

## Exhibit 10

**LYON COUNTY WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**LYON COUNTY WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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JESSICA K. DANIEL, CPA PSC  
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT

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

**Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective position of the business-type activities of the Lyon County Water District as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

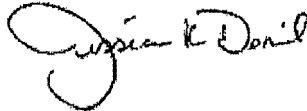
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 25, 2022, on our consideration of the Lyon County Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

 CPA 782

Eddyville, Kentucky  
July 25, 2022

**LYON COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021  
(UNAUDITED)**

The Lyon County Water District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the year ended December 31, 2021. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

**FINANCIAL HIGHLIGHTS**

- The District's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of December 31, 2021, by \$3,214,923 (Net Position).
- The District's total net position decreased by \$39,222 during the year compared to a \$207,121 decrease in the prior year.
- The District's operating revenues increased by \$48,367 over the prior year from \$1,265,460 to \$1,313,827.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**Statement of net position.** The statement of net position presents the financial position of the District. It presents information on the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on page 8 of this report.

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 11-30 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 31-39.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,214,923 as of December 31, 2021.

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

**LYON COUNTY WATER DISTRICT'S  
NET POSITION**

	2021	2020
<b>Assets</b>		
Current and other assets	\$ 446,258	\$ 486,677
Capital assets	7,618,453	7,851,576
Restricted assets	292,042	285,904
Total Assets	8,356,753	8,624,157
<b>Deferred Outflows of Resources</b>	97,806	157,393
<b>Liabilities</b>		
Other liabilities	121,636	127,751
Current portion of long-term debt	138,163	178,425
Long-term liabilities	4,723,426	5,076,676
Total Liabilities	4,983,225	5,382,852
<b>Deferred Inflows of Resources</b>	256,411	144,553
<b>Net Position</b>		
Net investment in capital assets	3,140,917	3,190,788
Restricted	310,392	305,004
Unrestricted	(236,386)	(241,647)
Total Net Position	\$ 3,214,923	\$ 3,254,145

The District's investments in capital assets (e.g., land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure), less any debt used to acquire those assets that is still outstanding is \$3,140,917. 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 \$310,392 represents resources that are subject to external restriction on how they may be used. These resources are to be used for debt restrictions, capital projects, and customer deposits.

The District's unrestricted net assets as of December 31, 2021 is a deficit of \$236,386.

**Analysis of the District's Operations** – Overall the District had a decrease in net position of \$39,222.



The following table provides a summary of the District's operations for the year ended December 31, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Operating revenues	\$ 1,313,827	\$ 1,265,460
Investment income	218	606
Capital grants and contributions	<u>10,800</u>	<u>7,200</u>
Total revenues	<u>1,324,845</u>	<u>1,273,266</u>
<b>Expenses</b>		
Water expenses	896,861	1,002,001
Depreciation and amortization	334,418	338,856
Interest expense	101,226	109,790
Wastewater expenses	20,917	17,391
Payroll and other taxes	<u>10,645</u>	<u>12,349</u>
Total Expenses	<u>1,364,067</u>	<u>1,480,387</u>
<b>Change in net position</b>	(39,222)	(207,121)
<b>Net position - January 1</b>	<u>3,254,145</u>	<u>3,461,266</u>
<b>Net position - December 31</b>	<u>\$ 3,214,923</u>	<u>\$ 3,254,145</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The District's investment in capital assets for business-type activities as of December 31, 2021, amounts to \$7,618,453 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants and facilities, machinery and equipment, and infrastructure.

	<u>2021</u>	<u>2020</u>
<b>Business-type activities</b>		
Capital assets, not being depreciated		
Land	\$ 121,772	\$ 121,772
Construction in progress	<u>43,477</u>	<u>43,477</u>
Total capital assets, not being depreciated	<u>165,249</u>	<u>165,249</u>
Capital assets, being depreciated		
Distribution lines	6,637,217	6,864,407
Sewer lines	617,828	639,522
Water tanks	22,596	32,885
Equipment	82,946	105,729
Building	25,501	27,351
Transportation	54,083	-
Improvements	<u>13,033</u>	<u>16,433</u>
Total capital assets, being depreciated	<u>7,453,204</u>	<u>7,686,327</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 7,618,453</u>	<u>\$ 7,851,576</u>

During the year ended December 31, 2021, the District acquired assets totaling \$101,295.

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

**Long-term and other debt**

At the end of the current year, the Lyon County Water District had total debt of \$4,444,782. Long-term debt at December 31, 2021, was as follows:

	<u>2021</u>	<u>2020</u>
<b><u>Long-Term Debt</u></b>		
KY Rural Water	\$ 980,000	\$ 1,025,000
USDA Bond Series 2016	1,714,500	1,810,000
Kentucky Infrastructure Authority	1,704,886	1,791,311
Farmers Bank	<u>45,397</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 4,444,783</u>	<u>\$ 4,626,311</u>

The District entered into a new loan agreement with Farmers Bank on December 15, 2021, for the purchase of a 2019 Dodge Ram 2500. The loan amount was for \$45,397 with an interest rate of 2.25% and is payable in full on December 15, 2023.

Interest expense of \$101,226 was incurred during the year ended December 31, 2021.

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

**REQUEST FOR INFORMATION**

This financial report is designated to provide a general overview of the Lyon County Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Don Robertson, Chairman, Lyon County Water District, 5464 US 62 W, Kuttawa, Kentucky 42055.

**Lyon County Water District**  
**Statement of Net Position**  
**December 31, 2021**

**Assets**

**Current Assets**

Cash equivalents	\$ 194,956
Customer accounts receivable	120,235
Unbilled revenue	81,936
Inventory	32,930
Prepayments	15,641
Restricted assets	
Cash equivalents	292,042
Total Current Assets	<u>737,740</u>

**Noncurrent Assets**

Capital assets, net of depreciation	<u>7,618,453</u>
Total Noncurrent Assets	<u>7,618,453</u>

**Other Assets**

Deposits	<u>560</u>
Total Other Assets	<u>560</u>
Total Assets	<u>8,356,753</u>

**Deferred Outflows of Resources**

Related to pensions	38,969
Related to other postemployment benefits	<u>58,837</u>
Total Deferred Outflows of Resources	<u>97,806</u>
Total Assets and Deferred Outflows of Resources	<u>8,454,559</u>

**Liabilities**

**Current Liabilities**

Accounts payable	71,565
Accrued interest on debt	17,618
Accrued liabilities	14,103
Customers' deposits	18,350
Long-term debt due in one year	<u>138,163</u>
Total Current Liabilities	<u>259,799</u>

**Noncurrent Liabilities**

Compensated absences	4,239
Long-term debt due after one year	4,306,620
Net pension liability	317,323
Net other postemployment benefit liability	<u>95,244</u>
Total Noncurrent Liabilities	<u>4,723,426</u>
Total Liabilities	<u>4,983,225</u>

**Deferred Inflows of Resources**

Related to debt	32,753
Related to pensions	140,835
Related to other postemployment benefits	<u>82,823</u>
Total Deferred Inflows of Resources	<u>256,411</u>
Total Liabilities Deferred Inflows of Resources	<u>5,239,636</u>

**Net Position**

Net investment in capital assets	3,140,917
Restricted for	
Debt service	292,042
Customer deposits	18,350
Unrestricted	<u>(236,386)</u>
Total Net Position	<u>\$ 3,214,923</u>

See accompanying notes to financial statements.

**Lyon County Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2021**

<b><u>Operating Revenue</u></b>	
Water revenues	\$ <u>1,313,827</u>
Total Operating Revenues	<u>1,313,827</u>
<b><u>Operating Expenses</u></b>	
Water expenses	896,861
Depreciation	334,418
Wastewater expenses	20,917
Payroll and other taxes	<u>10,645</u>
Total Operating Expenses	<u>1,262,841</u>
<b><u>Operating Income (Loss)</u></b>	<u>50,986</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment income	218
Interest on debt	<u>(101,226)</u>
Total Nonoperating Revenue (Expenses)	<u>(101,008)</u>
<b><u>Net Income Before Capital Contributions</u></b>	<u>(50,022)</u>
<b><u>Capital Contributions</u></b>	
Tap-on fees	<u>10,800</u>
Total Capital Contributions	<u>10,800</u>
<b><u>Change in Net Position</u></b>	<u>(39,222)</u>
<b><u>Net Position-Beginning of Year</u></b>	<u>3,254,145</u>
<b><u>Net Position-End of Year</u></b>	<u>\$ <u>3,214,923</u></u>

See accompanying notes to financial statements.

