's net position decreased by \$229,943 resulting in a December 31, 2018 balance of \$6,761,299. This balance represents a decrease of 3.0% in the change of net position over the adjusted December 31, 2017 balance of \$6,991,242.
- The District's 2018 operating revenues of \$2,373,997 decreased 2.0% from the 2017 amount, and operating expenses for 2018 of \$2,245,359 increased 5.0%. Non-operating income for 2018, consisted of interest income of \$4,167 and capital contributions consisting of tap on fees and new lines of \$49,035.
- The District's unrestricted cash available for operating expenses was \$22,561 at December 31, 2018.
- The District's investment in capital assets was \$18,705,098 net of depreciation at December 31, 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Statement of net position.** The statement of net position presents the financial position of the District. It presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is displayed in three components: net investment in capital assets, restricted (distinguished between major categories of restrictions) and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on page 8.

**Statement of revenues, expenses and changes in net position.** The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when they are earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The statement of revenues, expenses and changes in net position is on page 9 of this report.

**Statement of cash flows.** The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year and can be found on page 10.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 11-34 of this report.

**Required Supplementary Information.** In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on page 36-40.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,761,299 at December 31, 2018.

For the current year, the District reported a net loss of \$229,943. The most significant component of this loss was an increase in administrative and general expenses from the prior year of \$31,281. Of that amount, retirement expense increased \$35,034 due to the required GASB 68 and 75 pension and other postemployment benefits adjustments.

During 2018, the District's net capital assets decreased \$569,459, and total debt liabilities decreased by \$718,080. Unrestricted net position decreased \$400,259, from a negative \$670,433 at December 31, 2017, to a negative \$1,070,692 at December 31, 2018.

The District noted operating revenue of \$2,373,997, a 2.0% decrease from the 2017 revenue of \$2,417,743. Operating expenses increased \$97,428 from the 2017 amount of \$2,147,931. Interest expense decreased \$52,536 from 2017. The total interest expense recognized in 2018 was \$411,783.

Overall, the District's financial position decreased during 2018.

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT'S  
NET POSITION**

<b>Assets</b>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 469,824	\$ 484,330
Restricted assets	693,437	975,448
Capital assets	<u>18,705,098</u>	<u>19,274,557</u>
Total Assets	<u>19,868,359</u>	<u>20,734,335</u>
 <b>Deferred Outflows of Resources</b>	 <u>356,986</u>	 <u>602,850</u>
 <b>Liabilities</b>		
Current liabilities	223,870	320,565
Current portion of long-term debt	651,062	634,235
Long-term liabilities	<u>12,244,901</u>	<u>12,600,936</u>
Total Liabilities	<u>13,119,833</u>	<u>13,555,736</u>
 <b>Deferred Inflows of Resources</b>	 <u>344,213</u>	 <u>282,301</u>
 <b>Net Position</b>		
Net investment in capital assets	7,117,644	7,184,106
Restricted	714,347	985,475
Unrestricted	<u>(1,070,692)</u>	<u>(670,433)</u>
Total Net Position	<u>\$ 6,761,299</u>	<u>\$ 7,499,148</u>

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

An additional portion of the District's net position represents resources that are subject to restrictions on how they may be used. The remaining balance of net position is a negative unrestricted balance of \$1,070,692.

**Analysis of the District's Operations** – Overall the District had a decrease in net position of \$229,943.

The following table provides a summary of the District's operations for the year ended December 31, 2018 and 2017.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
CHANGES IN NET POSITION**

	2018	2017
<b>Revenues</b>		
Operating revenues	\$ 2,373,997	\$ 2,417,743
Investment income	4,167	1,681
Grant revenues	-	98,518
Capital contributions	49,035	46,020
Total revenues	2,427,199	2,563,962
<b>Expenses</b>		
Depreciation and amortization	686,549	665,746
Transmission and distribution expenses	676,232	675,970
Administrative and general expenses	644,008	612,727
Interest on debt and other	411,783	464,318
Water treatment	152,583	135,966
Payroll and other taxes	42,655	38,942
Bad debts	25,540	413
Customer accounts expenses	17,792	18,167
Total Expenses	2,657,142	2,612,249
<b>Change in net position</b>	(229,943)	(48,287)
<b>Net position - January 1 - restated</b>	6,991,242	7,547,435
<b>Net position - December 31</b>	\$ 6,761,299	\$ 7,499,148

**FINANCIAL ANALYSIS OF THE DISTRICT'S OPERATIONS**

Overall, the District's financial position is consistent with the previous year.

**BUDGETARY HIGHLIGHTS**

The original budget and the final budget passed by the board anticipated operating revenues of \$2,420,700 and operating expenses of \$2,021,400. Budgeted operating revenues exceeded actual revenues by \$46,703, and actual operating expenses exceeded budgeted expenses by \$223,959 for a negative variance in operating income of \$270,662.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The District's investment in capital assets for business-type activities as of December 31, 2018, amounts to \$18,705,098 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plant and facilities, machinery and equipment, and infrastructure.

	2018	2017
<b>Business-type activities:</b>		
Capital assets, not being depreciated:		
Land	\$ <u>101,969</u>	\$ <u>101,969</u>
Total capital assets, not being depreciated	<u>101,969</u>	<u>101,969</u>
Capital assets, being depreciated:		
Transmission and distribution	14,894,865	15,372,084
Buildings	42,688	22,811
Furniture and fixtures	4,246	4,922
Machinery and equipment	<u>3,661,330</u>	<u>3,772,771</u>
Total capital assets, being depreciated	<u>18,603,129</u>	<u>19,172,588</u>
Business-type activities capital assets, net	<u>\$ 18,705,098</u>	<u>\$ 19,274,557</u>

During the year ended December 31, 2018, the District acquired assets totaling \$117,090. This included telemetry, new lines, and meter installs.

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

### Long-term and other debt

At the end of the current year, the Crittenden-Livingston County Water District had total debt of \$11,577,297. The District entered into an agreement with Kentucky Infrastructure Authority to finance the Moore Hill water tank project. The total amount financed was \$978,850. The District also issued new revenue bonds to payoff the 2008 and 2013 USDA Revenue Bonds. The total amount of the refunding debt was \$2,090,000. Long-term debt at December 31, 2018, was as follows:

	2018	2017
2013 Flexible Term Financing	\$ 2,705,000	\$ 2,905,000
KACO Lease 2017C	2,306,250	2,375,000
KACO Lease 2018B	2,020,000	-
2013 Flexible Term Financing	1,870,000	1,925,000
Revenue Bond Series 2008C	925,000	1,040,000
KIA Loan - Moore Hill water tank	918,763	960,486
KIA Loan	413,106	491,378
KIA Loan - Radio-read Meters	229,019	242,509
Reoffering Premium	111,023	145,177
KACO Lease 2017C - Premium	79,136	27,555
Revenue Bond Series 2000A	-	1,566,000
Revenue Bond Series 1995A	-	610,000
Total	<u>\$ 11,577,297</u>	<u>\$ 12,288,105</u>

The District has an outstanding line of credit balance with Farmers Bank of \$10,157 on December 31, 2018.

Interest expense of \$411,783 was incurred during the year ended December 31, 2018.

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

## **REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the Crittenden-Livingston County Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Ronnie Slayden, Superintendent, Crittenden-Livingston County Water District, 620 East Main Street, Salem, KY 42078.



**Crittenden-Livingston County Water District**  
**Statement of Net Position**  
**December 31, 2018**

**Assets**

**Current Assets**

Cash equivalents	\$ 22,561
Customer accounts receivable (less allowance for uncollectible accounts of \$13,254)	210,588
Unbilled revenue	101,490
Inventory	114,000
Prepaid expenses	20,910
Other receivables	275
Restricted assets	
Cash equivalents	693,437
Total current assets	<u>1,163,261</u>

**Noncurrent Assets**

Capital assets, net of depreciation	<u>18,705,098</u>
Total noncurrent liabilities	<u>18,705,098</u>
Total Assets	<u>19,868,359</u>

**Deferred Outflows of Resources**

Related to pensions and other postemployment benefits	<u>356,986</u>
Total deferred outflows of resources	<u>356,986</u>

**Liabilities**

**Current Liabilities**

Trade accounts payable	43,349
Accrued liabilities	26,421
Accrued interest on debt	139,580
Customers' deposits	14,520
Line of credit	10,157
Long-term debt due in one year	640,905
Total current liabilities	<u>874,932</u>

**Noncurrent Liabilities**

Long-term debt due after one year	10,746,233
Net pension and other postemployment benefit liabilities	<u>1,498,668</u>
Total noncurrent liabilities	<u>12,244,901</u>
Total Liabilities	<u>13,119,833</u>

**Deferred Inflows of Resources**

Related to debt	190,159
Related to pensions and other postemployment benefits	<u>154,054</u>
Total deferred inflows of resources	<u>344,213</u>

**Net Position**

Net investment in capital assets	7,117,644
Restricted for	
Debt service	670,623
Customer deposits	11,402
Employee benefits	11,412
Prepaid expenses	20,910
Unrestricted	<u>(1,070,692)</u>
Total Net Position	<u>\$ 6,761,299</u>

See accompanying notes to financial statements.

**Crittenden-Livingston County Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2018**

<b><u>Operating Revenue</u></b>	
Charges for services	\$ 2,307,183
Other revenue	<u>66,814</u>
Total Operating Revenues	<u>2,373,997</u>
<b><u>Operating Expenses</u></b>	
Depreciation	686,549
Transmission and distribution expenses	676,232
Administrative and general expenses	644,008
Water treatment	152,583
Payroll and other taxes	42,655
Bad debts	25,540
Customer accounts expenses	<u>17,792</u>
Total Operating Expenses	<u>2,245,359</u>
<b><u>Operating Income (Loss)</u></b>	<u>128,638</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment income	4,167
Interest on debt	<u>(411,783)</u>
Total Nonoperating Revenue (Expenses)	<u>(407,616)</u>
<b><u>Net Income Before Capital Contributions</u></b>	(278,978)
<b><u>Capital Contributions</u></b>	<u>49,035</u>
<b><u>Change in Net Position</u></b>	(229,943)
<b><u>Net Position-Beginning of Year</u></b>	<u>7,499,148</u>
<b><u>Prior period adjustments (See Note 13)</u></b>	<u>(507,906)</u>
<b><u>Net Position-End of Year</u></b>	<u>\$ 6,761,299</u>

See accompanying notes to financial statements.

**Crittenden-Livingston County Water District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

<b><u>Cash Flows From Operating Activities</u></b>	
Cash received from customers	\$ 2,350,785
Cash payments to suppliers for goods and services	(923,746)
Cash payments to employees for services	<u>(499,225)</u>
Net Cash Provided By Operating Activities	<u>927,814</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>	
Principal paid on capital debt	(2,832,434)
Contributed capital	18,850
Acquisition of property, plant, and equipment	(86,904)
Proceeds from capital debt	2,114,356
Interest paid on debt	<u>(453,198)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,239,330)</u>
<b><u>Cash Flows From Investing Activities</u></b>	
Income received on investments	<u>4,167</u>
Net Cash Used By Investing Activities	<u>4,167</u>
<b><u>Net Increase (Decrease) in Cash Equivalents</u></b>	(307,349)
<b><u>Cash Equivalents-Beginning of Year</u></b>	<u>1,023,347</u>
<b><u>Cash Equivalents-End of Year</u></b>	<u>\$ 715,998</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided</u></b>	
<b><u>By Operating Activities</u></b>	
Operating Income (Loss)	\$ 128,638
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	686,549
Change in assets and liabilities	
Decrease (increase) in accounts receivable	(25,372)
Decrease (increase) in inventory	15,161
Decrease (increase) in prepayments	(621)
Decrease (increase) in deferred outflows of resources	142,692
Increase (decrease) in accounts payable	(41,364)
Increase (decrease) in customer deposits	2,160
Increase (decrease) in accrued liabilities	1,349
Increase (decrease) in deferred pension liability	358,736
Increase (decrease) in deferred inflows of pensions	<u>(340,114)</u>
Net Cash Provided By Operating Activities	<u>\$ 927,814</u>
<b><u>Reconciliation of Total Cash</u></b>	
Current Assets - Cash	\$ 22,561
Restricted Assets - Cash	<u>693,437</u>
Total Cash	<u>\$ 715,998</u>
<b><u>Non-cash Investing, Capital and Related Financing Activities - None</u></b>	

See accompanying notes to financial statements.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

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

**Principles Determining Scope of Reporting Entity**

The District's financial report includes only the funds of the District. The District has no oversight responsibility for any other governmental entity and is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board pronouncement. The District's Board members are appointed by the County Judge Executives of Crittenden and Livingston counties, and they have decision making authority, the authority to set rates, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**Basis of Presentation**

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

*Proprietary Fund Types*

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

**Measurement Focus/Basis of Accounting**

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

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**Reclassification**

Prior period financial statement amounts have been reclassified to conform to current period presentation.

**Budget**

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

- 1) The District to submit a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) The District is required to submit a budget to the Department of Rural Development for each fiscal year as stipulated in the bond agreement.

For the year ended December 31, 2018, the District has complied with budgetary guidelines.

**Cash Equivalents/ Investments**

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

For the purpose of the statement of cash flows, the District considers all cash in banks and certificates of deposit with stated maturities of three months or less or available for withdrawal by management to be cash and cash equivalents. Cash equivalents consist of funds held in a sweep account in a financial institution.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid items.

**Postemployment Benefits**

Postemployment benefits are those received by employees after termination of employment. The District provides no such benefits.

**Capital Assets**

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

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

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

Buildings	10 to 50 years
Transmission Lines	5 to 50 years
Plant and Pumping Equipment	5 to 10 years
Meters	5 to 10 years
Office Equipment	5 to 10 years
Vehicles	5 years

**Allowance for Uncollectible Accounts**

The direct write-off method was used for recording un-collectible accounts. An allowance for uncollectible accounts has been provided based on an analysis of receivables outstanding more than 120 days. Based on past experience, management considers the allowance adequate to provide for any losses on collection of the December 31, 2018 accounts receivable.