**Lyon County Water District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

**Cash Flows from Operating Activities**

Cash received from customers	\$ 1,313,561
Cash payments to suppliers for goods and services	(817,746)
Cash payments to employees for services	(140,547)
Net Cash Provided By Operating Activities	<u>355,268</u>

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

Proceeds from capital debt	45,397
Contributed capital	10,800
Interest paid on debt	(123,467)
Principal paid on capital debt	(226,927)
Acquisition of property, plant, and equipment	(101,295)
Net Cash Used By Capital and Related Financing Activities	<u>(395,492)</u>

**Cash Flows From Investing Activities**

Income received on investments	218
Net Cash Provided By Investing Activities	<u>218</u>

**Net Increase (Decrease) in Cash Equivalents** (40,006)

**Cash Equivalents-Beginning of Year** 527,004

**Cash Equivalents-End of Year** \$ 486,998

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

**By Operating Activities**

Operating Income (Loss)	\$ 50,986
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	334,418
Change in assets and liabilities	
Accounts receivable	484
Inventory	(7,540)
Prepayments	1,330
Deferred outflows of resources	59,587
Accounts payable	10,396
Customer deposits	(750)
Accrued liabilities	5,607
Deferred pension and OPEB liabilities	(212,832)
Deferred inflows of pensions	113,582
Net Cash Provided By Operating Activities	<u>\$ 355,268</u>

**Reconciliation of Total Cash**

Current Assets - Cash	\$ 194,956
Restricted Assets - Cash	292,042
Total Cash	<u>\$ 486,998</u>

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

See accompanying notes to financial statements.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

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

**Principles Determining Scope of Reporting Entity**

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

**Basis of Presentation**

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

*Proprietary Fund Types*

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

**Measurement Focus/Basis of Accounting**

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

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**Reclassifications**

Prior period financial statement amounts have been reclassified to conform to current period presentation. Operating income and net earnings for the prior period were not impacted by the reclassifications.

**Sales of Water**

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

**Budget**

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

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

For the year ended December 31, 2021, the District has complied with budgetary guidelines.

**Cash Equivalents/ Investments**

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

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

**Accounts Receivable**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid items.

**Capital Assets**

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

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

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

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

**Unearned Revenue**

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

**Inventory**

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

**Restricted Assets**

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

**Estimates**

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

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During the year ended December 31, 2021, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

**Pensions and Other Postemployment Benefits**

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



**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**Net Position**

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

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

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

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

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has 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.

**Lyon County Water District**  
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**Recent Accounting Pronouncements**

As of December 31, 2021, the GASB has issued the following statements not yet required to be adopted by the District.

**GASB Statement No. 95**

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following statement information has been updated to reflect the new effective dates.

**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 June 15, 2021. This Statement will increase the usefulness of governments' 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 method. 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. 91**

GASB Statement No. 91, *Conduit Debt Obligations*, was issued May 2019. The requirements of this Statement are effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards of accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District's management has not yet determined the effect this Statement will have on the financial statements.

**GASB Statement No. 92**

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The District's management has not yet determined the effect this statement will have on the financial statements.

**GASB Statement No. 93**

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued March 2020. The requirements of this Statement are effective for periods beginning after June 15, 2021. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). The District's management has not yet determined the effect this statement will have on the financial statements.

**Lyon County Water District**  
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**Subsequent Events**

The District has evaluated subsequent events through July 25, 2022, the date which the financial statements were available to be issued.

**2. LEGAL COMPLIANCE**

**Deficit Net Position**

There was not a deficit net position for the year ended December 31, 2021.

**3. DEPOSITS AND INVESTMENTS**

**A. Net Position**

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

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 194,956	\$ -	\$ 194,956
Restricted assets			
Cash equivalents	<u>292,042</u>	<u>-</u>	<u>292,042</u>
Total	<u>\$ 486,998</u>	<u>\$ -</u>	<u>\$ 486,998</u>

**B. Deposits**

At year-end, the carrying amount of the District's deposits in financial institutions were \$486,998, and the bank balances were \$491,389. Of the bank balances, \$491,389 was covered by federal depository insurance.

**C. Investments**

*Interest Rate Risk*

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

*Credit Risk*

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

*Concentration of Credit Risk*

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

**4. RESTRICTED NET POSITION**

**Net Assets Restricted for Debt Retirement**

	<u>Depreciation Fund</u>	<u>Sinking Funds</u>	<u>KIA Loan Repayment</u>	<u>Total</u>
Cash equivalents	<u>\$ 163,910</u>	<u>\$ 123,335</u>	<u>\$ 4,797</u>	<u>\$ 292,042</u>

**Lyon County Water District**  
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**For the Year Ended December 31, 2021**

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

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

**Regions Sinking Fund:** The District holds cash deposits in the amount of \$72,140 in the Regions Trust Cash Sweep III (RTCS). RTCS is a bank deposit account offered through Regions Institutional Services. The RTCS does not directly invest in securities. It is a deposit account that is collateralized by government securities. Collateral may include:

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

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

**Depreciation Reserve:** The ordinance requires Lyon County Water District to make monthly contributions to this fund after observing the priority of deposits into the KIA Loan Fund and the Sinking Fund. The funds in the Depreciation Fund can be expended for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals, or replacements, and the cost of constructing additions, and improvements to the system. The District is to make \$510 monthly deposits until a required minimum balance of \$61,200 is met. The District is to make \$295 monthly deposits over the life of the loan. At December 31, 2020, the balance of the Depreciation Reserve Fund was \$163,910.

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

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

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

5. **CAPITAL ASSETS**

A summary of proprietary fund property, plant, and equipment at December 31, 2021 for business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 121,772	\$ -	\$ -	\$ 121,772
Construction in progress	43,477	-	-	43,477
Total capital assets, not being depreciated	<u>165,249</u>	<u>-</u>	<u>-</u>	<u>165,249</u>
Capital assets, being depreciated				
Distribution lines	11,328,132	34,817	-	11,362,949
Sewer lines	867,725	-	-	867,725
Water tanks	422,707	-	-	422,707
Machinery and equipment	295,770	11,478	-	307,248
Building	73,976	-	-	73,976
Transportation	87,129	55,000	-	142,129
Improvement	34,000	-	-	34,000
Total capital assets, being depreciated	<u>13,109,439</u>	<u>101,295</u>	<u>-</u>	<u>13,210,734</u>
Less accumulated depreciation for				
Distribution lines	(4,463,725)	(262,007)	-	(4,725,732)
Sewer lines	(228,203)	(21,693)	-	(249,896)
Water tanks	(389,822)	(10,288)	-	(400,110)
Machinery and equipment	(190,041)	(34,262)	-	(224,303)
Building	(46,625)	(1,851)	-	(48,476)
Transportation	(87,129)	(917)	-	(88,046)
Improvement	(17,567)	(3,400)	-	(20,967)
Total accumulated depreciation	<u>(5,423,112)</u>	<u>(334,418)</u>	<u>-</u>	<u>(5,757,530)</u>
Total capital assets, being depreciated, net	<u>7,686,327</u>	<u>(233,123)</u>	<u>-</u>	<u>7,453,204</u>
Business-type activities capital assets, net	<u>\$ 7,851,576</u>	<u>\$ (233,123)</u>	<u>\$ -</u>	<u>\$ 7,618,453</u>

Depreciation charged to income was \$334,418.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

6. **DEBT OBLIGATIONS**  
**Revenue Bonds Payable**

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2021</u>	<u>Due in One Year</u>
Waterworks Revenue Bonds				
Regions - Series 2013 C	3.5%	2040	\$ 980,000	\$ 50,000
Kentucky Infrastructure Authority	1.875%	2046	1,704,886	88,163
USDA - Series 2016	2.0%	2046	<u>1,714,500</u>	-
Total			<u>\$ 4,399,386</u>	<u>\$ 138,163</u>

Principal and interest requirements of the revenue bonds payable as of December 31, 2021 are:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Premium Amortization</u>	<u>Total</u>	<u>Interest &amp; Fees</u>
2022	\$ 138,163	\$ 1,724	\$ 73,419	\$ 73,419
2023	189,936	1,724	100,829	100,829
2024	193,243	1,724	95,443	95,443
2025	201,587	1,724	90,007	90,007
2026	204,968	1,724	84,861	84,861
2027-2031	1,119,908	8,619	344,837	344,837
2032-2036	1,219,942	8,619	195,821	195,821
2037-2041	669,639	1,724	73,988	73,988
2042-2046	<u>462,000</u>	-	<u>21,675</u>	<u>21,676</u>
Total	<u>\$ 4,399,386</u>	<u>\$ 27,582</u>	<u>\$ 1,080,880</u>	<u>\$ 1,080,881</u>

**Series 2013 C**

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

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

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

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

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

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

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

**Series 2016**

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

**Kentucky Infrastructure Authority**

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

**Note Payable**

The District entered into a new loan agreement with Farmers Bank on December 15, 2021, to purchase a Dodge truck. The amount financed was \$45,397 with an interest rate of 2.25%. The loan payments will be interest only with one principal payment due on December 15, 2023.

**Changes in Business-Type Activities Debt**

A summary of changes in the business-type activities debt for the year ended December 31, 2021 follows:

	<u>Balance</u> <u>12/31/2020</u>	<u>Debt</u> <u>Proceeds</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Due Within</u> <u>One Year</u>
<b><u>Business-Type Activities</u></b>					
Note Payable - Farmers Bank	\$ -	\$ 45,397	\$ -	\$ 45,397	\$ -
Revenue Bonds Payable	<u>4,626,311</u>	-	<u>226,925</u>	<u>4,399,386</u>	<u>138,163</u>
Total Business-Type Activities	<u>\$4,626,311</u>	<u>\$ 45,397</u>	<u>\$ 226,925</u>	<u>\$4,444,783</u>	<u>\$ 138,163</u>

Interest expense for the year was \$101,226.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

**7. EMPLOYEES' RETIREMENT PLAN**

**County Employees' Retirement System**

*Plan description.* The District is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA). The CERS pension plan has two categories: Hazardous for sworn police and fire employees and Nonhazardous for general employees. The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute ("KRS") Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial containing CERS information that can be obtained from <https://kyret.ky.gov>.

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

**Nonhazardous members**

Tier 1	Participation date 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 and 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

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

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

Employers are required by state statute (KRS 78.545(33)) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the Board of Trustees annually based upon actuarial valuations. For the year ended December 31, 2021, the employer contribution rate was 19.30% for the period January 1, 2021 to June 30, 2021; and 21.17% for the period July 1, 2021 to December 31, 2021, respectively of members' nonhazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution requirements and the amounts



**Lyon County Water District**  
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contributed to CERS for the year ending December 31, 2021, were \$31,491. Of this amount, \$25,024 is considered contributed to the pension requirement and \$6,467 is considered contributed to the health insurance requirement.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At December 31, 2021, the District reported a liability of \$317,323 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous plan. Therefore, the calculation of the proportionate share of the Collective Pension Amounts for employers that participate in the KERS Nonhazardous pension plan has been updated since June 30, 2020. The proportionate share of the Collective Pension Amounts for employers that participate in KERS Nonhazardous plan is based upon their allocation of the amortization cost, as specified under the revised statutes. It is further based upon their allocation of the normal cost portion of the required contribution, as allocated by actual salary for fiscal year ending June 30, 2021. The final proportionate share calculation, which represents an employer's share of the long-term contribution effort assumes the amortization cost is approximately 90% of the aggregate required contribution for the fund. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions. At June 30, 2021, the District's proportion was .004977%.

*Pension expense.* As a result of its requirement to contribute to CERS, the District recognized a negative pension expense of (\$9,318) for the year ended December 31, 2021. At December 31, 2021, 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	\$ 3,644	\$ 3,080
Net differences between projected and actual investment earnings	12,310	54,604
Change of assumption	4,259	-
Changes in proportion and differences between employer contributions and share of contributions	5,402	83,151
Contributions subsequent to the measurement date	<u>13,354</u>	<u>-</u>
Totals	<u>\$ 38,969</u>	<u>\$ 140,835</u>

**Lyon County Water District**  
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*Deferred Outflows of Resources.* The \$13,354 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Amortization/ (Accretion)</u>
December 31, 2022	\$ (49,670)
December 31, 2023	(40,865)
December 31, 2024	(11,440)
December 31, 2025	<u>(13,245)</u>
Total	<u>\$ (115,220)</u>

*Actuarial assumptions.* The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

The actuarial assumptions used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan. This change does not impact the calculation of the total pension liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective Pension Amounts in the KERS Nonhazardous pension plan from 2020 to 2021.

House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their employees. As such, there is no material impact on the total pension liability due to this legislation. There were no other material plan provision changes.

Senate Bill 249 passed during the 2020 Legislative Session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases. This change does not impact the calculation of total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

**Lyon County Water District**  
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The actuarial assumptions are:

Inflation	2.30%
Payroll growth rate	2.00% for CERS Nonhazardous
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25%

The mortality table used for active members was Pub-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for non-disabled retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years. The long-term(10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of returns are developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	<b>100.00%</b>	
Expected real return		5.00%
Long-term inflation assumption		2.30%

*Discount Rate.* The single discount rate used to measure the total pension liability for the fiscal plan year ending June 30, 2021, was 6.25% for nonhazardous and hazardous employees. The projection of cash flows used to determine the single discount rate for each plan must include an assumption regarding actual employer contributions made each future year. Except where noted

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

below, future contributions are projected assuming that each participating employer in each pension plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employee contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. The discount rate determination does not use a municipal bond rate.

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

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
The District's proportionate share of the net pension liability	\$ 406,982	\$ 317,323	\$ 243,132

*Payables to the pension plan.* At December 31, 2021, the financial statements include \$3,116 in contractually required employee pension contributions primarily for the month ended December 31, 2021. 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 annual comprehensive financial report issued by the Kentucky Public Pensions Authority and can be found at <https://kyret.ky.gov>.

**Other Postemployment Benefit Plan (OPEB)**

**CERS Medical Insurance Plan**

*Plan description.* The District is a participant in the Commonwealth of Kentucky's County Employees' Retirement System (CERS), a cost-sharing multiple-employer defined benefit postemployment benefit plan (OPEB) administered by the Kentucky Public Pensions Authority (KPPA). The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute ("KRS") Sections 61.645, as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available annual comprehensive financial containing CERS information that can be obtained from <https://kyret.ky.gov>.

*Benefits provided.* The CERS Nonhazardous Insurance Fund is a cost-sharing multiple-employer defined benefit OPEB plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

*Contributions.* Per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KPPA Board. The District's required contribution rate for non-hazardous employees was 4.76% for the period January 1, 2021 to June 30, 2021; and 5.78% for the period July 1, 2021 to December 31, 2021.

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

*OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources.* At December 31, 2021, the District reported a net OPEB liability of \$95,244 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021. At June 30, 2021, the District's proportion was .004975% for nonhazardous classified employees.

For the year ended December 31, 2021, the District recognized OPEB expense of \$4,489. At December 31, 2021, 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	\$ 14,977	\$ 28,437
Changes of assumptions	25,251	89
Net difference between projected and actual earnings on plan investments	4,799	19,698
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,217	34,599
Contributions subsequent to the measurement date, including implicit subsidy	<u>6,593</u>	<u>-</u>
Totals	<u>\$ 58,837</u>	<u>\$ 82,823</u>

The \$6,593 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and the December 31, 2021 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amortization/ (Accretion)</u>
2022	\$ (5,839)
2023	(8,090)
2024	(7,182)
2025	<u>(9,468)</u>
	<u>\$ (30,579)</u>

**Lyon County Water District**  
**Notes to the Financial Statements**  
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*Actuarial Assumptions* The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using the generally accepted actuarial principles.

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

Inflation	2.30%
Payroll Growth Rate	2.0% CERS Non-hazardous
Salary Increase	3.30% - 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% as January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	Pub-2010 General Mortality table, for the Nonhazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience form 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

House Bill 1 passed during the 2019 Special Legislative Session allows certain employers in the KERS Nonhazardous plan to elect to cease participating in the KERS Nonhazardous Plan as of June 30, 2020, under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Only one employer elected to cease participation under these provisions and freeze benefit accruals for their current employees. As such, there is no material impact on the total OPEB liability due to this legislation.

Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

impact the calculation of the Total OPEB Liability and only impacts the calculation of the contribution rates that were payable starting July 1, 2020.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Additionally, House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Plan. This change does not impact the calculation of the total OPEB liability but does impact the allocation of required contributions amongst the participating employers. As a result of this legislation, there are several employers that will experience a relatively large change in proportionate share of the Collective OPEB Amounts in the KERS Nonhazardous insurance plan from 2020 to 2021. Additional information is provided in Section I of the GASB 75 KERS report. There were no other material plan provision changes.