**Unearned Revenue**

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

**Inventory**

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

**Restricted Assets**

The restricted assets have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. See Note 4 for information describing restricted assets.

**Estimates**

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

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the year ended December 31, 2018, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**Bond Discounts/Issuance Costs**

The District adopted GASB 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2013. GASB 65 requires that debt issuance costs be expensed in the period they are incurred.

**Pensions and Other Postemployment Benefits**

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

**Net Position**

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

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

**Deferred Outflows of Resources and Deferred Inflows of Resources**

**Deferred Outflows of Resources:** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows related to pensions and deferred outflows related to other post-employment benefits in this category.

**Deferred Inflows of Resources:** In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

A deferred inflow from pensions and other post-employment benefits results from net differences between expected and actual earnings on pension and other postemployment benefit plan investments. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

A deferred inflow from debt refunding results from the difference in acquisition price, and the net carrying amount of the old debt and is recognized as a component of interest expense over the remaining life of the debt.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**Adoption of New Accounting Pronouncements**

**GASB Statement No. 75**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued June 2015. The provisions of this Statement are effective for periods beginning after June 15, 2017. This Statement replaces Statements No. 45 and 57. The District reported a prior period adjustment of \$310,251 to record their portion of the unfunded liability.

**GASB Statement No. 83**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued November 2016. The provisions of this Statement are effective for periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

**Recent Accounting Pronouncements**

As of December 31, 2018, the GASB has issued the following statements not yet required to be adopted by the District.

**GASB Statement No. 87**

GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after December 15, 2019. This Statement will increase the usefulness of government financial statements by required reporting of certain lease liabilities that currently are not required. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The District's management has not yet determined the effect this statement will have on the financial statements.

**GASB Statement No. 88**

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued in April 2018. The provisions of this pronouncement are effective for periods beginning after June 15, 2018. This pronouncement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The District's management has not yet determined the effect this pronouncement will have on the financial statements.

**Subsequent Events**

The District has evaluated subsequent events through July 29, 2019, the date which the financial statements were available to be issued.



**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**2. LEGAL COMPLIANCE**

**Deficit Net Position**

There was not a deficit net position for the year ended December 31, 2018.

**Budgets**

**Excess of Expenditures Over Appropriations**

The District has an excess of actual operating expenditures over budget for the year ended December 31, 2018 of \$223,959. This excess was due mainly to pension adjustments required by GASB 68 and 75.

**3. DEPOSITS AND INVESTMENTS**

**1. Net Position**

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

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 200	\$ 22,361	\$ -	\$ 22,561
Investments	-	-	-	-
Restricted assets:				
Cash equivalents	-	693,437	-	693,437
Investments	-	-	-	-
Total	<u>\$ 200</u>	<u>\$ 715,798</u>	<u>\$ -</u>	<u>\$ 715,998</u>

**2. Deposits**

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

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

Custodial Credit Risk is the risk that in the event of a failure of a depository institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the District's deposits in financial institutions were \$715,998, and the bank balances were \$727,983. Of the bank balances, \$493,241 was covered by federal depository insurance, with \$234,742 covered by collateral held by the pledging financial institution's agent or trust department in the District's name.

The District holds cash deposits in the amount of \$484,741 in the Regions Trust Cash Sweep III (RTCS). RTCS is a bank deposit account offered through Regions Institutional Services. The RTCS does not directly invest in securities. It is a deposit account that is collateralized

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

by government securities. Collateral may include:

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

RTCS is FDIC Insured up to \$250,000. Deposit account amounts in excess of \$250,000 are secured by perfected liens on Regions Bank's securities in an amount not less than 105% of the total excess deposits. In the event of a default, the collateral reverts to the Collateral Agent to be distributed to the account owners. RTCS deposits are identified as "cash" on client statements; there are no market value fluctuations.

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

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

**3. Investments**

*Interest Rate Risk*

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

*Credit Risk*

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

*Concentration of Credit Risk*

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

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**4. RESTRICTED NET POSITION**

**Net Assets Restricted**

	Depreciation Fund	Sinking Funds	Maintenance/ Replacement	Employee Benefits	Tenant Deposits	Total
Cash equivalents	\$ 108,935	\$ 550,051	\$ 11,637	\$ 11,412	\$ 11,402	\$ 693,437
Investments	-	-	-	-	-	-
Totals	<u>\$ 108,935</u>	<u>\$ 550,051</u>	<u>\$ 11,637</u>	<u>\$ 11,412</u>	<u>\$ 11,402</u>	<u>\$ 693,437</u>

**Restricted Cash and Investments**

**Depreciation Reserve** - The bond ordinances require Crittenden Livingston Water District to make monthly contributions to this fund after observing the priority of deposits into the Sinking Fund. The funds in the Depreciation Fund can be expended for the purpose of paying the cost of unusual or extra-ordinary maintenance, repairs, renewals or replacements, and the cost of constructing additions and improvements to the system. The District is to contribute monthly to the reserve account until an amount equal to one-thirty-sixth (1/36) of the Depreciation Reserve Requirement. At December 31, 2018 the balance of the Depreciation Reserve Fund was \$108,935.

**Crittenden Livingston Water Sinking Fund** - The sinking fund was established for the purpose of paying the principal and interest on the Water Revenue Bonds and Revenue Refunding Bonds. The bond ordinances require that the amount deposited each month equals one-sixth of the next succeeding interest requirement and one-twelfth of the principal requirements becoming due on the note on the next succeeding January 1. At December 31, 2018 the balance of the Sinking Fund was \$550,051.

**Maintenance/Replacement Reserve Accounts** - The Revenue Refunding Bonds, the Kentucky Infrastructure Authority loans for the Moore Hill Water Tank Radio Read Meters require the District to make monthly contributions to a reserve account for maintenance and replacement expenses. The 2018 Revenue Refunding Bonds require one-forty-eight (1/48) of the maximum debt service requirements. The KIA Moore Hill Water Tank loan requires annual contributions of \$2,600 until a balance of \$26,000 is reached. The KIA Radio Read Meters loan requires a 10% contribution of the loan payment amount until a balance of 5% of the original principal amount (\$15,000) is reached. At December 31, 2018, the balance of the Maintenance/Replacement accounts were \$11,637.

**Health Reimbursement Account** - The District, in an effort to offset rising employee health insurance costs, has established a program, whereby, employees participate in a high-deductible healthcare plan with deductible amounts being paid by the District. At the beginning of each plan year, the amount of each employees deductible is set aside in a separate restricted bank account. As employees incur health care costs, amounts up to the per person deductible are reimbursed to the eligible employee from this account. Any excess left in the account at the end of the plan year is used to fund the maximum amount to be set aside for the following year. As of December 31, 2018, the balance in the Health Reimbursement Account was \$11,412.

**Crittenden Livingston Tenant Deposit Fund** - This account is set aside to account for customer deposits. At December 31, 2018 the restricted balance of the Crittenden Livingston Tenant Deposit Fund was \$11,402.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**5. CAPITAL ASSETS**

A summary of proprietary fund property, plant and equipment at December 31, 2018 for business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets, not being depreciated</u>				
Land	\$ 101,969	\$ -	\$ -	\$ 101,969
Total capital assets, not being depreciated	<u>101,969</u>	<u>-</u>	<u>-</u>	<u>101,969</u>
<u>Capital assets, being depreciated</u>				
Lake and river intake	888,411	-	-	888,411
Pumping equipment	307,236	-	-	307,236
Water treatment structure	6,900	-	-	6,900
Water treatment equipment	4,402,784	-	-	4,402,784
Transportation equipment	131,306	-	-	131,306
Distribution reservoirs and pipe	1,676,161	-	-	1,676,161
Small equipment	23,073	-	-	23,073
Transmission and distribution mains	14,128,182	33,333	-	14,161,515
Lab equipment	6,231	-	-	6,231
Power operated equipment	65,632	7,500	-	73,132
Services	6,012,089	-	-	6,012,089
Meters and installation	1,314,266	16,703	-	1,330,969
Communication equipment	146,916	36,637	-	183,553
Hydrants	228,940	-	-	228,940
Office furniture and fixtures	48,355	-	-	48,355
Office building	51,928	22,917	-	74,845
Total capital assets, being depreciated	<u>29,438,410</u>	<u>117,090</u>	<u>-</u>	<u>29,555,500</u>
<u>Less accumulated depreciation for</u>				
Lake and river intake	(193,391)	(17,769)	-	(211,160)
Pumping equipment	(138,298)	(19,155)	-	(157,453)
Water treatment structure	(3,958)	(685)	-	(4,643)
Water treatment equipment	(1,714,826)	(87,965)	-	(1,802,791)
Transportation equipment	(107,512)	(16,585)	-	(124,097)
Distribution reservoirs and pipe	(260,366)	(33,496)	-	(293,862)
Small equipment	(15,389)	(1,093)	-	(16,482)
Transmission and distribution mains	(4,930,051)	(282,844)	-	(5,212,895)
Lab equipment	(4,936)	(109)	-	(5,045)
Power operated equipment	(65,632)	(31)	-	(65,663)
Services	(2,084,968)	(171,767)	-	(2,256,735)
Meters and installation	(537,433)	(37,222)	-	(574,655)
Communication equipment	(40,647)	(10,121)	-	(50,768)
Hydrants	(92,923)	(4,676)	-	(97,599)
Office furniture and fixtures	(43,433)	(676)	-	(44,109)
Office building	(32,059)	(2,355)	-	(34,414)
Total accumulated depreciation	<u>(10,265,822)</u>	<u>(686,549)</u>	<u>-</u>	<u>(10,952,371)</u>
Total capital assets, being depreciated, net	<u>19,172,588</u>	<u>(569,459)</u>	<u>-</u>	<u>18,603,129</u>
Business-type activities capital assets, net	<u>\$ 19,274,557</u>	<u>\$ (569,459)</u>	<u>\$ -</u>	<u>\$ 18,705,098</u>

Depreciation charged to income was \$686,549.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**6. DEBT OBLIGATIONS**

**Revenue Bonds Payable**

The Crittenden Livingston Water District Waterworks Revenue Bonds of 1995 (Series A) were issued in the amount of \$884,000 to finance the cost of the Phase 5 construction project (system additions). The bond maturity dates are January 1, 1998-2035. The interest rate is 4.5%. This issue was purchased by United States Department of Agriculture Rural Economic and Community Development.

The Crittenden Livingston Water District Waterworks Revenue Bonds of 2000 (Series A) in the amount of \$2,000,000 were issued to finance the cost of the Phase 6b construction project (water plant). The bond maturity dates are January 1, 2003-2040. The interest rate is 4.5%. This issue was purchased by United States Department of Agriculture Rural Economic and Community Development.

The 1995 and 2000 USDA Refunding bonds were refinanced through a lease agreement with Kentucky Association of Counties Finance Corporation on May 1, 2018.

In May 2008 Crittenden Livingston Water District issued Waterworks Revenue Bonds of 2008 (Series C) in the amount of \$1,920,000 to current refund revenue bonds 1998, 1991, 1994 & 1996 issuances. The current refunding met the requirement of an in-substance debt defeasance and the revenue bonds were removed from the District's financial statements.

The bond maturity dates are January 1, 2009-2030. This issue was purchased by Morgan, Keegan, and Company, Inc. Interest rates are shown below:

Year	Rate	Year	Rate
2009	2.35%	2020	4.050%
2010	2.55%	2021	4.050%
2011	3.05%	2022	4.175%
2012	3.05%	2023	4.175%
2013	3.30%	2024	4.300%
2014	3.30%	2025	4.300%
2015	3.55%	2026	4.300%
2016	3.55%	2027	4.425%
2017	4.05%	2028	4.425%
2018	4.05%	2029	4.550%
2019	4.05%	2030	4.550%

The bonds are secured and payable from an exclusive pledge of a fixed portion of gross revenues of the Waterworks System as now or hereafter constituted and additionally secured by a statutory lien on the Waterworks System.

In March 2013, the District entered into a flexible term finance program with Kentucky Rural Water to refinance the 2004 D Kentucky Rural Water Finance Corporation Bonds, with an interest rate of 3.120%-4.620%, and the 2000 B, with an interest rate of 4.75%, and 2000 C Rural Development Bonds with an interest rate of 4.500%. The total loan amount of \$5,780,000 is divided into two separate loans. The amount of \$3,690,000 is a 15 year loan with a variable interest rate of 2.30% to 4.80%. Principal repayment began in 2014, and the loan will be paid out in 2029. The remaining loan amount of \$2,090,000 is a 27 year loan with a variable interest rate of 2.30% to 4.80%. Principal repayment began in 2014, and the loan will be paid out in 2040.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
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The \$2,090,000 current refunding decreased the total debt service until maturity in the amount of \$439,222. This resulted in an average annual cash savings of \$15,687.

The \$3,690,000 current refunding decreased the total debt service until maturity in the amount of \$546,472. This resulted in an average annual cash savings of \$34,154.