The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
<b>Growth</b>	<b>68.50%</b>	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
<b>Total</b>	<b>100.00%</b>	
Expected real return		5.00%
Long-term inflation assumption		2.30%

*Discount Rate.* The single discount rate of 5.20% for CERS nonhazardous plans were used to calculate the total OPEB liability as of June 30, 2021. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Implicit Subsidy.* The fully-insured premiums paid for Kentucky Employee's Health Plan are

**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

blended rates based on the combined experience of the active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. GASB Statement No. 75 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability. The District's implicit subsidy for the year ended December, 31, 2021, was \$3,134.

*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 (4.20%) or one percentage point higher (6.20%) than the current rate (5.20%):

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
The District's proportionate share of the net OPEB liability	\$ 130,769	\$ 95,244	\$ 66,090

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate.* The following presents the District'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 District'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	\$ 68,564	\$ 95,244	\$ 127,447

*Payables to the OPEB plan.* At December 31, 2021, the financial statements include \$828 in contractually required employee OPEB contributions primarily for the month ended December 31, 2021. The obligation was paid within prescribed time limits.

**8. COMMITMENTS**

**Contracts for Water Supply**

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



**Lyon County Water District**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2021**

9. **CONTINGENCIES**

The District participates in federal and state assisted grant programs for construction of water lines. These programs are subject to review by grantors or their representatives. As of December 31, 2021, there have been no material questioned or disallowed costs as a result of grant audits. As construction is completed, amounts due from grant funds are recognized and are recorded as revenue.

10. **PUBLIC SERVICE COMMISSION REGULATIONS**

The District is required to file with the Public Service Commission (PSC) a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District has satisfied this requirement. The District has also filed the 2021 annual PSC Report as required. Further, the PSC requires that all customer deposit refunds be paid with interest. This requirement has been fulfilled.

11. **ECONOMIC DEPENDENCIES**

The majority of the District's revenue consists of charges for water-related services to customers in Lyon County, Kentucky. For the year ended December 31, 2021, the revenues from these sources totaled \$1,313,827. The District also receives monies from the United States Department of Agriculture and the Kentucky Infrastructure Authority whenever funds are available.

12. **COMPENSATED ABSENCES**

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

1 to 5 years	12 days
6+ years	15 days

Employees are allowed to carryforward 80 hours of vacation time. Upon termination of employment, an employee will be paid for all unused vacation leave. The liability for unused vacation time at December 31, 2021 was \$3,239.

The District's policy on sick pay states that employees will be granted 1/2 sick day per month. Employees are allowed to carryforward 240 hours of sick time. Sick leave is forfeited upon termination of employment. The liability for unused sick time at December 31, 2021 was \$1,000.

13. **LITIGATION**

The District is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Lyon County Water District**  
**Schedule of Revenues, Expenses, and**  
**Changes in Net Position - Budget and Actual**  
**For the Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Water revenues	\$ 1,450,000	\$ 1,450,000	\$ 1,313,827	\$ (136,173)
Other	850	850	-	(850)
Total Operating Revenues	<u>1,450,850</u>	<u>1,450,850</u>	<u>1,313,827</u>	<u>(137,023)</u>
<b><u>Operating Expenses</u></b>				
Water expenses	965,700	965,700	896,861	68,839
Depreciation	342,000	342,000	334,418	7,582
Wastewater expenses	20,500	20,500	20,917	(417)
Payroll and other taxes	12,000	12,000	10,645	1,355
Total Operating Expenses	<u>1,340,200</u>	<u>1,340,200</u>	<u>1,262,841</u>	<u>77,359</u>
<b><u>Operating Income (Loss)</u></b>	<u>110,650</u>	<u>110,650</u>	<u>50,986</u>	<u>(59,664)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment income	3,500	3,500	218	(3,282)
Interest on debt	<u>(115,000)</u>	<u>(115,000)</u>	<u>(101,226)</u>	<u>13,774</u>
Total Nonoperating Revenue (Expenses)	<u>(111,500)</u>	<u>(111,500)</u>	<u>(101,008)</u>	<u>10,492</u>
<b><u>Net Income before Capital Contributions</u></b>	(850)	(850)	(50,022)	(49,172)
<b><u>Capital Contributions</u></b>				
Tap-on fees	10,500	10,500	10,800	300
Total Capital Contributions	<u>10,500</u>	<u>10,500</u>	<u>10,800</u>	<u>300</u>
<b><u>Change in Net Position</u></b>	<u>\$ 9,650</u>	<u>\$ 9,650</u>	(39,222)	<u>\$ (48,872)</u>
<b><u>Net Position-Beginning of Year</u></b>			<u>3,254,145</u>	
<b><u>Net Position-End of Year</u></b>			<u>\$ 3,214,923</u>	

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

<u>Year Ended</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability (2)</u>
<b><u>CERS Nonhazardous</u></b>					
2021	0.004977%	\$317,323	\$123,352	257.25%	57.33%
2020	0.006202%	\$475,688	\$143,895	330.58%	47.81%
2019	0.007366%	\$518,054	\$175,603	295.01%	50.45%
2018	0.006546%	\$398,671	\$181,770	219.33%	53.54%
2017	0.006997%	\$409,556	\$158,492	258.41%	53.30%
2016	0.00639%	\$314,713	\$175,888	178.92%	55.50%
2015	0.00551%	\$237,005	\$139,779	169.55%	59.97%
2014	0.005572%	\$180,777	\$150,398	169.55%	66.80%

**Note to Schedule:**

(1) The amounts presented were determined as of the measurement date June 30. District payroll is reported for its' covered employees on a calendar year ending December 31.

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

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

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

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<b><u>CERS Nonhazardous</u></b>					
2021	\$25,024	\$25,024	\$ -	\$123,352	19.30% / 21.17%
2020	\$27,697	\$27,697	\$ -	\$143,895	19.30% / 19.30%
2019	\$31,073	\$31,073	\$ -	\$175,603	16.22% / 19.30%
2018	\$27,925	\$27,925	\$ -	\$181,770	14.48% / 16.22%
2017	\$28,030	\$28,030	\$ -	\$158,492	13.95% / 14.48%
2016	\$28,511	\$28,511	\$ -	\$175,888	12.42% / 13.95%
2015	\$22,637	\$22,637	\$ -	\$139,779	12.75% / 12.42%
2014	\$22,229	\$22,229	\$ -	\$150,398	13.74% / 12.75%

**Note to Schedule:**

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

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those allocated directly to the CERS pension fund.

**Lyon County Water District**  
**Schedule of Changes in Benefits and Assumptions Pension**  
**For the Year Ended December 31, 2021**

***Note A - Changes of Assumptions:***

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, listed below:

2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

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

The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

2017:

The actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary increases	3.05%, average
Investment rate of return	6.25%, net of pension plan investment expense including inflation

2018:

There have been no changes in actuarial assumption since June 30, 2017.

2019:

Payroll growth rate was reduced to 2.00% from 4.00%.

The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

2020:

There have been no changes in actuarial assumptions since June 30, 2019.

2021:

The assumed salary increases were decreased to 3.30% to 10.30%, from 3.30% to 11.55%.

**Lyon County Water District**  
**Schedule of Changes in Benefits and Assumptions Pension**  
**For the Year Ended December 31, 2021**

***Note B - Method and assumptions used in calculations of actuarially determined contribution***

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date of June 30, 2020, to the plan's fiscal year ending June 30, 2021, using the generally accepted actuarial principles. The following actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019. <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.</i>
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service for CERS
Investment Rate of Return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

***Note C - Changes in benefits:***

2009: A new benefit tier for members who first participate on or after September 1, 2008, was introduced which included the following changes:

1. Tiered structure for benefit accrual rates.
2. New retirement eligibility requirements.
3. Different rules for the computation of final average compensation.

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

2018: House Bill 185 was enacted, which updated benefit provisions for active members who die in the line of duty.

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2021: Senate Bill 169 passed during 2021 legislative session increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan.

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

<u>Year Ended</u>	<u>District's proportion of the net OPEB liability</u>	<u>District's proportionate share of the net OPEB liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability (2)</u>
<b><u>CERS Nonhazardous</u></b>					
2021	0.004975%	\$ 95,244	\$123,352	77.21%	62.91%
2020	0.006200%	\$149,711	\$143,895	104.04%	51.67%
2019	0.007364%	\$123,859	\$175,603	70.53%	60.44%
2018	0.006546%	\$116,223	\$181,770	63.94%	57.62%
2017	0.006997%	\$140,664	\$158,492	88.75%	52.40%

**Note to Schedule:**

(1) The amounts presented were determined as of the measurement date June 30. District payroll is reported for its' covered employees on calendar years ending December 31.