The schedule of bonds payable and the maturity schedule follows:

Description	Balance 12/31/2017	Payments	Balance 12/31/2018	Due in One Year
Waterworks Revenue Bonds				
1995 Issue (Series A)	\$ 610,000	\$ 610,000	\$ -	\$ -
2000 Issue (Series A)	1,566,000	1,566,000	-	-
2008 Bonds	1,040,000	115,000	925,000	120,000
2013 Flexible Term Financing	2,905,000	200,000	2,705,000	185,000
2013 Flexible Term Financing	<u>1,925,000</u>	<u>55,000</u>	<u>1,870,000</u>	<u>55,000</u>
Subtotal	8,046,000	2,546,000	5,500,000	360,000
Reoffering premium 2013 Financing	<u>145,177</u>	-	<u>111,023</u>	-
Total Bonds Payable	<u>\$ 8,191,177</u>	<u>\$ 2,546,000</u>	<u>\$ 5,611,023</u>	<u>\$ 360,000</u>

Principal and interest requirements of the revenue bonds payable as of December 31, 2018 are:

Year Ending December 31,	Principal	Interest & Fees	Total
2019	\$ 360,000	\$ 210,129	\$ 570,129
2020	375,000	194,639	569,639
2021	390,000	178,516	568,516
2022	435,000	161,026	596,026
2023	455,000	141,291	596,291
2024-2028	1,970,000	457,886	2,427,886
2029-2033	765,000	191,545	956,545
2034-2038	515,000	98,505	613,505
2039-2040	<u>235,000</u>	<u>10,222</u>	<u>245,222</u>
Total	<u>\$ 5,500,000</u>	<u>\$ 1,643,759</u>	<u>\$ 7,143,759</u>

**Kentucky Infrastructure Authority Notes Payable**

Kentucky Infrastructure Authority (KIA) note dated November 1, 2001, at 1.8%, payable in 40 semiannual payments including principal and interest. Loan funds advanced were used on an interim basis to finance the construction of extensions, additions, and improvements to the existing waterworks system.

In August 2011, Crittenden Livingston Water District was approved for a loan to replace all existing meters with meters utilizing radio-read technology. The total cost of the project is not to exceed \$300,000 and will be financed by the Kentucky Infrastructure Authority under a loan bearing interest at 2%.

**Crittenden-Livingston County Water District**  
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In July 2016, Crittenden Livingston Water District was approved for a loan to construct the Moore Hill water tank. The total cost of the project was \$978,850 and will be financed by the Kentucky Infrastructure Authority under a loan bearing interest at 1.75%.

The schedule of notes payable and the maturity schedule follows:

	Balance 12/31/2017	Proceeds	Principal Payments	Balance 12/31/2018	Due Within One Year
KIA	\$ 491,378	\$ -	\$ 78,272	\$ 413,106	\$ 79,687
KIA - Radio-Read Meters	242,509	-	13,490	229,019	13,761
KIA - Moore Hill Water Tank	<u>960,486</u>	<u>-</u>	<u>41,723</u>	<u>918,763</u>	<u>42,457</u>
Total Notes Payable	<u>\$ 1,694,373</u>	<u>\$ -</u>	<u>\$ 133,485</u>	<u>\$ 1,560,888</u>	<u>\$ 135,905</u>

Annual debt service requirements for leases payable to maturity are as follows:

Year Ending December 31,	Principal	Interest & Fees	Total
2019	\$ 135,905	\$ 27,935	\$ 163,840
2020	138,369	25,444	163,813
2021	140,877	22,907	163,784
2022	143,431	20,325	163,756
2023	146,032	17,695	163,727
2024-2028	319,017	65,325	384,342
2029-2033	339,995	34,382	374,377
2034-2037	<u>197,262</u>	<u>6,964</u>	<u>204,226</u>
Total	<u>\$ 1,560,888</u>	<u>\$ 220,977</u>	<u>\$ 1,781,865</u>

**Leases**

The Fiscal Court of Livingston County, Kentucky, in an Ordinance passed and adopted on August 24, 2010, authorized a plan to payoff a short term note of the Crittenden Livingston Water District in the amount of \$2,500,000 with funds provided to the County by the Kentucky Association of Counties Finance Corporation through a financing agreement between the county and KACO. The Series 2010A Lease was refinanced in 2017.

On September 19, 2017, the District entered into an agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds, 2017 First Series C. The proceeds were used to replace the Series 2010A Lease with Kentucky Association of Counties Finance Corporation, a short term note, the proceeds of which were used to run approximately 90 miles of waterline in Crittenden and Livingston County. The new bonds were issued for \$2,445,000, carry an interest rate of 3.03%, and matures January 1, 2039. These bonds were issued with a lease premium of \$27,882, which will be recognized over the life of the bond.

On May 1, 2018, the District entered into a lease agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds, 2018 Series B. The proceeds were used to replace the 1995 and 2000 USDA Bonds. The new bonds were issued for \$2,090,000, carry an interest rate of 3.44%, and will mature on January 1, 2040. These bonds were issued with a lease premium of \$54,033, which will be recognized over the life of the bond.

**Crittenden-Livingston County Water District**  
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	Balance 12/31/2017	Proceeds	Principal Payments	Balance 12/31/2018	Due Within One Year
KACO - 2017C	2,375,000	-	68,750	2,306,250	75,000
KACO - 2018B	-	2,090,000	70,000	2,020,000	70,000
Subtotal	2,375,000	2,090,000	138,750	4,326,250	145,000
Lease Premiums	27,882	54,033	-	79,136	-
Total Leases Payable	<u>\$ 2,402,882</u>	<u>\$ 2,144,033</u>	<u>\$ 138,750</u>	<u>\$ 4,405,386</u>	<u>\$ 145,000</u>

Annual debt service requirements for leases payable to maturity are as follows:

Year Ending December 31,	Principal	Interest & Fees	Total
2019	\$ 145,000	\$ 171,553	\$ 316,553
2020	149,583	165,253	314,836
2021	150,000	158,287	308,287
2022	159,583	152,687	312,270
2023	164,583	143,746	308,329
2024-2028	972,917	584,457	1,557,374
2029-2033	1,178,750	360,740	1,539,490
2034-2038	1,267,084	159,741	1,426,825
2039-2040	208,750	486	209,236
Total	<u>\$ 4,396,250</u>	<u>\$ 1,896,950</u>	<u>\$ 6,293,200</u>

Leased equipment under capital lease in capital assets at December 31, 2018, included the following:

Facilities and equipment	\$ 3,455,798
Less: Accumulated depreciation	<u>1,086,425</u>
Net	<u>\$ 2,369,373</u>

Amortization of leased facilities and equipment is included in depreciation expense.

**Line of Credit**

In August 2017, the District entered into a line of credit agreement with Farmers Bank for the remodel of their office. The line of credit has a limit of \$50,000 with an interest rate of 5.0%. This is a twelve month revolving line of credit that is re-evaluated at each maturity. There are no payments required. Principal and interest are due at maturity. The District took draws totaling \$22,922 during 2018. As of December 31, 2018, the outstanding balance was \$10,157.

Interest expense recognized in the year ending December 31, 2018 is \$411,783.

7. **EMPLOYEES' RETIREMENT PLAN**

**County Employees' Retirement System**

*Plan description.* The Crittenden-Livingston County Water District is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in non-hazardous and hazardous positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate.

Under the provisions of Kentucky Revised Statute Sections 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement



**Crittenden-Livingston County Water District**  
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System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the system are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

Kentucky Retirement Systems issues a publicly available comprehensive annual financial report containing CERS information that can be obtained at <https://kyret.ky.gov>.

*Benefits provided.* CERS provides retirement, health insurance, and death and disability benefits to plan employees and beneficiaries. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Employees are vested in the plan after five years service. For retirement purposes, nonhazardous employees are grouped into three tiers, based on hire date.

**Nonhazardous members**

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

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

	<u>Required Contributions</u>
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers are required by state statute to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended December 31, 2018, the employer contribution rate was 14.48% and 16.22%, respectively, of member's nonhazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. District employer CERS contributions for the year ended December 31, 2018, were \$75,985 which was 100% funded.

*Refunds of contributions.* Employees who have terminated service as a contribution member of CERS may file an application for a refund of their contributions. Employee accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For employees participating prior to September 1, 2008, the interest paid is set by the KRS Board and will not be less than 2%, for employees participating on or after September 1, 2008 but before

**Crittenden-Livingston County Water District**  
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January 1, 2014, interest will be credited at a rate of 2.5%. For employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4%.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At December 31, 2018, the District reported a liability of \$1,160,386 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to CERS relative to the total contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .019053%, which was a decrease of 0.000078% from its proportion measured June 30, 2017.

*Pension expense.* As a result of its requirement to contribute to CERS, the District recognized pension expenses of \$219,453 for the year ended December 31, 2018. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 37,849	\$ 16,986
Net differences between projected and actual investment earnings	53,959	67,872
Change of assumption	113,403	-
Changes in proportion and differences between employer contributions and share of contributions	30,087	2,567
Contributions subsequent to the measurement date	<u>40,873</u>	<u>-</u>
Totals	<u>\$ 276,171</u>	<u>\$ 87,425</u>

*Deferred Outflows of Resources.* The \$40,873 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	
December 31, 2019	\$ 115,452
December 31, 2020	52,599
December 31, 2021	(13,951)
December 31, 2022	<u>(6,227)</u>
Total	<u>\$ 147,873</u>

*Actuarial assumptions.* The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
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There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25% for CERS non-hazardous
Healthcare Trend Rates:	
Pre-65	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

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.

The long-term expected rate of return was determined by using a building-block method in which 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 tables below.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

*Discount Rate.* The projection of cash flows used to determine the discount rate of 5.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

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

	1% Decrease <u>5.25%</u>	Current Discount Rate <u>6.25%</u>	1% Increase <u>7.25%</u>
The District's proportionate share of the net pension liability	\$ 1,460,806	\$ 1,160,386	\$ 908,687

*Payables to the pension plan.* At December 31, 2018, the financial statements include \$4,176 in contractually required employee and employer contributions primarily for the month ended December 31, 2018. The obligation was paid within prescribed time limits.

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

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**Other Postemployment Benefit Plan (OPEB)**

*Plan description.* Under the provision of Kentucky Revised Statute 61.645 and 61.701, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan, and the administrative costs incurred by those receiving an insurance benefit, in accordance with provisions of Kentucky Revised Statute Sections 16.510, 61.515, 61.702, 78,520, and 78.630.

The plan issues publicly available financial statements which may be found at <https://kyret.ky.gov>.

The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all full-time members employed in non-hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Membership in the CERS Non-hazardous Insurance Fund consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

<u>Membership Status</u>	
Inactive plan members currently receiving benefits	33,481
Inactive plan members entitled to but not yet receiving benefits	8,230
Active plan members	<u>81,891</u>
Total plan members	<u><u>123,602</u></u>

*Contributions.* Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. As of December 31, 2018, the employer contribution rate was 4.70% and 5.26%, respectively of members' non-hazardous salaries. The District contributed \$24,652, or 100% off the required contribution to the insurance fund for the year ended December 31, 2018.

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

**Crittenden-Livingston County Water District**  
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**For the Year Ended December 31, 2018**

*Actuarial Assumptions* The total OPEB liability, net OPEB liability, and sensitivity information in the June 30, 2018 actuarial valuation was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

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

Inflation	2.30%
Payroll Growth Rate	2.0% CERS Non-hazardous
Salary Increase	3.05% average
Investment Rate of Return	6.25%

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

The long-term expected rate of return was determined by using a building-block method in which 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 tables below.

**Crittenden-Livingston County Water District**  
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>6.09%</b>

*Discount Rate.* The projection of cash flows used to determine the discount rate of 5.85% for CERS Nonhazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not 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 trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

*Implicit Subsidy.* The fully-insured premiums KRS pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after measurement date. The District's implicit subsidy for the year ended December 31, 2018, was \$5,457.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

*OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources.* At December 31, 2018, the District reported a net OPEB liability of \$338,282 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. This method is expected to be reflective in the District's long-term contribution effort. At June 30, 2018, the District's proportion was .019053% for nonhazardous classified employees.

For the year ended December 31, 2018, the District recognized OPEB expense of \$42,535. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected & actual earnings on pension plan investments	\$ -	\$ 39,422
Changes of assumptions	67,560	782
Net difference between projected and actual earnings on plan investments	-	23,301
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,124
Contributions subsequent to the measurement date, including implicit subsidy	<u>13,255</u>	<u>-</u>
Totals	<u>\$ 80,815</u>	<u>\$ 66,629</u>

The \$13,255 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and the December 31, 2018 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

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

Fiscal Year Ending June 30,	
2019	\$ 582
2020	582
2021	581
2022	5,107
2023	(3,560)
Thereafter	<u>(2,361)</u>
	<u>\$ 931</u>



**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of present, as well as what the plan's net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.85%) or one percentage point higher (6.85%) than the current rate (5.85%):

	1% Decrease 4.85%	Current Discount Rate 5.85%	1% Increase 6.85%
The District's proportionate share of the net OPEB liability	\$ 439,374	\$ 338,282	\$ 252,170

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The District's proportionate share of the net OPEB liability	\$ 251,654	\$ 338,282	\$ 440,156

*Payables to the OPEB plan.* At December 31, 2018, the District had paid its contractually required employee and employer contributions primarily for the month ended December 31, 2018, within prescribed time limits.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**8. COMMITMENTS**

**Sales Contracts**

In 2000, the District entered into a 40 year sales agreement with the City of Grand Rivers, Kentucky. The agreement is for the City to purchase five million gallons per month. The City purchased water totaling \$180,595 in the year ending December 31, 2018.

In 2000, the District entered into a 40 year sales agreement with the City of Smithland, Kentucky. The agreement is for the City to purchase one million gallons per month. The City purchased water totaling \$38,083 in the year ending December 31, 2018.

In 2000, the District entered into a 40 year sales agreement with the City of Ledbetter, Kentucky. The agreement is for the City to purchase three million gallons per month. The City purchased water totaling \$93,682 in the year ending December 31, 2018.

In 2016, the District entered into a 41 year sales agreement with the Lyon County Water District. The agreement does not have per month minimum. The District purchased \$31,144 of water in the year ending December 31, 2018.

In 1971, the District entered into a sales agreement with the City of Salem, Kentucky. The agreement does not have per month minimum. The City purchased \$61,538 of water in the year ending December 31, 2018.