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

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



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

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<b><i>CERS Nonhazardous</i></b>					
2021	\$6,467	\$6,467	\$ -	\$123,352	4.76% / 5.78%
2020	\$6,924	\$6,924	\$ -	\$143,895	4.76% / 4.76%
2019	\$8,748	\$8,748	\$ -	\$ 175,603	5.26% / 4.76%
2018	\$9,046	\$9,046	\$ -	\$181,770	4.70% / 5.26%
2017	\$9,311	\$9,311	\$ -	\$158,492	4.73% / 4.70%

**Note to Schedule:**

Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those allocated directly to the CERS insurance fund.

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

**Lyon County Water District**  
**Schedule of Changes in Benefits and Assumptions OPEB**  
**For the Year Ended December 31, 2021**

***Note A - Changes of Assumptions:***

2017:

The actuarial valuation was performed as of June 30, 2016. Gabriel Roeder Smith Retirement Consulting rolled forward from the valuation date to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017. Specifically, a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

2018:

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

2019:

The payroll growth rate was reduced to 2.0% from 4.0%.

The inflation rate was reduced to 2.30% from 3.25%.

The investment rate of return was reduced to 6.25% from 7.50%.

2020:

There have been no changes in actuarial assumptions since June 30, 2019.

2021:

Salary increases were reduced to 3.30% to 10.30% from 3.30% to 11.55%.

***Note B - Method and assumptions used in calculations of actuarially determined contributions.***

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date of June 30, 2020 to the plan's fiscal year ending June 30, 2021 using generally accepted actuarial principles. The actuarial methods and assumptions used to calculate the required contributions are below.

Valuation date	June 30, 2019
Experience study	July 1, 2013 - June 30, 2018
Actual cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019. <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.</i>
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service for CERS
Payroll growth rate	2.00%
Investment Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 5.50% at January 1, 2021, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

**Lyon County Water District**  
**Schedule of Changes in Benefits and Assumptions OPEB**  
**For the Year Ended December 31, 2021**

Phase-In provision

Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

***Notes C - Changes of Benefits:***

2019: House Bill 1 passed during the 2019 legislative session and allowed certain agencies in the KERS Nonhazardous plan to elect to cease participating in the fund as of June 30, 2020, under different provisions than were previously established.

2020: Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021.

2021: Senate Bill 249 passed during the 2020 legislative session changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases.

Senate Bill 169 passed during 2021 legislative session increased the disability benefits for certain qualifying members who become "total and permanently disabled" in the line of duty or as a result of a duty-related disability.

House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employer in the KERS Nonhazardous plan.

JESSICA K. DANIEL, CPA PSC  
CERTIFIED PUBLIC ACCOUNTANT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issues by the Comptroller General of the United States, the financial statements of the Lyon County Water District, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Lyon County Water District's basic financial statements, and have issued our report thereon dated July 25, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lyon County Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2021-1).

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EDDYVILLE, KY 42038

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**Report on Compliance and Other Matters**

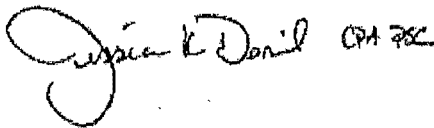
As part of obtaining reasonable assurance about whether the Lyon County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

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

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

**Purpose of this Report**

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



Eddyville, Kentucky  
July 25, 2022

**Lyon County Water District**  
**Schedule of Findings and Responses**  
**For The Year Ended December 31, 2021**

**2021-1 Segregation of Duties**

**Condition**

There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

**Criteria**

A prudent control environment requires various functions of internal control be allocated among various employees.

**Effect**

Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

**Cause**

Lack of personnel.

**Recommendation**

We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

**Response**

We agree with the finding and have put in place certain compensating controls to help alleviate exposure. A third party accounting firm has been contracted to provide office staff, bookkeeping, payroll, and preparing monthly reports for Board review.

**Lyon County Water District**  
**Schedule of Prior Year Findings and Responses**  
**For The Year Ended December 31, 2020**

**2020-1 Segregation of Duties**

**Condition**

There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

**Criteria**

A prudent control environment requires various functions of internal control be allocated among various employees.

**Effect**

Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

**Cause**

Lack of personnel.

**Recommendation**

We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

**Response**

We agree with the finding and have put in place certain compensating controls to help alleviate exposure. A third party accounting firm has been contracted to provide office staff, bookkeeping, payroll, and preparing monthly reports for Board review.

Year End: December 31, 2021  
 Adjusting journal entries  
 Date: 1/1/2021 To 12/31/2021

Prepared by	Reviewed by
JKD 7/22/2022	JKD 7/25/2022

B-2

Number	Date	Type	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
AJE 01	12/31/2021	N	Deferred Outflows - Pension	1900				47,571.00		
AJE 01	12/31/2021	N	Net Pension Liability	2700			158,365.00			
AJE 01	12/31/2021	N	Deferred Inflows - Pension	2900				80,168.00		
AJE 01	12/31/2021	N	Pension Contra	5031				30,626.00		
GASB 65 adjustment										
AJE 02	12/31/2021	N	Deferred Outflows - OPEB	1901				17,435.00		
AJE 02	12/31/2021	N	Net OPEB Liability	2701			54,467.00			
AJE 02	12/31/2021	N	Deferred Inflows - OPEB	2901				33,414.00		
AJE 02	12/31/2021	N	Pension Contra	5031				3,618.00		
GASB 75 adjustment										
AJE 03	12/31/2021	N	Accrued Interest	2300			20,516.60			
AJE 03	12/31/2021	N	Current Portion LT Debt	2500			48,500.00			
AJE 03	12/31/2021	N	Long Term Debt - R/D	2621				48,500.00		
AJE 03	12/31/2021	N	Interest Expense	5800				20,516.60		
To adjust current portion of debt - January 2022 payment was made in December 2021.										
AJE 04	12/31/2021	N	Retirement Payable	2310				3,275.92		
AJE 04	12/31/2021	N	Employee Pension Expense	5030			3,275.92			
Adjust retirement payable										
							285,124.52	285,124.52		
Net Income (Loss)				(39,221.15)						



Year End: December 31, 2021  
 Trial balance

Prepared by	Reviewed by
JKD 7/22/2022	JKD 7/25/2022

B-1

Account	Prelim	Adj's	Rep Ann.	Rep 12/20	Amount Chg	%Chg
<b>105 Cash</b>	<b>194,955.50</b>	<b>0.00</b>	<b>194,955.50</b>	<b>241,099.75</b>	<b>(46,144.25)</b>	<b>(19)</b>
1000 Cash - Operating	19,911.18	0.00	19,911.18 1-0	64,863.61	(44,952.43)	(69)
1002 Cash - Revenue	28,518.78	0.00	28,518.78 1-0	33,079.84	(4,561.06)	(14)
1003 Cash - Project #2	73,141.05	0.00	73,141.05 1-0	72,941.05	200.00	0
1005 Cash - Lyon Co Loan Fund	7,240.30	0.00	7,240.30 1-0	7,240.30	0.00	0
1007 Cash - Sewer Operation	66,144.19	0.00	66,144.19 1-0	62,974.95	3,169.24	5
<b>110 Accounts receivable</b>	<b>120,235.37</b>	<b>0.00</b>	<b>120,235.37</b>	<b>121,166.82</b>	<b>(931.45)</b>	<b>(1)</b>
1100 Customer Receivables	120,235.37	0.00	120,235.37 2-1	121,166.82	(931.45)	(1)
<b>115 Unbilled revenue</b>	<b>81,935.71</b>	<b>0.00</b>	<b>81,935.71</b>	<b>81,487.93</b>	<b>447.78</b>	<b>1</b>
1175 Unbilled Revenue	81,935.71	0.00	81,935.71 2-2	81,487.93	447.78	1
<b>125 Prepayments</b>	<b>15,641.10</b>	<b>0.00</b>	<b>15,641.10</b>	<b>16,971.33</b>	<b>(1,330.23)</b>	<b>(8)</b>
1300 Prepaid Expenses	15,641.19	0.00	15,641.19 3-2	16,971.42	(1,330.23)	(8)
1350 Prepaid KIA Principal	(0.09)	0.00	(0.09)	(0.09)	0.00	0
<b>130 Inventory</b>	<b>32,930.05</b>	<b>0.00</b>	<b>32,930.05</b>	<b>25,390.14</b>	<b>7,539.91</b>	<b>30</b>
1200 Inventory	32,930.05	0.00	32,930.05 5-1	25,390.14	7,539.91	30
<b>135 Restricted Assets - Cash</b>	<b>292,042.14</b>	<b>0.00</b>	<b>292,042.14</b>	<b>285,904.22</b>	<b>6,137.92</b>	<b>2</b>
1001 Cash - Depreciation	163,910.01	0.00	163,910.01 1-0	160,288.98	3,621.03	2
1006 Cash - KIA Loan Repayment Fd	4,796.80	0.00	4,796.80 1-0	4,796.80	0.00	0
1008 Regions - Sinking Fund	72,139.89	0.00	72,139.89 1-0	68,095.63	4,044.26	6
1009 Revenue Bond & Int Sinking Fd	51,195.44	0.00	51,195.44 1-0	52,722.81	(1,527.37)	(3)
<b>136 Customer Deposit Cash</b>	<b>560.00</b>	<b>0.00</b>	<b>560.00</b>	<b>560.00</b>	<b>0.00</b>	<b>0</b>
1850 Deposits	560.00	0.00	560.00 1	560.00	0.00	0
<b>145 Capital Assets</b>	<b>7,618,454.55</b>	<b>0.00</b>	<b>7,618,454.55</b>	<b>7,851,578.13</b>	<b>(233,123.58)</b>	<b>(3)</b>
<b>145.100 Land</b>	<b>121,772.32</b>	<b>0.00</b>	<b>121,772.32</b>	<b>121,772.32</b>	<b>0.00</b>	<b>0</b>
1700 Land	121,772.32	0.00	121,772.32 4-1	121,772.32	0.00	0
<b>145.200 Construction in Progress</b>	<b>43,477.40</b>	<b>0.00</b>	<b>43,477.40</b>	<b>43,477.40</b>	<b>0.00</b>	<b>0</b>
1795 Construction in Process	9,081.40	0.00	9,081.40 4-1	9,081.40	0.00	0
1796 Construction in Process - RD	29,980.00	0.00	29,980.00 4-1	29,980.00	0.00	0
1797 Construction in Progress Sewer	4,416.00	0.00	4,416.00 4-1	4,416.00	0.00	0
<b>145.300 Plants and Facilities</b>	<b>12,687,380.26</b>	<b>0.00</b>	<b>12,687,380.26</b>	<b>12,652,563.58</b>	<b>34,816.68</b>	<b>0</b>
1720 Distribution Line #1	2,635,028.77	0.00	2,635,028.77 4-1	2,600,212.09	34,816.68	1
1730 Distribution Line #2	8,563,709.92	0.00	8,563,709.92 4-1	8,563,709.92	0.00	0
1740 Lake Barkley Line	164,209.83	0.00	164,209.83 4-1	164,209.83	0.00	0
1750 Water Tank	422,706.87	0.00	422,706.87 4-1	422,706.87	0.00	0
1780 Improvements	34,000.00	0.00	34,000.00 4-1	34,000.00	0.00	0

Year End: December 31, 2021  
 Trial balance

Prepared by	Reviewed by
JKD 7/22/2022	JKD 7/25/2022

B-1-1

Account	Prelim	Adj's	Rep Ann.	Rep 12/20	Amount Chg	%Chg
1790 Sewer Line	867,724.87	0.00	867,724.87 4-1	867,724.87	0.00	0
<b>145.400 Buildings</b>	<b>73,976.27</b>	<b>0.00</b>	<b>73,976.27</b>	<b>73,976.27</b>	<b>0.00</b>	<b>0</b>
1760 Building	73,976.27	0.00	73,976.27 4-1	73,976.27	0.00	0
<b>145.500 Vehicles and Equipment</b>	<b>449,376.27</b>	<b>0.00</b>	<b>449,376.27</b>	<b>382,898.21</b>	<b>66,478.06</b>	<b>17</b>
1710 Equipment	307,247.10	0.00	307,247.10 4-1	295,769.04	11,478.06	4
1770 Vehicles	142,129.17	0.00	142,129.17 4-1	87,129.17	55,000.00	63
<b>145.650 Accumulated Depreciation</b>	<b>(5,757,527.97)</b>	<b>0.00</b>	<b>(5,757,527.97)</b>	<b>(5,423,109.65)</b>	<b>(334,418.32)</b>	<b>6</b>
1799 Accumulated Depreciation	(5,757,527.97)	0.00	(5,757,527.97) 4-1	(5,423,109.65)	(334,418.32)	6
<b>170 Deferred Outflows</b>	<b>162,812.33</b>	<b>(65,006.00)</b>	<b>97,806.33</b>	<b>157,392.69</b>	<b>(59,586.36)</b>	<b>(38)</b>
1900 Deferred Outflows - Pension	86,540.07	(47,571.00)	38,969.07 6-9	82,192.65	(43,223.58)	(53)
1901 Deferred Outflows - OPEB	76,272.26	(17,435.00)	58,837.26 6-9	75,200.04	(16,362.78)	(22)
<b>205 Trade Accounts Payable</b>	<b>(71,565.17)</b>	<b>0.00</b>	<b>(71,565.17)</b>	<b>(81,171.32)</b>	<b>(10,393.85)</b>	<b>17</b>
2000 Accounts Payable	(71,565.17)	0.00	(71,565.17) 6-1	(81,171.32)	(10,393.85)	17
<b>213 Payroll Liabilities</b>	<b>(3,551.26)</b>	<b>0.00</b>	<b>(3,551.26)</b>	<b>(2,731.97)</b>	<b>(819.29)</b>	<b>30</b>
2200 Federal Withholding	(835.21)	0.00	(835.21) 6-8	(719.00)	(116.21)	16
2201 FICA Withholding	(1,126.32)	0.00	(1,126.32) 6-8	(791.04)	(335.28)	42
2202 Kentucky Withholding	(559.20)	0.00	(559.20) 6-7	(430.89)	(128.31)	30
2203 Payroll Liabilities	(1,030.53)	0.00	(1,030.53) 6-8	(791.04)	(239.49)	30
<b>215 Accrued liabilities</b>	<b>(11,515.05)</b>	<b>(3,275.92)</b>	<b>(14,790.97)</b>	<b>(10,003.64)</b>	<b>(4,787.33)</b>	<b>48</b>
2100 Sales Tax Payable	(281.31)	0.00	(281.31) 6-6	(279.36)	(1.95)	1
2110 School Tax Payable	(3,493.42)	0.00	(3,493.42) 6-5	(2,885.56)	(607.86)	21
2305 Accrued Payroll	(2,634.73)	0.00	(2,634.73) 6-3	(2,683.28)	48.55	(2)
2310 Retirement Payable	(668.56)	(3,275.92)	(3,944.48) 6-10	(566.42)	(3,378.06)	596
2315 AFLAC Payable	(197.82)	0.00	(197.82)	(197.82)	0.00	0
2320 Accrued Vacation	(4,239.21)	0.00	(4,239.21) 6-3	(3,391.20)	(848.01)	25
<b>220 Accrued interest on debt</b>	<b>(38,135.07)</b>	<b>20,516.60</b>	<b>(17,618.47)</b>	<b>(38,135.07)</b>	<b>20,516.60</b>	<b>(54)</b>
2300 Accrued Interest	(38,135.07)	20,516.60	(17,618.47) 7-1	(38,135.07)	20,516.60	(54)
<b>225 Customers' deposits</b>	<b>(18,350.00)</b>	<b>0.00</b>	<b>(18,350.00)</b>	<b>(19,100.00)</b>	<b>750.00</b>	<b>(4)</b>
2400 Customer Deposits	(18,350.00)	0.00	(18,350.00) 6-4	(19,100.00)	750.00	(4)
<b>235 Long-term debt due in one year</b>	<b>(186,663.32)</b>	<b>48,500.00</b>	<b>(138,163.32)</b>	<b>(178,426.15)</b>	<b>40,262.83</b>	<b>(23)</b>
2500 Current Portion LT Debt	(186,663.32)	48,500.00	(138,163.32) 7-1	(178,426.15)	40,262.83	(23)
<b>240 Long-term debt due after one year</b>	<b>(4,258,119.31)</b>	<b>(48,500.00)</b>	<b>(4,306,619.31)</b>	<b>(4,447,885.62)</b>	<b>141,266.31</b>	<b>(3)</b>
2610 Long-Term Debt Bonds	(930,000.00)	0.00	(930,000.00) 7-1	(980,000.00)	50,000.00	(5)
2620 Long Term Debt - KIA	(1,616,722.31)	0.00	(1,616,722.31) 7-1	(1,704,885.62)	88,163.31	(5)