**9. PUBLIC SERVICE COMMISSION REGULATIONS**

The District is required to file with the Public Service Commission (PSC) a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District has satisfied this requirement. The District has also filed the 2017 annual PSC Report as required. Further, the PSC requires that all customer deposit refunds be paid with interest. This requirement has been fulfilled.

**10. ECONOMIC DEPENDENCIES**

The majority of the District's revenue consists of charges for water-related services to customers in Crittenden-Livingston County, Kentucky. For the year ended December 31, 2018, the revenues from these sources totaled \$2,307,183.

**11. COMPENSATED ABSENCES**

The District grants employees vacation time based on years of service. Full-time employees, with one (1) year continuous service, are entitled to vacation pay according to the following schedule:

- Anniversary of 1 year of service - 5 days
- Anniversary of 2 years of service - 10 days
- Anniversary of 5 years of service - 15 days
- Anniversary of 10 years of service - 20 days

Vacation must be taken in the calendar year of eligibility. The policy applies to all employees. All employees must make an effort to take their vacation time.

The District's policy on personal days is to allow employees three days per year. This can be used for anything from sickness to family emergencies.

An employee may reserve overtime as comp time. One hour of overtime equals 1 and 1/2 hours of comp time. A maximum of 60 hours may be accumulated.

**Crittenden-Livingston County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**

**12. LITIGATION**

On July 13, 2015, litigation was brought against Crittenden-Livingston County Water District. The litigation involves a water purchase contract dispute with another water district that is a customer. Currently, the other water district is contracted to purchase 3,000,000 gallons a month for 40 years from Crittenden-Livingston County Water District. Although the contract between the water districts began on January 24, 2000, the plaintiff contends the contract is void. If the water purchase contract is ultimately ruled void, and, if no water is purchased by this customer then Crittenden-Livingston County Water District could have a reduction of \$92,880 of current minimum annual gross revenue or \$53,640 of current minimum net operating income. The likelihood of any loss of revenue, or net operating income, concerning this water contract dispute is unknown at this time. As of December 31, 2018, this is still unresolved.

**13. PRIOR PERIOD ADJUSTMENTS**

**Correction of an Error**

During the year ended December 31, 2017, the District refinanced Kentucky Association of Counties 2010 First Series A Bonds. When the bonds were refinanced \$190,000 of the original 2010 Bonds remained and the District was responsible for interest expense through the call date of August 1, 2020. This correction is to reclassify the interest paid.

**Change in Accounting Principle**

During the year ended December 31, 2018, the District implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. GASB Statement No. 75 changed how governments measure and report long-term obligations and annual costs associated with other postemployment benefits they provide. Under the new standard, GASB requires that cost-sharing governments report a net OPEB liability, OPEB expense, and OPEB related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Net Position, January 1, 2018	\$ 7,499,148
<b>Correction of an error</b>	
Adjustment to correct prior year interest expense	(197,655)
<b>Cumulative effect of change in accounting principle</b>	
Net OPEB Liability	(384,599)
Deferred outflows of resources related to OPEB	83,686
Contributions made after the measurement date	10,798
Deferred inflows of resources related to OPEB	<u>(20,136)</u>
Cumulative effect of change in accounting principle	<u>(310,251)</u>
Adjusted Net Position, January 1, 2018	<u>\$ 6,991,242</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Crittenden-Livingston County Water District**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position - Budget and Actual**  
**For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Water revenues	\$ 2,359,700	\$ 2,359,700	\$ 2,307,183	\$ (52,517)
Other revenue	61,000	61,000	66,814	5,814
Total Operating Revenues	<u>2,420,700</u>	<u>2,420,700</u>	<u>2,373,997</u>	<u>(46,703)</u>
<b><u>Operating Expenses</u></b>				
Depreciation	670,400	670,400	686,549	(16,149)
Transmission and distribution expenses	667,000	667,000	676,232	(9,232)
Administrative and general expenses	459,500	459,500	644,008	(184,508)
Water treatment	156,000	156,000	152,583	3,417
Payroll and other taxes	40,500	40,500	42,655	(2,155)
Bad debt expense	4,000	4,000	25,540	(21,540)
Customer accounts expenses	24,000	24,000	17,792	6,208
Total Operating Expenses	<u>2,021,400</u>	<u>2,021,400</u>	<u>2,245,359</u>	<u>(223,959)</u>
<b><u>Operating Income (Loss)</u></b>	<u>399,300</u>	<u>399,300</u>	<u>128,638</u>	<u>(270,662)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment income	700	700	4,167	3,467
Interest on debt	<u>(430,000)</u>	<u>(430,000)</u>	<u>(411,783)</u>	<u>18,217</u>
Total Nonoperating Revenue (Expenses)	<u>(429,300)</u>	<u>(429,300)</u>	<u>(407,616)</u>	<u>21,684</u>
<b><u>Net Income before Capital Contributions</u></b>	(30,000)	(30,000)	(278,978)	(248,978)
<b><u>Capital Contributions</u></b>	<u>30,000</u>	<u>30,000</u>	<u>49,035</u>	<u>19,035</u>
<b><u>Change in Net Position</u></b>	<u>\$ -</u>	<u>\$ -</u>	(229,943)	<u>\$ (229,943)</u>
<b><u>Net Position-Beginning of Year</u></b>			<u>7,499,148</u>	
<b><u>Prior Period Adjustments (See Note 13)</u></b>			<u>(507,906)</u>	
<b><u>Net Position-End of Year</u></b>			<u>\$ 6,761,299</u>	

**Crittenden-Livingston County Water District**  
**Schedule of the Proportionate Share**  
**of the Net Pension Liability**  
**For the Year Ended December 31, 2018**

**County Employee Retirement System**  
**Last Five Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	0.019053%	0.019131%	0.01797%	.016029%	0.008651%
Employer's proportionate share of the net pension liability (asset)	\$ 1,160,386	\$ 1,119,796	\$ 884,966	\$ 689,178	\$ 280,671
Employer's covered-employee payroll	\$ 508,615	\$ 443,619	\$ 469,149	\$ 375,904	\$ 204,010
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	228.15%	223.65%	188.63%	183.34%	137.58%
Plan fiduciary net position as a percentage of the total pension liability (2)	53.54%	53.30%	55.50%	59.97%	66.80%

**Note to Schedule:** *Changes in assumptions* - In the fiscal year 2018, the CERS Non-Hazardous investment rate and discount rate both decreased from 7.50% to 6.25%, the inflation rate decreased from 3.25% to 2.30%, and the estimated salary increases decreased from 4.00% to 3.05%. In the fiscal year 2016, the CERS Non-Hazardous investment rate and discount rate both decreased from 7.75% to 7.50%, the inflation rate decreased from 3.50% to 3.25%, and the estimated salary increases decreased from 4.50% to 4.00%. Additionally, the mortality tables changed from the 1983 and 1994 Group Annuity Mortality Tables to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (adjusted for males and females).

**Note to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

**Note to Schedule:** This schedule is based on the measurement date (June 30, 2018) of the collective net pension liability.

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

**Crittenden-Livingston County Water District**  
**Schedule of Pension Contributions**  
**For the Year Ended December 31, 2018**

**County Employee Retirement System**  
**Last Five Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 75,985	\$ 63,013	\$ 61,650	\$ 47,585	74,682
Contributions in relation to the contractually required contribution	<u>75,985</u>	<u>63,013</u>	<u>61,650</u>	<u>47,585</u>	<u>74,682</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 508,615	\$ 443,619	\$ 469,149	\$ 375,904	\$ 393,724
Contribution as a percentage of covered-employee payroll	14.48%/ 16.22%	13.95%/ 14.48%	12.42%/ 13.95%	12.75%/ 12.42%	13.74%/ 12.75%

**Note to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

**Note to Schedule:** Amounts presented were determined as of June 30, 2018.

**Crittenden-Livingston County Water District**  
**Schedule of the Proportionate Share**  
**of the Net OPEB Liability**  
**For the Year Ended December 31, 2018**

**County Employee Retirement System**  
**Last Two Years**

	<u>2018</u>	<u>2017</u>
Employer's proportion share of the net OPEB liability (asset)	0.019053%	0.019131%
Employer's proportion share of the net OPEB liability (asset)	\$ 338,282	\$ 384,599
Employer's covered employee payroll	\$ 508,615	\$ 443,619
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	150.35%	115.35%
Plan fiduciary net position as a percentage of the total OPEB liability (1)	57.62%	52.40%

**Note to Schedule:** *Changes in assumptions* - In the fiscal year 2018, the CERS Non-Hazardous investment rate decreased from 7.50% to 6.25%, the discount rate decreased from 6.89% to 5.84%, the inflation rate decreased from 3.25% to 2.30%, and the estimated salary increases decreased from 4.00% to 3.05%.

**Note to Schedule:** This schedule is based on the measurement date (June 30, 2018) of the collective net OPEB liability.

**Note to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

(1) This will be the same percentage for all participant employees in the CERS plan.



**Crittenden-Livingston County Water District**  
**Schedule of OPEB Contributions**  
**For the Year Ended December 31, 2018**

**County Employee Retirement System**  
**Last Two Years**

	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 24,652	\$ 20,722
Contributions in relation to the contractually required contributions	<u>24,652</u>	<u>20,722</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's covered employee payroll	\$ 508,615	\$ 443,619
Contributions as a percentage of covered employee payroll	4.70% / 5.26%	4.73% / 4.70%

**Notes to Schedule:** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the District will present information as it becomes available.

**Note to Schedule:** Amounts presented were determined as of June 30, 2018.

**OTHER SUPPLEMENTARY INFORMATION**

**Crittenden-Livingston County Water District**  
**Detail Schedule of Operating Expenses**  
**For the Year Ended December 31, 2018**

<b><u>Depreciation expense</u></b>	\$ <u>686,549</u>
<b><u>General operating expenses</u></b>	
Retirement	261,988
Salaries & wages	124,843
Employee insurance	93,202
Repairs & maintenance	36,925
Insurance	36,112
Office supplies	22,119
Fuel	19,039
Legal & professional	16,848
Utilities	16,694
PSC assessment	4,664
Seminar	2,794
Miscellaneous	2,740
Bank charges	2,377
Dues & subscriptions	1,850
Rent	1,000
Advertising	711
Uniforms	<u>102</u>
Total general operating expenses	<u>644,008</u>
<b><u>Transmission and distribution expenses</u></b>	
Salaries & wages	398,577
Utilities	149,176
Repairs & maintenance	99,354
Supplies & materials	<u>29,125</u>
Total water expenses	<u>676,232</u>
<b><u>Payroll and other taxes</u></b>	<u>42,655</u>
<b><u>Customer accounts expenses</u></b>	
Postage	<u>17,792</u>
Total customer accounts expenses	<u>17,792</u>
<b><u>Water treatment</u></b>	
Chemicals	134,323
Testing	<u>18,260</u>
Total water treatment	<u>152,583</u>
<b><u>Bad debt expense</u></b>	<u>25,540</u>
<b><u>Total operating expenses</u></b>	<u>\$ <u>2,245,359</u></u>

# EXHIBIT D

**ATTACHMENT**

**E**

2019 BUDGET

	<b>BUDGET YEARLY</b>	<b>BUDGET MONTHLY</b>
<b>Revenues</b>	<b>2019</b>	<b>2019</b>
<u>Water Sales</u>	<u>2,427,000</u>	<u>202,250</u>
<u>Miscellaneous Revenue</u>	<u>58,000</u>	<u>4,833</u>
<u>Interest Earned</u>	<u>1,500</u>	<u>125</u>
<u>Tap On Fees</u>	<u>22,000</u>	<u>1,833</u>
<b>Total Revenue</b>	<b>2,508,500</b>	<b>209,041</b>

**OPERATING EXPENSES WATER TREATMENT**

<u>Salaries Transmission &amp; Dist.</u>	<u>208,000</u>	<u>17,333</u>
<u>Salaries Treatment Plant</u>	<u>199,000</u>	<u>16,583</u>
<u>Treatment Chemicals</u>	<u>138,000</u>	<u>11,500</u>
<u>Treatment Electricity</u>	<u>111,000</u>	<u>9,250</u>
<u>R&amp;M Mains &amp; Old Meters</u>	<u>75,000</u>	<u>6,250</u>
<u>Maintance Water Plant</u>	<u>53,700</u>	<u>4,475</u>
<u>Pumping Electricity</u>	<u>31,000</u>	<u>2,583</u>
<u>Supplies Water Plant</u>	<u>15,000</u>	<u>1,250</u>
<u>Supplies Trans. &amp; Dist.</u>	<u>15,000</u>	<u>1,250</u>
<u>Lab Testing</u>	<u>20,000</u>	<u>1,666</u>
<u>Building &amp; Grounds Maintance</u>	<u>9,500</u>	<u>708</u>
<b>TOTAL WATER TREATMENT</b>	<b>875,200</b>	<b>72,933</b>

**ADMINISTRATIVE PAYROLL AND RELATED EXPENSES**

<u>Salaries Administration</u>	<u>120,000</u>	<u>10,000</u>
<u>RETIREMENT</u>	<u>108,000</u>	<u>9,000</u>
<u>Employee Insurance</u>	<u>80,000</u>	<u>6,666</u>
<u>Payroll Tax Expense</u>	<u>42,000</u>	<u>3,500</u>
<u>Commissioners Expense</u>	<u>7,200</u>	<u>600</u>
<u>Unemployment</u>	<u>3,000</u>	<u>250</u>
<u>Health Reimbursement</u>	<u>7,000</u>	<u>583</u>
<b>TOTAL SALARY EXPENSES</b>	<b>367,200</b>	<b>30,600</b>