Year End: December 31, 2021  
 Trial balance

Prepared by	Reviewed by
JKD 7/22/2022	JKD 7/25/2022

B-1-2

Account	Prelim	Adj's	Rep Ann.	Rep 12/20	Amount Chg	%Chg
2621 Long Term Debt - R/D	(1,666,000.00)	(48,500.00)	(1,714,500.00) 7-1	(1,763,000.00)	48,500.00	(3)
2622 Farmers Bank - Dodge Ram	(45,397.00)	0.00	(45,397.00) 7-1	0.00	(45,397.00)	0
<b>245 Net Pension Liability</b>	<b>(625,399.00)</b>	<b>212,832.00</b>	<b>(412,567.00)</b>	<b>(625,399.00)</b>	<b>212,832.00</b>	<b>(34)</b>
2700 Net Pension Liability	(475,688.00)	158,365.00	(317,323.00) 6-9	(475,688.00)	158,365.00	(33)
2701 Net OPEB Liability	(149,711.00)	54,467.00	(95,244.00) 6-9	(149,711.00)	54,467.00	(36)
<b>270 Deferred Inflows</b>	<b>(142,829.49)</b>	<b>(113,582.00)</b>	<b>(256,411.49)</b>	<b>(144,553.33)</b>	<b>(111,858.16)</b>	<b>77</b>
2630 Premium on Refinance	(32,752.75)	0.00	(32,752.75) 7-1	(34,476.59)	1,723.84	(5)
2900 Deferred Inflows - Pension	(60,667.40)	(80,168.00)	(140,835.40) 6-9	(60,667.40)	(80,168.00)	132
2901 Deferred Inflows - OPEB	(49,409.34)	(33,414.00)	(82,823.34) 6-9	(49,409.34)	(33,414.00)	68
<b>305 Invested In capital assets, net of</b>	<b>(3,275,818.29)</b>	<b>0.00</b>	<b>(3,275,818.29)</b>	<b>(3,275,818.29)</b>	<b>0.00</b>	<b>0</b>
3100 Invested Net of Related Debt	(3,275,818.29)	0.00	(3,275,818.29)	(3,275,818.29)	0.00	0
<b>310 Restricted for debt service</b>	<b>(201,828.00)</b>	<b>0.00</b>	<b>(201,828.00)</b>	<b>(201,828.00)</b>	<b>0.00</b>	<b>0</b>
3010 Restricted for Debt Service	(201,828.00)	0.00	(201,828.00)	(201,828.00)	0.00	0
<b>315 Unrestricted</b>	<b>223,501.38</b>	<b>0.00</b>	<b>223,501.38</b>	<b>16,381.39</b>	<b>207,119.99</b>	<b>1264</b>
3000 Unrestricted Net Position	223,501.38	0.00	223,501.38	16,381.39	207,119.99	1264
<b>405 Water Revenues</b>	<b>(1,313,827.37)</b>	<b>0.00</b>	<b>(1,313,827.37)</b>	<b>(1,264,850.15)</b>	<b>(48,977.22)</b>	<b>4</b>
4000 Residential Water Sales	(1,220,889.03)	0.00	(1,220,889.03) 10-01	(1,160,087.11)	(60,801.92)	5
4010 Commercial Water Sales	(71,974.83)	0.00	(71,974.83) 10-01	(82,442.19)	10,467.36	(13)
4020 Flat Rate Revenues - General Re	(13,704.97)	0.00	(13,704.97) 10-01	(13,344.05)	(360.92)	3
4030 Flat Rate Revenues - General Co	(9,978.04)	0.00	(9,978.04) 10-01	(12,026.81)	2,048.77	(17)
4900 Returns and Allowances	2,719.50	0.00	2,719.50	3,050.01	(330.51)	(11)
<b>410 Other</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(610.00)</b>	<b>610.00</b>	<b>(100)</b>
4200 Miscellaneous Charges	0.00	0.00	0.00	(610.00)	610.00	(100)
<b>415 Capital Contributions</b>	<b>(10,800.00)</b>	<b>0.00</b>	<b>(10,800.00)</b>	<b>(7,200.00)</b>	<b>(3,600.00)</b>	<b>50</b>
4550 Contributed Capital	(10,800.00)	0.00	(10,800.00)	(7,200.00)	(3,600.00)	50
<b>420 Investment Income</b>	<b>(217.85)</b>	<b>0.00</b>	<b>(217.85)</b>	<b>(606.04)</b>	<b>388.19</b>	<b>(64)</b>
4500 Interest Income	(217.85)	0.00	(217.85)	(606.04)	388.19	(64)
<b>501 Water Expenses</b>	<b>927,828.63</b>	<b>(30,968.08)</b>	<b>896,860.55</b>	<b>1,002,000.60</b>	<b>(105,140.05)</b>	<b>(10)</b>
5000 Salaries	140,595.98	0.00	140,595.98	159,640.92	(19,044.94)	(12)
5001 Salaries Contra	(48.55)	0.00	(48.55)	621.48	(670.03)	(108)
5010 Employee Dental Insurance	667.96	0.00	667.96	602.08	65.88	11
5020 Employee Health Insurance	15,432.10	0.00	15,432.10	21,192.12	(5,760.02)	(27)
5021 Health Contra	0.00	0.00	0.00	6,045.00	(6,045.00)	(100)
5030 Employee Pension Expense	26,139.17	3,275.92	29,415.09	69,140.47	(39,725.38)	(57)
5031 Pension Contra	0.00	(34,244.00)	(34,244.00)	0.00	(34,244.00)	0

Year End: December 31, 2021  
 Trial balance

Prepared by	Reviewed by
JKD 7/22/2022	JKD 7/25/2022

B-1-3

Account	Prelim	Adj's	Rep Ann.	Rep 12/20	Amount Chg	%Chg
5100 PSC Assessment	2,491.48	0.00	2,491.48	2,451.03	40.45	2
5120 Utilities & Phone	28,814.98	0.00	28,814.98	25,216.55	3,598.43	14
5130 Materials & Supplies	88,240.39	0.00	88,240.39	41,830.85	46,409.54	111
5140 Office Supplies	15,086.17	0.00	15,086.17	13,083.29	2,002.88	15
5150 Purchased Water	421,654.85	0.00	421,654.85	410,229.52	11,425.33	3
5160 Replacement to Lines	0.00	0.00	0.00	18,743.25	(18,743.25)	(100)
5170 Contract Services	2,500.00	0.00	2,500.00	551.00	1,949.00	354
5175 Contract Labor	7,137.00	0.00	7,137.00	6,280.00	857.00	14
5180 Professional Fees	103,696.00	0.00	103,696.00	155,340.00	(51,644.00)	(33)
5190 Insurance Expense	23,634.26	0.00	23,634.26	24,569.29	(935.03)	(4)
5300 Miscellaneous Expense	51,786.84	0.00	51,786.84	46,463.75	5,323.09	11
<b>502 Wastewater Expenses</b>	<b>20,916.70</b>	<b>0.00</b>	<b>20,916.70</b>	<b>17,390.50</b>	<b>3,526.20</b>	<b>20</b>
5330 Miscellaneous Supplies & Expense	20,916.70	0.00	20,916.70	17,390.50	3,526.20	20
<b>515 Depreciation</b>	<b>334,418.32</b>	<b>0.00</b>	<b>334,418.32</b>	<b>338,856.29</b>	<b>(4,437.97)</b>	<b>(1)</b>
5900 Depreciation	334,418.32	0.00	334,418.32 4-1	338,856.29	(4,437.97)	(1)
<b>535 Payroll and other taxes</b>	<b>10,644.99</b>	<b>0.00</b>	<b>10,644.99</b>	<b>12,349.01</b>	<b>(1,704.02)</b>	<b>(14)</b>
5600 Payroll Taxes	10,690.72	0.00	10,690.72	12,377.81	(1,687.09)	(14)
5610 Sales Tax	(70.41)	0.00	(70.41)	(24.33)	(46.08)	189
5620 Local School Tax	24.68	0.00	24.68	(4.47)	29.15	(652)
<b>545. 10 Interest on Debt</b>	<b>121,742.41</b>	<b>(20,516.60)</b>	<b>101,225.81</b>	<b>109,789.78</b>	<b>(8,563.97)</b>	<b>(8)</b>
5800 Interest Expense	123,016.25	(20,516.60)	102,499.65 7-1	111,063.62	(8,563.97)	(8)
5810 Loan Cost Expense	450.00	0.00	450.00	450.00	0.00	0
5910 Amortization	(1,723.84)	0.00	(1,723.84)	(1,723.84)	0.00	0
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>
<b>Net Income (Loss)</b>	<b>(90,705.83)</b>		<b>(39,221.15)</b>	<b>(207,119.99)</b>	<b>167,898.84</b>	<b>(81)</b>