2019 BUDGET

<b>MAINTENANCE EXPENSES</b>		
REPAIR & MAIN. VEHICLES	<u>9,000</u>	<u>833</u>
SOFTWARE / SUPPORT METERS	<u>13,000</u>	<u>1,166</u>
REPAIR & MAIN. EQUIPMENT	<u>6,000</u>	<u>500</u>
<b>TOTAL MAIN. EXPENSES</b>	<u>28,000</u>	<u>2,333</u>
<b>GENERAL EXPENSES</b>		
LEGAL, ACCOUNTING & AUDIT	<u>25,000</u>	<u>2,083</u>
Insurance Property & Liability	<u>34,000</u>	<u>2,833</u>
Communication & Postage	<u>24,000</u>	<u>2,000</u>
Office Supplies	<u>21,000</u>	<u>1,750</u>
Fuel	<u>20,000</u>	<u>1,666</u>
Trash Disposal	<u>5,300</u>	<u>441</u>
PSC ASSESSMENT/KRWA DUES	<u>5,500</u>	<u>458</u>
Office Electric	<u>3,500</u>	<u>291</u>
Employee Continue Education	<u>3,000</u>	<u>250</u>
Bank Charges	<u>2,500</u>	<u>208</u>
Insurance Bond Road Bores	<u>1,200</u>	<u>100</u>
Bad Debts	<u>4,000</u>	<u>333</u>
Office Propane	<u>1,500</u>	<u>125</u>
Office Water & Sewer	<u>700</u>	<u>58</u>
Miscellaneous	<u>3,000</u>	<u>250</u>
UNIFORM EXPENSE	<u>4,500</u>	<u>375</u>
<b>TOTAL GENERAL EXPENSES</b>	<u>158,700</u>	<u>13,225</u>
DEPRECIATION	<u>669,200</u>	<u>55,766</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,070,300</u>	<u>172,525</u>
Interest Debt Service	<u>438,200</u>	<u>36,516</u>
<b>Total Nonoperating Expenses</b>		

# EXHIBIT E



**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**

**FINANCIAL STATEMENTS  
With Independent Auditor's Report**

**YEAR ENDED DECEMBER 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Crittenden-Livingston County Water District  
Salem, KY

We have audited the accompanying financial statements of the business-type activities of the Crittenden-Livingston County Water District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Crittenden-Livingston County Water District, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter – Change in Accounting Principle*

As described in Note N to the financial statements, the District adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective as of January 1, 2018. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 and the pension and medical plan schedules on pages 35-38 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crittenden-Livingston County Water District's basic financial statements. The supplemental statement of revenues, expenses and changes in net position – budget to actual on page 39 and detail schedule of operating expenses on page 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental statement of revenues, expenses and changes in net position – budget to actual and detail schedule of operating expenses are the responsibility of management and were derived from and relate 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison statement and detailed schedule of operating expenses 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 February 21, 2020 on our consideration of Crittenden-Livingston 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 the effectiveness of Crittenden-Livingston County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crittenden-Livingston County Water District's internal control over financial reporting and compliance.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
February 21, 2020

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

The Crittenden-Livingston County Water District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the year ended December 31, 2018. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

**FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows of resources of the District exceed its total liabilities and deferred inflows of resources at December 31, 2018 by \$6,775,400 (Net Position). Of this amount \$693,437 is restricted, and \$7,069,639 is invested in capital assets net of the related debt, leaving negative unrestricted net position of \$987,676.
- The District's net position decreased by \$164,760 resulting in a December 31, 2018 balance of \$6,775,400. This balance represents a decrease of 2.4% in the change of net position over the adjusted December 31, 2017 balance of \$6,940,160.
- The District's 2018 operating revenues of \$2,407,553 decreased 0.4% from the 2017 amount, and operating expenses for 2018 of \$2,245,359 increased 4.5%. Non-operating income for 2018, consisted of interest income of \$4,167 and capital contributions consisting of tap on fees and new lines of \$49,035.
- The District's unrestricted cash available for operating expenses was \$22,561 at December 31, 2018.
- The District's investment in capital assets was \$18,705,098 net of depreciation at December 31, 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Statement of net position.** The statement of net position presents the financial position of the District. It presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is displayed in three components: net investment in capital assets, restricted (distinguished between major categories of restrictions) and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on page 9-10.

**Statement of revenues, expenses and changes in net position.** The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when they are earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The statement of revenues, expenses and changes in net position is on page 11 of this report.

**Statement of cash flows.** The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year and can be found on page 12-13.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 14-34 of this report.

**Required Supplementary Information.** In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on page 35-38.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,775,400 at December 31, 2018.

For the current year, the District reported a net loss of \$164,760. The most significant component of this loss was an increase in administrative and general expenses from the prior year of \$30,667. Of that amount, retirement expense increased \$35,034 due to the required GASB 68 and 75 pension and other postemployment benefits adjustments.

During 2018, the District's net capital assets decreased \$569,460, and total debt liabilities decreased by \$226,290. Unrestricted net position decreased \$317,243, from a negative \$670,433 at December 31, 2017, to a negative \$987,677 at December 31, 2018.

The District noted operating revenue of \$2,407,553, a 0.4% decrease from the 2017 revenue of \$2,417,743. Operating expenses increased \$97,428 from the 2017 amount of \$2,147,931. Interest expense decreased \$84,162 from 2017. The total interest expense recognized in 2018 was \$380,156.

Overall, the District's financial position decreased \$164,760 during 2018.

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT'S  
NET POSITION**

<b>Assets</b>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 503,380	\$ 484,330
Restricted assets	693,437	975,448
Capital assets	<u>18,705,098</u>	<u>19,274,557</u>
<b>Total Assets</b>	<u>19,901,915</u>	<u>20,734,335</u>
<b>Deferred Outflows of Resources</b>	<u>303,027</u>	<u>602,850</u>
<b>Liabilities</b>		
Current liabilities	195,321	320,565
Current portion of long-term debt	651,062	634,235
Long-term liabilities	<u>12,483,064</u>	<u>12,600,936</u>
<b>Total Liabilities</b>	<u>13,329,447</u>	<u>13,555,736</u>
<b>Deferred Inflows of Resources</b>	<u>100,095</u>	<u>282,301</u>
<b>Net Position</b>		
Net investment in capital assets	7,069,640	7,184,106
Restricted	693,437	985,475
Unrestricted	<u>(987,677)</u>	<u>(670,433)</u>
<b>Total Net Position</b>	<u>\$ 6,775,400</u>	<u>\$ 7,499,148</u>

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

An additional portion of the District's net position represents resources that are subject to restrictions on how they may be used. The remaining balance of net position is a negative unrestricted balance of \$987,676.

**Analysis of the District's Operations** – Overall the District had a decrease in net position of \$164,760.

The following table provides a summary of the District's operations for the year ended December 31, 2018 and 2017.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
CHANGES IN NET POSITION**

	2018	2017
<b>Revenues</b>		
Operating revenues	\$ 2,407,553	\$ 2,417,743
Investment income	4,167	1,681
Grant revenues	-	98,518
Capital contributions	49,035	46,020
Total revenues	2,460,755	2,563,962
<b>Expenses</b>		
Depreciation and amortization	686,549	665,746
Transmission and distribution expenses	677,669	675,970
Administrative and general expenses	643,394	612,727
Interest on debt and other	380,156	464,318
Water treatment	151,760	135,966
Payroll and other taxes	42,655	38,942
Bad debts	25,540	413
Customer accounts expenses	17,792	18,167
Total Expenses	2,625,515	2,612,249
<b>Change in net position</b>	(164,760)	(48,287)
<b>Net position - January 1 - restated</b>	6,940,160	7,547,435
<b>Net position - December 31</b>	\$ 6,775,400	\$ 7,499,148

**FINANCIAL ANALYSIS OF THE DISTRICT'S OPERATIONS**

Overall, the District's financial position is consistent with the previous year.

**BUDGETARY HIGHLIGHTS**

The original budget and the final budget passed by the board anticipated operating revenues of \$2,420,700 and operating expenses of \$2,021,400. Budgeted operating revenues exceeded actual revenues by \$13,147, and actual operating expenses exceeded budgeted expenses by \$223,959 for a negative variance in operating income of \$237,106.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

The District's investment in capital assets for business-type activities as of December 31, 2018, amounts to \$18,705,098 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plant and facilities, machinery and equipment, and infrastructure.

	2018	2017
<b>Business-type activities:</b>		
Capital assets, not being depreciated:		
Land	\$ 101,969	\$ 101,969
Total capital assets, not being depreciated	101,969	101,969
Capital assets, being depreciated:		
Transmission and distribution	14,894,865	15,372,084
Buildings	42,688	22,811
Furniture and fixtures	4,246	4,922
Machinery and equipment	3,661,330	3,772,771
Total capital assets, being depreciated	18,603,129	19,172,588
 Business-type activities capital assets, net	 \$ 18,705,098	 \$ 19,274,557

During the year ended December 31, 2018, the District acquired assets totaling \$117,090. This included telemetry, new lines, and meter installs.

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

### Long-term and other debt

At the end of the current year, the Crittenden-Livingston County Water District had total debt of \$11,577,297. The District entered into an agreement with Kentucky Infrastructure Authority to finance the Moore Hill water tank project. The total amount financed was \$978,850. The District also issued new revenue bonds to payoff the 2008 and 2013 USDA Revenue Bonds. The total amount of the refunding debt was \$2,090,000. Long-term debt at December 31, 2018, was as follows:

	2018	2017
2013 Flexible Term Financing	\$ 2,705,000	\$ 2,905,000
KACO Lease 2017C	2,300,000	2,375,000
KACO Lease 2018B	2,020,000	-
2013 Flexible Term Financing	1,870,000	1,925,000
Revenue Bond Series 2008C	925,000	1,040,000
KIA Loan - Moore Hill water tank	918,763	960,486
KIA Loan	413,106	491,378
KIA Loan - Radio-read Meters	229,019	242,509
Reoffering Premium	169,242	145,177
KACO Leases Premium	75,171	27,555
Revenue Bond Series 2000A	-	1,566,000
Revenue Bond Series 1995A	-	610,000
Total	\$ 11,625,301	\$ 12,288,105

The District has an outstanding line of credit balance with Farmers Bank of \$10,157 on December 31, 2018.

Interest expense of \$380,156 was incurred during the year ended December 31, 2018.

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

## **REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the Crittenden-Livingston County Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Ronnie Slayden, Superintendent, Crittenden-Livingston County Water District, 620 East Main Street, Salem, KY 42078.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2018**

	<b>2018</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 22,561
Accounts receivable, less allowance for doubtful accounts of \$13,254	210,588
Unbilled revenue	135,046
Other accounts receivable	275
Prepaid expenses	20,910
Inventory, at cost	114,000
Total current assets	503,380
<b>RESTRICTED ASSETS</b>	
Checking and Cash Management Accounts	
Employee benefits and customer deposits	22,814
Depreciation, construction and sinking funds held by District	185,882
Sinking funds held in trust	484,741
Total restricted assets	693,437
<b>NON-CURRENT ASSETS</b>	
Capital Assets	
Capital assets, not being depreciated	101,969
Capital assets, being depreciated, net	18,603,129
Total non-current assets	18,705,098
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges - pensions	222,212
Deferred charges - other post-employment benefits	80,815
Total deferred outflows of resources	303,027
<b>Total Assets</b>	<b>20,204,942</b>

The notes to financial statements are an integral part of this statement.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
STATEMENT OF NET POSITION (CONTINUED)  
December 31, 2018**

	<b>2018</b>
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 43,347
Accrued and withheld payroll taxes	26,421
Accrued interest payable	111,033
Customer deposits	14,520
Line of credit	10,157
Debt payable – current	640,905
Total current liabilities	846,383
<b>NON-CURRENT LIABILITIES</b>	
Debt payable, non-current	10,984,396
Pension obligations	1,160,386
Other post-employment benefit obligations	338,282
Total long-term debt	12,483,064
Total non-current liabilities	12,483,064
<b>Total Liabilities</b>	<b>13,329,447</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	33,466
Deferred inflows - other post-employment benefits	66,629
Total deferred inflows of resources	100,095
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	7,069,640
Restricted for debt service and construction	693,437
Unrestricted (Deficit)	(987,677)
<b>Total Net Position</b>	<b>\$ 6,775,400</b>

The notes to financial statements are an integral part of this statement.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2018**

	<b>2018</b>
<b>OPERATING REVENUE</b>	
Sales of water, net of refunds	\$ 2,340,739
Other	66,814
Total operating revenues	2,407,553
<b>OPERATING EXPENSES</b>	
Depreciation expense	686,549
Transmission and distribution expenses	677,669
Administrative and general expenses	643,394
Water treatment expenses	151,760
Payroll and other taxes	42,655
Customer accounts expenses	17,792
Bad debt expense	25,540
Total operating expenses	2,245,359
<b>Operating income (loss)</b>	162,194
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	4,167
Interest expense	(380,156)
Tap-on fees	18,850
Contributions from customers and developers	30,185
Grants for capital projects	-
Total non-operating revenues (expenses)	(326,954)
<b>Changes in net position</b>	(164,760)
<b>TOTAL NET POSITION - BEGINNING AS RESTATED</b>	6,940,160
<b>TOTAL NET POSITION - ENDING</b>	\$ 6,775,400

The notes to financial statements are an integral part of this statement.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2018**

	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Collections from customers	\$ 2,325,245
Cash paid to suppliers	(638,832)
Cash paid to employees for salaries and benefits	(758,603)
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>927,810</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of property, plant and equipment	(117,090)
Proceeds from debt issued net of issue costs	2,144,033
Proceeds from line of credit	22,922
Payments on line of credit	(12,765)
Principal payments on debt	(2,824,485)
Interest payments on debt	(500,976)
Capital contributions	49,035
Capital grant contributions	-
<b>CASH FLOWS USED BY CAPITAL ACTIVITIES</b>	<b>(1,239,326)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	4,167
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>	<b>4,167</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(307,349)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>1,023,347</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 715,998</b>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:</b>	
Contributions from developers	\$ -
Total noncash contributions	\$ -

The notes to financial statements are an integral part of this statement.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Year Ended December 31, 2018**

	<b>2018</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 162,194
Adjustments to reconcile net income (loss) to net cash provided by operations:	
Depreciation and amortization	686,549
Changes in operating assets and liabilities:	
Accounts and other receivables	(58,928)
Prepaid expenses	(621)
Inventory	15,161
Accounts payable	(41,367)
Accrued and withheld payroll taxes	1,348
Customer deposits	2,160
Pension, OPEB and related deferrals	161,314
Other current liabilities	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 927,810</b>

The notes to financial statements are an integral part of this statement.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

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

**Principles Determining Scope of Reporting Entity**

The District's financial report includes only the funds of the District. The District has no oversight responsibility for any other governmental entity and is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board pronouncement. The District's Board members are appointed by the County Judge Executives of Crittenden and Livingston counties, and they have decision-making authority, the authority to set rates, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**Basis of Presentation**

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

**Measurement Focus/Basis of Accounting**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District are charges for water service. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Reclassification**

Prior period financial statement amounts have been reclassified to conform to current period presentation.

**Sales of Water**

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



**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budget**

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

- 1) The District to submit a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) The District is required to submit a budget to the Department of Rural Development for each fiscal year as stipulated in the bond agreement.

For the year ended December 31, 2018, the District has complied with budgetary guidelines.

**Cash Equivalents/ Investments**

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

For the purpose of the statement of cash flows, the District considers all cash in banks and certificates of deposit with stated maturities of three months or less or available for withdrawal by management to be cash and cash equivalents. Cash equivalents consist of funds held in a sweep account in a financial institution.

**Receivables and Credit Policies**

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 15 days from the invoice date. Unpaid accounts receivable with invoice mailing dates over 15 days old are subject to a 10% penalty on the outstanding balance. Customers are subject to disconnection after 25 days past invoice date. Reconnections are subject to reconnect fees which are recognized as income when received.

Accounts receivable are stated at amounts billed to the customer plus any accrued penalties. Customer account balances with invoices dated over 120 days old are considered delinquent.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amounts of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews accounts receivable balances that exceed 120 days from invoice date and; based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, for the remaining aggregate accounts, management establishes a general allowance based on historical averages.

**Inventory**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid items.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets are stated at original cost as defined for regulatory purposes. The costs of additions to capital assets and replacement of retirement units are capitalized. Replacements of minor items of property are charged to expense as incurred. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs are charged to income as incurred; significant betterments are capitalized. Land and construction in progress are not depreciated. Estimated useful lives are generally those established by the Public Service Commission of the Commonwealth of Kentucky as the following:

<u>Capital asset classes</u>	<u>Years</u>
Buildings	10-50
Transmission Lines	5-50
Plant and Pumping Equipment	5-10
Meters	5-10
Office Equipment & Furniture	5-10
Vehicles	5

Donated assets are stated at fair value on the date donated. Contributions from customers for the purpose of purchasing service connections to the utility plant are recorded as income when they are received.

**Unearned Revenue**

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

**Deferred Outflows/Inflows of Resources**

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

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

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

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

**Restricted Assets**

The restricted assets have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. See Note C for information describing restricted assets.

**Pensions and Other Postemployment Benefits**

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

**Net Position**

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

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

**Use of Estimates**

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

**Advertising**

The District expenses advertising costs as they are incurred. Such expenses primarily relate to advertising in local directories and requests for invitations to bid on contractual services or construction projects.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the year ended December 31, 2018, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Adoption of New Accounting Pronouncements**

**GASB Statement No. 75**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued June 2015. The provisions of this Statement are effective for periods beginning after June 15, 2017. This Statement replaces Statements No. 45 and 57. The District reported a prior period adjustment of \$310,251 to record their portion of the unfunded liability.

**GASB Statement No. 83**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued November 2016. The provisions of this Statement are effective for periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

**Recent Accounting Pronouncements**

As of December 31, 2018, the GASB has issued the following statements not yet required to be adopted by the District:

**GASB Statement No. 87**

GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after December 15, 2019. This Statement will increase the usefulness of government financial statements by required reporting of certain lease liabilities that currently are not required. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The District's management has not yet determined the effect this statement will have on the financial statements.

**GASB Statement No. 88**

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued in April 2018. The provisions of this pronouncement are effective for periods beginning after June 15, 2018. This pronouncement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The District's management has not yet determined the effect this pronouncement will have on the financial statements.

**NOTE B - DEPOSITS AND INVESTMENTS**

**1. Net Position**

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

	<u>Cash on Hand</u>	<u>Demand Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 200	\$ 22,361	\$ -	\$ 22,561
Investments	-	-	-	-
Restricted – cash equivalents	-	693,437	-	693,437
Total	<u>\$ 200</u>	<u>\$ 715,798</u>	<u>\$ -</u>	<u>\$ 715,998</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - DEPOSITS AND INVESTMENTS (continued)**

**2. Deposits**

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

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

Custodial Credit Risk is the risk that in the event of a failure of a depository institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the District's deposits in financial institutions were \$715,998, and the bank balances were \$727,983. Of the bank balances, \$493,241 was covered by federal depository insurance, with \$234,742 covered by collateral held by the pledging financial institution's agent or trust department in the District's name.

The District holds cash deposits in the amount of \$484,741 in the Regions Trust Cash Sweep III (RTCS). RTCS is a bank deposit account offered through Regions Institutional Services. The RTCS does not directly invest in securities. It is a deposit account that is collateralized by government securities. Collateral may include:

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

RTCS is FDIC Insured up to \$250,000. Deposit account amounts in excess of \$250,000 are secured by perfected liens on Regions Bank's securities in an amount not less than 105% of the total excess deposits. In the event of a default, the collateral reverts to the Collateral Agent to be distributed to the account owners. RTCS deposits are identified as "cash" on client statements; there are no market value fluctuations.

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

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

**3. Investments**

*Interest Rate Risk*

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - DEPOSITS AND INVESTMENTS (continued)**

*Credit Risk*

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

*Concentration of Credit Risk*

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

**NOTE C – RESTRICTED CASH**

Restricted cash as of December 31, 2018 consists of the following:

	<u>Depreciation Fund</u>	<u>Sinking Funds</u>	<u>Maintenance/ Replacement</u>	<u>Employee Benefits</u>	<u>Tenant Deposits</u>	<u>Total</u>
Cash equivalents	\$ <u>108,935</u>	\$ <u>550,051</u>	\$ <u>11,637</u>	\$ <u>11,412</u>	\$ <u>11,402</u>	\$ <u>693,437</u>

**Depreciation Reserve** - The bond ordinances require Crittenden Livingston Water District to make monthly contributions to this fund after observing the priority of deposits into the Sinking Fund. The funds in the Depreciation Fund can be expended for the purpose of paying the cost of unusual or extra-ordinary maintenance, repairs, renewals or replacements, and the cost of constructing additions and improvements to the system. The District is to contribute monthly to the reserve account until an amount equal to one-thirty-sixth (1/36) of the Depreciation Reserve Requirement. At December 31, 2018, the balance of the Depreciation Reserve Fund was \$108,935.

**Crittenden Livingston Water Sinking Fund** - The sinking fund was established for the purpose of paying the principal and interest on the Water Revenue Bonds and Revenue Refunding Bonds. The bond ordinances require that the amount deposited each month equals one-sixth of the next succeeding interest requirement and one-twelfth of the principal requirements becoming due on the note on the next succeeding January 1. At December 31, 2018, the balance of the Sinking Fund was \$550,051.

**Maintenance/Replacement Reserve Accounts** - The Revenue Refunding Bonds, the Kentucky Infrastructure Authority loans for the Moore Hill Water Tank Radio Read Meters require the District to make monthly contributions to a reserve account for maintenance and replacement expenses. The 2018 Revenue Refunding Bonds require one-forty-eight (1/48) of the maximum debt service requirements. The KIA Moore Hill Water Tank loan requires annual contributions of \$2,600 until a balance of \$26,000 is reached. The KIA Radio Read Meters loan requires a 10% contribution of the loan payment amount until a balance of 5% of the original principal amount (\$15,000) is reached. At December 31, 2018, the balance of the Maintenance/Replacement accounts were \$11,637.

**Health Reimbursement Account** - The District, in an effort to offset rising employee health insurance costs, has established a program, whereby, employees participate in a high-deductible healthcare plan with deductible amounts being paid by the District. At the beginning of each plan year, the amount of each employees deductible is set aside in a separate restricted bank account. As employees incur health care costs, amounts up to the per person deductible are reimbursed to the eligible employee from this account. Any excess left in the account at the end of the plan year is used to fund the maximum amount to be set aside for the following year. As of December 31, 2018, the balance in the Health Reimbursement Account was \$11,412.

**Crittenden Livingston Tenant Deposit Fund** - This account is set aside to account for customer deposits. At December 31, 2018, the restricted balance of the Crittenden Livingston Tenant Deposit Fund was \$11,402.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE D - CAPITAL ASSETS**

The major classifications and related costs of utility plant assets as of December 31 are as follows:

	<u>Balance as of Dec 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of Dec 31, 2018</u>
<b><u>Capital assets, not being depreciated:</u></b>				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	101,969	-	-	101,969
Total capital assets, not being depreciated:	<u>101,969</u>	<u>-</u>	<u>-</u>	<u>101,969</u>
<b><u>Capital assets, being depreciated:</u></b>				
Lake and river intake	888,411	-	-	888,411
Pumping equipment	307,236	-	-	307,236
Water treatment structure	6,900	-	-	6,900
Water treatment equipment	4,402,784	-	-	4,402,784
Transportation equipment	131,306	-	-	131,306
Distribution reservoirs and pipe	1,676,161	-	-	1,676,161
Small equipment	23,073	-	-	23,073
Transmission and distribution	14,128,182	33,333	-	14,161,515
Lab equipment	6,231	-	-	6,231
Power equipment	65,632	7,500	-	73,132
Services	6,012,089	-	-	6,012,089
Meters and installation	1,314,266	16,703	-	1,330,969
Communication equipment	146,916	36,637	-	183,553
Hydrants	228,940	-	-	228,940
Office furniture and fixtures	48,355	-	-	48,355
Office building	51,928	22,917	-	74,845
Total capital assets, being depreciated	<u>29,438,410</u>	<u>117,090</u>	<u>-</u>	<u>29,555,500</u>
Less accumulated depreciation				
Lake and river intake	(193,391)	(17,769)	-	(211,160)
Pumping equipment	(138,298)	(19,155)	-	(157,453)
Water treatment structure	(3,958)	(685)	-	(4,643)
Water treatment equipment	(1,714,826)	(87,965)	-	(1,802,791)
Transportation equipment	(107,512)	(16,585)	-	(124,097)
Distribution reservoirs and pipe	(260,366)	(33,496)	-	(293,862)
Small equipment	(15,389)	(1,093)	-	(16,482)
Transmission and distribution	(4,930,051)	(282,844)	-	(5,212,895)
Lab equipment	(4,936)	(109)	-	(5,045)
Power equipment	(65,632)	(31)	-	(65,663)
Services	(2,084,968)	(171,767)	-	(2,256,735)
Meters and installation	(537,433)	(37,222)	-	(574,655)
Communication equipment	(40,647)	(10,121)	-	(50,768)
Hydrants	(92,923)	(4,676)	-	(97,599)
Office furniture and fixtures	(43,433)	(676)	-	(44,109)
Office building	(32,059)	(2,355)	-	(34,414)
Total accumulated depreciation	<u>(10,265,822)</u>	<u>(686,549)</u>	<u>-</u>	<u>(10,952,371)</u>
Total capital assets, being depreciated, net:	<u>19,172,588</u>	<u>(569,459)</u>	<u>-</u>	<u>18,603,129</u>
<b>Total District capital assets – net:</b>	<u>\$ 19,274,557</u>	<u>\$ (569,459)</u>	<u>\$ -</u>	<u>\$ 18,705,098</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE E - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
<b>Pensions</b>				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 33,282	\$ 40,873	\$ (33,282)	\$ 40,873
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	65,858	-	(35,771)	30,087
<i>Differences between expected and actual experience</i>	1,389	53,234	(16,774)	37,849
<i>Change of assumptions</i>	206,633	-	(93,230)	113,403
<i>Difference between projected and actuarial earnings</i>	13,851	-	(13,851)	-
<i>Pension related deferred outflows</i>	<u>\$ 321,013</u>	<u>\$ 94,107</u>	<u>\$ (192,908)</u>	<u>\$ 222,212</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 6,308	\$ -	\$ (3,741)	\$ 2,567
<i>Difference between expected and actuarial experience</i>	28,425	-	(11,439)	16,986
<i>Difference between projected and actuarial earnings</i>	-	31,140	(17,227)	13,913
<i>Pension related deferred inflows</i>	<u>\$ 34,733</u>	<u>\$ 31,140</u>	<u>\$ (32,407)</u>	<u>\$ 33,466</u>
<b>Other Post-employment Benefits (OPEB)</b>				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 10,798	\$ 13,255	\$ (10,798)	\$ 13,255
<i>Change of assumptions</i>	83,686	-	(16,126)	67,560
<i>OPEB related deferred outflows</i>	<u>\$ 94,484</u>	<u>\$ 13,255</u>	<u>\$ (26,924)</u>	<u>\$ 80,815</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 892	\$ -	\$ (2,232)	\$ 3,124
<i>Differences between expected and actual experience</i>	1,068	45,835	(7,481)	39,422
<i>Change of assumptions</i>	-	929	(147)	782
<i>Difference between projected and actuarial earnings</i>	18,176	12,156	(7,031)	23,301
<i>OPEB related deferred inflows</i>	<u>\$ 20,136</u>	<u>\$ 58,920</u>	<u>\$ (16,891)</u>	<u>\$ 66,629</u>

**NOTE F – LONG-TERM LIABILITIES**

**Revenue Bonds Payable**

The Crittenden Livingston Water District Waterworks Revenue Bonds of 1995 (Series A) were issued in the amount of \$884,000 to finance the cost of the Phase 5 construction project (system additions). The bond maturity dates are January 1, 1998-2035. The interest rate is 4.5%. This issue was purchased by United States Department of Agriculture Rural Economic and Community Development.

The Crittenden Livingston Water District Waterworks Revenue Bonds of 2000 (Series A) in the amount of \$2,000,000 were issued to finance the cost of the Phase 6b construction project (water plant). The bond maturity dates are January 1, 2003-2040. The interest rate is 4.5%. This issue was purchased by United States Department of Agriculture Rural Economic and Community Development.



**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE F – LONG-TERM LIABILITIES (continued)**

The 1995 and 2000 USDA Refunding bonds were refinanced through a lease agreement with Kentucky Association of Counties Finance Corporation on May 1, 2018.

In May 2008 Crittenden Livingston Water District issued Waterworks Revenue Bonds of 2008 (Series C) in the amount of \$1,920,000 to current refund revenue bonds 1998, 1991, 1994 & 1996 issuances. The current refunding met the requirement of an in-substance debt defeasance and the revenue bonds were removed from the District's financial statements.

The bond maturity dates are January 1, 2009-2030. This issue was purchased by Morgan, Keegan, and Company, Inc. Interest rates are shown below:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2009	2.35%	2020	4.050%
2010	2.55%	2021	4.050%
2011	3.05%	2022	4.175%
2012	3.05%	2023	4.175%
2013	3.30%	2024	4.300%
2014	3.30%	2025	4.300%
2015	3.55%	2026	4.300%
2016	3.55%	2027	4.425%
2017	4.05%	2028	4.425%
2018	4.05%	2029	4.550%
2019	4.05%	2030	4.550%

The bonds are secured and payable from an exclusive pledge of a fixed portion of gross revenues of the Waterworks System as now or hereafter constituted and additionally secured by a statutory lien on the Waterworks System.

In March 2013, the District entered into a flexible term finance program with Kentucky Rural Water to refinance the 2004 D Kentucky Rural Water Finance Corporation Bonds, with an interest rate of 3.120%-4.620%, and the 2000 B, with an interest rate of 4.75%, and 2000 C Rural Development Bonds with an interest rate of 4.500%. The total loan amount of \$5,780,000 is divided into two separate loans. The amount of \$3,690,000 is a 15 year loan with a variable interest rate of 2.30% to 4.80%. Principal repayment began in 2014, and the loan will be paid out in 2029. The remaining loan amount of \$2,090,000 is a 27 year loan with a variable interest rate of 2.30% to 4.80%. Principal repayment began in 2014, and the loan will be paid out in 2040.

The following is a summary of changes in bonds payable for the year ended December 31, 2018:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds Payable:					
1995 Issue (Series A)	\$ 610,000	\$ -	\$ (610,000)	\$ -	\$ -
2000 Issue (Series A)	1,566,000	-	(1,566,000)	-	-
2008 Issue	1,040,000	-	(115,000)	925,000	120,000
2013 Flexible Term Financing	2,905,000	-	(200,000)	2,705,000	185,000
2013 Flexible Term Financing	1,925,000	-	(55,000)	1,870,000	55,000
2013 Reoffering Premium	196,879	-	(27,637)	169,242	-
<b>Total Long-Term Payables</b>	<b><u>\$ 8,242,879</u></b>	<b><u>\$ -</u></b>	<b><u>\$(2,573,637)</u></b>	<b><u>\$ 5,669,242</u></b>	<b><u>\$ 360,000</u></b>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE F - LONG-TERM LIABILITIES (Continued)**

The annual debt service requirements to maturity for bonds payable as of December 31, 2018, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 360,000	\$ 209,229	\$ 569,229
2020	375,000	193,739	568,739
2021	390,000	177,616	567,616
2022	435,000	160,126	595,123
2023	455,000	140,391	595,391
2024-2028	1,970,000	453,386	2,423,386
2029-2033	765,000	188,845	953,845
2034-2038	515,000	96,255	611,255
2039-2040	235,000	9,322	244,322
<b>Total</b>	<u>\$ 5,500,000</u>	<u>\$ 1,628,909</u>	<u>\$ 7,218,909</u>

**Kentucky Infrastructure Authority Notes Payable**

Kentucky Infrastructure Authority (KIA) note dated November 1, 2001, at 1.8%, payable in 40 semiannual payments including principal and interest. Loan funds advanced were used on an interim basis to finance the construction of extensions, additions, and improvements to the existing waterworks system.

In August 2011, Crittenden Livingston Water District was approved for a loan to replace all existing meters with meters utilizing radio-read technology. The total cost of the project is not to exceed \$300,000 and will be financed by the Kentucky Infrastructure Authority under a loan bearing interest at 2%.

In July 2016, Crittenden Livingston Water District was approved for a loan to construct the Moore Hill water tank. The total cost of the project was \$978,850 and will be financed by the Kentucky Infrastructure Authority under a loan bearing interest at 1.75%.

The schedule of notes payable and the maturity schedule follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable:					
2001 KIA note payable	\$ 491,378	\$ -	\$ (78,272)	\$ 413,106	\$ 79,687
2011 KIA note payable	242,509	-	(13,490)	229,019	13,761
2016 KIA note payable	960,486	-	(41,723)	918,763	42,457
<b>Total Notes Payables</b>	<u>\$ 1,694,373</u>	<u>\$ -</u>	<u>\$ (133,485)</u>	<u>\$ 1,560,888</u>	<u>\$ 135,905</u>

The annual debt service requirements to maturity for notes payable as of December 31, 2018, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2019	\$ 135,905	\$ 30,989	\$ 166,894
2020	138,369	28,391	166,760
2021	140,877	25,542	166,419
2022	143,431	22,642	166,073
2023	146,032	19,669	165,701
2024-2028	319,017	72,733	391,750
2029-2033	339,995	38,671	378,666
2034-2037	197,262	7,959	205,221
<b>Total</b>	<u>\$ 1,560,888</u>	<u>\$ 246,596</u>	<u>\$ 1,807,484</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE F - LONG-TERM LIABILITIES (Continued)**

**Leases**

The Fiscal Court of Livingston County, Kentucky, in an Ordinance passed and adopted on August 24, 2010, authorized a plan to payoff a short term note of the Crittenden Livingston Water District in the amount of \$2,500,000 with funds provided to the County by the Kentucky Association of Counties Finance Corporation through a financing agreement between the County and KACO. The Series 2010A Lease was refinanced in 2017.

On September 21, 2017, the District entered into an agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds, 2017 First Series C. The proceeds were used to replace the Series 2010A Lease with Kentucky Association of Counties Finance Corporation, a short term note, the proceeds of which were used to run approximately 90 miles of waterline in Crittenden and Livingston County. The new bonds were issued for \$2,445,000, carry an interest rate of 3.03%, and matures January 1, 2039. These bonds were issued with a lease premium of \$27,882, which will be recognized over the life of the bond.

On May 1, 2018, the District entered into a lease agreement with Kentucky Association of Counties Finance Corporation to issue Revenue Bonds, 2018 Series B. The proceeds were used to replace the 1995 and 2000 USDA Bonds. The new bonds were issued for \$2,090,000, carry an interest rate of 3.44%, and will mature on January 1, 2040. These bonds were issued with a premium of \$54,033, which will be recognized over the life of the bond.

The schedule of leases payable and the maturity schedule follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Leases Payable:					
KACO – 2017C	\$ 2,375,000	\$ -	\$ (75,000)	\$ 2,300,000	\$ 75,000
KACO – 2018B	-	2,090,000	(70,000)	2,020,000	70,000
Premium	26,939	54,033	(5,800)	75,172	-
Total Leases Payables	<u>\$ 2,401,939</u>	<u>\$2,144,033</u>	<u>\$ (150,800)</u>	<u>\$ 4,395,172</u>	<u>\$ 145,000</u>

The annual debt service requirements to maturity for notes payable as of December 31, 2018, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2019	\$ 145,000	\$ 175,899	\$ 320,899
2020	150,000	169,124	319,124
2021	155,000	161,949	316,949
2022	160,000	154,562	314,562
2023	170,000	146,912	316,912
2024-2028	1,000,000	593,209	1,593,209
2029-2033	1,200,000	385,772	1,585,772
2034-2038	1,240,000	161,997	1,401,997
2039-2040	100,000	5,119	105,119
Total	<u>\$ 4,320,000</u>	<u>\$ 1,954,543</u>	<u>\$ 6,274,543</u>

Leased equipment under capital lease in capital assets at December 31, 2018, included the following:

Facilities and equipment	\$ 3,455,798
Less: Accumulated depreciation	<u>(1,086,425)</u>
Total Leases Payables	<u>\$ 2,369,373</u>

Amortization of leased facilities and equipment is included in depreciation expense.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE F - LONG-TERM LIABILITIES (Continued)**

**Line of Credit**

In August 2017, the District entered into a line of credit agreement with Farmers Bank for the remodel of their office. The line of credit has a limit of \$50,000 with an interest rate of 5.0%. This is a twelve-month revolving line of credit that is re-evaluated at each maturity. There are no payments required. Principal and interest are due at maturity. The District took draws totaling \$22,922 during 2018. As of December 31, 2018, the outstanding balance was \$10,157.

Interest expense recognized in the year ending December 31, 2018 is \$380,156.

**NOTE G - EMPLOYEE RETIREMENT DISTRICT**

The District provides retirement benefits to its employees through a multi-employer public employee retirement fund administered by the Kentucky County Employees Retirement District (CERS). Information regarding this plan is as follows:

**County Employees' Retirement District**

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

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

*Non-hazardous members:*

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)**

*Hazardous members:*

Tier 1	Participation date Unreduced retirement  Reduced retirement	Prior to September 1, 2008 20 years of service and any age Minimum 5 years of service and 55 years old Minimum 15 years of service and 50 years old
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 to December 31, 2013 Minimum 5 years of service and 60 years old 25 years of service and any age Minimum 15 years of service and 50 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 Minimum 5 years of service and 60 years old 25 years of service and any age Not available

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

*Plan Funding* – State statute requires active members to contribute a % of creditable compensation based on their tier:

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

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the District, as required by KRS 61.565 and 61.752. The District's required contribution rate for non-hazardous employees was 19.18% for the period January 1, 2018 to June 30, 2018; and 21.48% for the period July 1, 2018 to December 31, 2018.

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

At December 31, 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability that was associated with the District was as follows:

	<u>2018</u>
CERS net pension liability associated with the District	<u>\$ 1,160,386</u>

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)**

The net pension liability for the plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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 District as determined by the actuary. At June 30, 2018, the District's non-hazardous proportion was 0.019053%.

For the year ended December 31, 2018, the District recognized pension expense of \$214,095 related to CERS pension plans. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 37,849	\$ 16,986
Changes in assumptions	113,403	-
Net difference between projected and actual earnings on pension plan investments	-	13,913
Changes in proportion and differences between District contributions and proportionate share of contributions	30,087	2,567
District contributions subsequent to the measurement date	<u>40,873</u>	<u>-</u>
Total	<u>\$ 222,212</u>	<u>\$ 33,466</u>

The District reported \$40,873 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the plan year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Plan Year Ending June 30</u>	
	<u>Non- Hazardous</u>
2019	\$ 115,452
2020	\$ 52,599
2021	\$ (13,951)
2022	\$ (6,227)

*Actuarial assumptions* - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2018</u>
Inflation	2.30%
Projected salary increases	3.05%
Investment rate of return, net of investment expense & inflation	6.25%

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G - EMPLOYEE RETIREMENT DISTRICT (Continued)**

For CERS plan year ending June 30, 2018, 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 RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males). The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For CERS, 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 2008 through 2013, is outlined in a report dated April 30, 2014. 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 target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	35.0%	3.00-7.25%
Combined Fixed Income	24.0%	3.75-8.50%
Global Bonds	4.0%	3.00%
Real Return (Diversified Inflation Strategies)	10.0%	7.00%
Private Equity	10.0%	6.50%
Real Estate	5.0%	9.00%
Absolute Return (Diversified Hedge Funds)	10.0%	5.00%
Cash Equivalent	2.0%	1.50%
Total	<u>100.0%</u>	

*Discount rate* – For the plan years ended June 30, 2018 the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25% in 2018. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G – EMPLOYEE RETIREMENT DISTRICT (Continued)**

*Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate* – The following table presents the net pension liability of the District, calculated using the discount rates selected by the pension District, 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 or 1-percentage-point higher than the current rate:

For plan year ended June 30, 2018	1% Decrease	Current Discount Rate	1% Increase
<b>CERS</b>	5.25%	6.25%	7.25%
Non-hazardous’ proportionate share of net pension liability	\$ 1,460,806	\$ 1160,386	\$ 908,687

*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the CERS.

**NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**CERS Medical Insurance Plan**

*Plan description* – the District contributes to the Kentucky Retirement Districts Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement Districts (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement Districts (KERS), the County Employees Retirement District (CERS), and the State Police Retirement District (SPRS).

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

*Contributions* – per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District’s required contribution rate for non-hazardous employees was 4.70% for the period January 1, 2018 to June 30, 2018; and 5.26% for the period July 1, 2018 to December 31, 2018.

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

At December 31, 2018, the District reported a liability for its proportionate share of the net OPEB liability for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District’s proportion was 0.019053 percent.

The amount recognized by the District as its proportionate share of the OPEB liability that was associated with the District was as follows:

District’s proportionate share of the CERS medical insurance liability	\$ 338,282
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**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

For the year ended December 31, 2018, the District recognized OPEB expenses of \$42,535. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 39,422
Changes in assumptions	67,560	782
Net difference between projected and actual earnings		
On OPEB plan investments	-	23,301
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,124
District contributions subsequent to the Measurement date	<u>13,255</u>	<u>-</u>
Total	<u>\$ 80,815</u>	<u>\$ 66,629</u>

\$13,255 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2019	\$ 582
2020	\$ 582
2021	\$ 582
2022	\$ 5,107
2023	\$ (3,560)
Thereafter	\$ (2,362)

*Actuarial assumptions* – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.05%
Inflation rate	2.30%
Wage Inflation	2.00%
Healthcare cost trend rates	
Under 65	7.00% at January 1, 2020 and gradually decreasing to an ultimate rate of 4.05% over a period of 12 years
Ages 65 and Older	5.00% at January 1, 2020 and gradually decreasing to an ultimate rate of 4.05% over a period of 10 years
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

Mortality rates 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 RP-2000 Combined Mortality Table projected with scale BB to 2013 (set-back for one year for females). The RP-2000 Disabled Mortality Table projected with scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	35.0%	3.00%-7.25%
Fixed Income	12.0%	3.75%-8.50%
Global Bonds	10.0%	3.00%
Real Estate	5.0%	9.00%
Private Equity	10.0%	6.50%
Absolute Return	8.0%	5.00%
Real Return	8.0%	7.00%
Cash	2.0%	1.50%
<b>Total</b>	<u><u>100.0%</u></u>	

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the District, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.85%	5.85%	6.85%
District and State's proportionate share of net OPEB liability	\$ 439,374	\$ 338,282	\$ 252,170

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)**

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	4.85%	5.85%	6.85%
	\$ 251,654	\$ 338,282	\$ 440,156

**NOTE I - COMMITMENTS**

**Sales Contracts**

In 2000, the District entered into a 40-year sales agreement with the City of Grand Rivers, Kentucky. The agreement is for the City to purchase five million gallons per month. The City purchased water totaling \$180,595 in the year ending December 31, 2018.

In 2000, the District entered into a 40-year sales agreement with the City of Smithland, Kentucky. The agreement is for the City to purchase one million gallons per month. The City purchased water totaling \$38,083 in the year ending December 31, 2018.

In 2000, the District entered into a 40-year sales agreement with the City of Ledbetter, Kentucky. The agreement is for the City to purchase three million gallons per month. The City purchased water totaling \$93,682 in the year ending December 31, 2018.

In 2016, the District entered into a 41-year sales agreement with the Lyon County Water District. The agreement does not have per month minimum. The District purchased \$31,144 of water in the year ending December 31, 2018.

In 1971, the District entered into a sales agreement with the City of Salem, Kentucky. The agreement does not have per month minimum. The City purchased \$61,538 of water in the year ending December 31, 2018.

**NOTE J - CONCENTRATION**

The majority of the District's revenue consists of charges for water-related services to customers in Crittenden-Livingston County, Kentucky.

**NOTE K – COMPENSATED ABSENCES**

The District grants employees vacation time based on years of service. Full-time employees, with one (1) year continuous service, are entitled to vacation pay according to the following schedule:

- Anniversary of 1 year of service - 5 days
- Anniversary of 2 years of service - 10 days
- Anniversary of 5 years of service - 15 days
- Anniversary of 10 years of service - 20 days

Vacation must be taken in the calendar year of eligibility. The policy applies to all employees. All employees must make an effort to take their vacation time.

The District's policy on personal days is to allow employees three days per year. This can be used for anything from sickness to family emergencies.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – COMPENSATED ABSENCES (Continued)**

An employee may reserve overtime as comp time. One hour of overtime equals 1 and 1/2 hours of comp time. A maximum of 60 hours may be accumulated.

**NOTE M – LITIGATION**

On July 13, 2015, litigation was brought against Crittenden-Livingston County Water District. The litigation involves a water purchase contract dispute with another water district that is a customer. Currently, the other water district is contracted to purchase 3,000,000 gallons a month for 40 years from Crittenden-Livingston County Water District. Although the contract between the water districts began on January 24, 2000, the plaintiff contends the contract is void. If the water purchase contract is ultimately ruled void, and, if no water is purchased by this customer then Crittenden-Livingston County Water District could have a reduction of \$92,880 of current minimum annual gross revenue or \$53,640 of current minimum net operating income. The likelihood of any loss of revenue, or net operating income, concerning this water contract dispute is unknown at this time. As of December 31, 2018, this is still unresolved.

**NOTE N – RESTATEMENT OF NET POSITION**

**Correction of an Error**

During the year ended December 31, 2017, the District refinanced Kentucky Association of Counties 2010 First Series A Bonds. When the bonds were refinanced, the District did not account for the difference between debt defeased and debt acquired. The adjustment resulted in a \$197,652 reduction in beginning net position on the Statement of Activities. In addition, the District was not accounting for amortization of debt premiums using the effective interest rate method. The adjustment resulted in a \$51,085 decrease in beginning net position on the Statement of Activities.

**Change in Accounting Principle**

Effective January 1, 2018, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)" (GASB 75). GASB 75 replaced the requirements of GASB 45, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and GASB 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", as they relate to governments that provide OPEB through plans administered as trusts or similar arrangements that meet certain criteria. GASB 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB benefits as a liability to more comprehensively and comparably measure the annual costs of OPEB benefits. Cost-sharing governmental employers, such as the District, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application. Since the District is only presenting one year of financial information, the beginning net position was adjusted to reflect the retrospective application. The adjustment resulted in an \$310,251 reduction in beginning net position on the Statement of Activities, an increase of \$94,484 of deferred other post-employment benefits outflows, an increase of \$20,136 of deferred other post-employment benefits inflows, and an increase of \$384,599 of other post-employment benefits obligations. Beginning net position restatement by type is as follows:

Net position – as previously stated	\$ 7,499,148
Correction of errors	(248,737)
GASB 75 implementation	<u>(310,251)</u>
 Net position – as restated	 <u>\$ 6,940,160</u>

**NOTE O - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 21, 2020, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

<u>Year Ended June 30</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<i><u>CERS Nonhazardous</u></i>					
2018	0.01905%	\$ 1,160,386	\$ 471,761	245.9690%	53.5420%
2017	0.01913%	\$ 1,119,767	\$ 443,619	252.4164%	53.3249%
2016	0.00180%	\$ 884,966	\$ 469,149	188.6322%	55.5028%
2015	0.00160%	\$ 689,178	\$ 375,904	183.3388%	59.9684%
2014	0.00865%	\$ 280,671	\$ 393,724	71.2862%	66.8010%

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

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

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
<b><i>CERS Nonhazardous</i></b>					
2018	\$ 75,976	\$ 75,976	\$ -	\$ 494,480	15.3648%
2017	\$ 63,013	\$ 63,013	\$ -	\$ 471,761	13.3570%
2016	\$ 61,650	\$ 61,650	\$ -	\$ 443,619	13.8971%
2015	\$ 47,585	\$ 47,585	\$ -	\$ 469,149	10.1428%
2014	\$ 74,682	\$ 74,682	\$ -	\$ 375,904	19.8673%

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

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

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2018**

***Changes of Benefit Terms:***

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

***Changes of assumptions:***

The assumed investment rate of return was 6.25%.

The assumed rate of inflation was 2.30%.

Payroll growth assumption was 3.05%.

The assumptions were updated as of result of an experience study for the five year period ending June 30, 2013.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

The mortality tables used was updated to RP-2000 Combined Mortality Table projected with Scale BB to 2013.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET MEDICAL  
 INSURANCE LIABILITY - TO COUNTY EMPLOYEES' RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS\***

<u>Year Ended June 30</u>	<u>District's proportion of the net meducal plan liability</u>	<u>District's proportionate share of the net medical plan liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net medical plan liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total medical plan liability</u>
<i><b>CERS Nonhazardous</b></i>					
2018	0.01905%	\$ 338,282	\$ 471,761	71.7062%	57.6218%
2017	0.01913%	\$ 384,599	\$ 443,619	86.6958%	52.3940%

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

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



**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
<b><i>CERS Nonhazardous</i></b>					
2018	\$ 24,661	\$ 24,661	\$ -	\$ 494,480	4.9873%
2017	\$ 20,722	\$ 20,722	\$ -	\$ 471,761	4.3925%

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

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

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2018**

***Changes of Benefit Terms:***

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

***Changes of assumptions:***

The assumed investment rate of return was 6.25%.

The assumed rate of inflation was 2.30%.

Payroll growth assumption was 3.05%.

The assumptions were updated as of result of an experience study for the five year period ending June 30, 2013.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

The mortality tables used was updated to RP-2000 Combined Mortality Table projected with Scale BB to 2013.

**OTHER SUPPLEMENTAL INFORMATION**

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUE</b>				
Sales of water, net of refunds	\$ 2,359,700	\$ 2,359,700	\$ 2,340,739	\$ (18,961)
Other	61,000	61,000	66,814	5,814
Total operating revenues	<u>2,420,700</u>	<u>2,420,700</u>	<u>2,407,553</u>	<u>(13,147)</u>
<b>OPERATING EXPENSES</b>				
Depreciation expense	670,400	670,400	686,549	(16,149)
Transmission and distribution expenses	667,000	667,000	677,669	(10,669)
Administrative and general expenses	459,500	459,500	643,394	(183,894)
Water treatment expenses	156,000	156,000	151,760	4,240
Payroll and other taxes	40,500	40,500	42,655	(2,155)
Customer accounts expenses	24,000	24,000	17,792	6,208
Bad debt expense	4,000	4,000	25,540	(21,540)
Total operating expenses	<u>2,021,400</u>	<u>2,021,400</u>	<u>2,245,359</u>	<u>(223,959)</u>
Operating income (loss)	<u>399,300</u>	<u>399,300</u>	<u>162,194</u>	<u>(237,106)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	700	700	4,167	3,467
Interest expense	(430,000)	(430,000)	(380,156)	49,844
Tap-on fees	30,000	30,000	18,850	(11,150)
Contributions from customers and developers	-	-	30,185	30,185
Total non-operating revenues (expenses)	<u>(399,300)</u>	<u>(399,300)</u>	<u>(326,954)</u>	<u>72,346</u>
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(164,760)</u>	<u>\$ (164,760)</u>
<b>TOTAL NET POSITION - BEGINNING AS RESTATED</b>			<u>6,940,160</u>	
<b>TOTAL NET POSITION - ENDING</b>			<u>\$ 6,775,400</u>	

See the independent auditors' report.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT**  
**DETAIL SCHEDULE OF OPERATING EXPENSES**  
**For the Year Ended December 31, 2018**

	<b>2018</b>
<b>Depreciation expense</b>	<b>\$ 686,549</b>
<b>General operating expenses</b>	
Salaries	124,843
Employee pension and benefits	261,988
Employee health insurance	93,202
Repairs and maintenance	36,924
Insurance	36,112
Office supplies	22,119
Fuel	19,039
Legal & professional	16,548
Utilities	16,695
Utility regulation assessment fee	4,664
Advertising	397
Seminar	2,794
Bank charges	2,377
Dues & subscriptions	1,850
Rent	1,000
Uniforms	102
Miscellaneous	2,740
Total general operating expenses	643,394
<b>Transmission and distribution expenses</b>	
Salaries	398,577
Repairs and maintenance	99,005
Utilities	151,369
Supplies and materials	28,718
Total transmission and distribution expenses	677,669
<b>Payroll and other taxes</b>	42,655
<b>Customer accounts expenses</b>	
Postage	17,792
Total customer accounts expenses	17,792
<b>Water treatment expenses</b>	
Chemicals	133,500
Testing	18,260
Total water treatment expenses	151,760
<b>Bad debt expense</b>	25,540
<b>Total operating expenses</b>	<b>\$ 2,245,359</b>

See the independent auditors' report.



**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**

Board of Commissioners  
Crittenden-Livingston County Water District  
Salem, KY

We have audited, 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, the financial statements of the business-type activities of Crittenden-Livingston County Water District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Crittenden-Livingston County Water District's basic financial statements, and have issued our report thereon dated February 21, 2020.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying *schedule of findings and responses* that we consider to be a material weakness (reference #2018-1).

**Compliance and Other Matters**

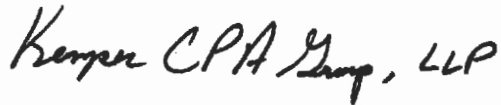
As part of obtaining reasonable assurance about whether Crittenden-Livingston County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could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

**Crittenden-Livingston County Water District's Response to Findings**

Crittenden-Livingston County Water District's response to the findings identified in our audit are described in the accompanying *schedule of findings and responses*. Crittenden-Livingston County Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Kenner CPA Group, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants and Consultants  
Paducah, Kentucky  
February 21, 2020

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2018**

**Reference # 2018-1**

The District does not have adequate segregation of duties related to recording receipts and disbursements.

**Criteria**

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

**Cause**

Due to limit administrative staff size, the District does not have adequate personnel available to properly segregate duties over processing, recording, and reconciling receipts and disbursements to the underlining accounting records.

**Effect**

There is increased risk of error or misappropriation of receipts and disbursements occurring and not timely detected by management.

**Recommendation**

We recommend the District consider adding additional personnel in the area of processing, recording, and reconciling receipts and disbursements to the underlining accounting records.

**Response**

We concur with the recommendation and finding. The District Board will discuss the matter with key personnel.

**CRITTENDEN-LIVINGSTON COUNTY WATER DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2017**

**Reference # 2017-1**

The District does not have adequate segregation of duties over cash receipts and disbursements. The basic premise in a good District of internal control is that an employee should not have access to assets and responsibility for the related accounting records.

**Status**

This finding is still present.