1. Client

Lyon County Water District  
P.O. Box 489  
5464 U.S. Hwy 62 West  
Kuttawa, KY 42055  
270-388-0271

July 25, 2022

Jessica K Daniel, CPA PSC  
PO Box 909  
Eddyville, KY 42038

This representation letter is provided in connection with your audit of the financial statements of Lyon County Water District, which comprise the respective financial position of the business-type activities as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 25, 2022, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 13, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

- 7) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 8) Guarantees, whether written or oral, under which the water district is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

- 9) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the water district from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 10) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 11) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 12) We have no knowledge of any fraud or suspected fraud that affects the water district and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the water district's financial statements communicated by employees, former employees, regulators, or others.
- 14) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 15) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 16) We have disclosed to you the identity of the water district's related parties and all the related party relationships and transactions of which we are aware.

**Government-specific**

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have a process to track the status of audit findings and recommendations.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

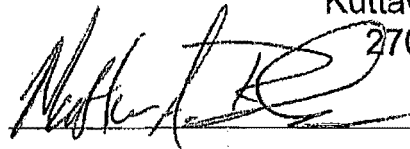
Lyon County Water District  
P.O. Box 489  
5464 U.S. Hwy 62 West  
Kuttawa, KY 42055  
270-388-0271

- 22) The water district has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.
- 25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 28) The water district has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The water district has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units as well joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements include all fiduciary activities required by GASBS No. 84.
- 32) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.


- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) We have appropriately disclosed the water district's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to the water district's required supplementary information:
  - 1) We acknowledge our responsibility for presenting the required supplementary information (RSI) in accordance with accounting principles generally accepted in the United States of America, and we believe the RSI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the RSI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - 2) If the required supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.



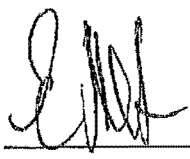
Lyon County Water District  
P.O. Box 489  
5464 U.S. Hwy 62 West  
Kuttawa, KY 42055  
270-388-0271

Signature:  \_\_\_\_\_

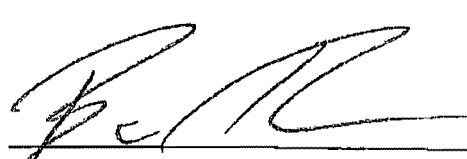
Title: Superintendent

Signature:  \_\_\_\_\_

Title: Chair

Signature:  \_\_\_\_\_

Title: Office Manager

Signature:  \_\_\_\_\_

Title: Accountant

8/20/2021 8:24:45 AM - We received a call from Sanctuary on Tuesday that the AC was out. Sure enough, it was. It was low on freon. Matt recharged it and it is working fine. We were told the worker would not be back in the office until Friday (today). This morning I noticed a vehicle parked there so I went to talk to Kayla about the AC. It was not her. It was **Leann Brummett**. She said she works Lyon Caldwell and another county. She said this is only her 2d week on the job and that Kayla is no longer with the cabinet. I told her if there are more problems with the AC to let us know. mlw

8/23/21 - Matt came by w/ the service call bill for charging the unit at 625. He said we need to keep a record so if it gets low again he can measure the rate of the leak. A copy of the invoice w/ the amount of freon is scanned in the HVAC folder. Mlw

5/31/2022 3:01:13 PM - Lee received an email that the A/C was not working. I went to the door but it was locked. Rae Ann Brummett called from **270/348-3515** and said she was back in the office. I went there. The thermostat was set on 68 and it was 74 in the unit. I checked the filter. It was black and was last changed five years ago. I went to Akridge's and bought two 20x20 filters. Got back about one hour after taking the old filter out. It had dropped from 74 to 72. Put one in and gave the other to Rae Ann to have as a spare. I asked her to let us know in the morning if it was not cooled out. Mlw

# Exhibit 11



## **KENTUCKY INFRASTRUCTURE AUTHORITY**

**Andy Beshear**  
Governor

100 Airport Road  
Frankfort, Kentucky 40601  
(502) 573-0260  
(502) 696-0676 (fax)  
kia.ky.gov

**Edith Halbleib**  
Executive Director

February 10, 2020

The Honorable Don Robertson, Chairman  
Lyon County Water District  
PO Box 489  
Kuttawa, KY 42055

### **KENTUCKY INFRASTRUCTURE AUTHORITY FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (F20-034)**

Dear Chairman Robertson:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 6, 2020, the Authority approved your loan for the Water System and Storage Tank Improvements project subject to the conditions stated in Attachment A to this letter. The total cost of the project shall not exceed \$2,094,675 without prior authorization, of which the Authority is the sole source of the funding. The final loan amount will be equal to the amount of funds disbursed for the project. Attachment B incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and "the Lyon County Water District" upon satisfactory performance of the conditions set forth in Attachment A. You must meet the conditions set forth in Attachment A and enter into an Assistance Agreement by February 10, 2021 (twelve months from the date of this letter). A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

Chairman Robertson  
February 10, 2020  
Page 2

Please Inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Linda Bridwell, PE  
Deputy Executive Director  
Kentucky Infrastructure Authority

Attachments

cc: Kyle Cunningham, PEADD  
HDR, Mike Hansen

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms along with the completed "Transparency Act Reporting Information Form". Complete the attached "Authorization for Electronic Deposit of Vendor Payment Form" and the "ACH Debit Authorization Form" and return to the US Bank address at the bottom of each form. Also included are the "Legal Counsel Certification Letter" sample and the "Statement of Approval of Projections of Revenue and Expenses" for you to complete at the appropriate time.

We have attached an SRF loan checklist to use as a guide.

  
Accepted

8/11/2020  
Date

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$2,094,675 without prior authorization.
2. This loan was not eligible for principal forgiveness.
3. The loan shall bear interest at the rate of 2.50% per annum commencing with the first draw of funds.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid. KIA requires the use of Automated Clearing House (ACH) debits for payment of all balances due on the loan. This will ensure that payments are credited timely to your account without the risk of incurring late payment fees. If the due date falls on a weekend or holiday your account will be debited on the next business day. Please complete and return the attached authorization form to U.S. Bank for processing.
5. Full principal payments will commence on the appropriate June 1, or December 1, within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. The loan shall be repaid over a period not to exceed 20 years from the date of initiation of operation for the project.
7. A loan servicing fee of 0.25% of the outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds may be considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations,

requires that all recipients and sub-recipients **expending \$750,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. Please note that the guidance for single audit requirements has changed for fiscal or calendar year 2016 audits. Please consult with your independent auditor as soon as possible to understand how the changes will affect you.

11. The Authority requires that an annual financial audit be provided for the life of the loan.
12. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.
13. The Borrower must maintain a 1.1 debt coverage ratio throughout the life of the KIA loan. All borrowers are subject to at least an annual financial review for compliance.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the State's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. Any special conditions listed in Attachment B must be satisfied before the project is presented before the Committee.
4. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be

Chairman Robertson  
February 10, 2020  
Attachment A

obtained.

5. The Borrower must complete and return the attached "Authorization for Electronic Deposit of Vendor Payment" form to U.S. Bank.
6. The Borrower must provide documentation of Eclearinghouse Endorsement and Eclearinghouse Comments.
7. Prior to the project bid, an environmental review shall be conducted by the Division of Water for all construction projects receiving State Revolving Funds ("SRF") money.
8. Technical plans and specifications and a complete SRF specifications checklist shall be approved by the Division of Water prior to project bid.
9. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
10. Project changes or additions deviating from the original scope of work described in the Project Profile may require a new or amended environmental review and change order review before they can be included in the SRF loan project.
11. The Borrower must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
12. The Borrower shall implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
13. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates for all work relating to the subject Project.
14. The project shall comply with the reporting requirements of the



Chairman Robertson  
February 10, 2020  
Attachment A

Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.

15. Based on the final "as-bid" project budget, the Borrower must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by the consulting engineer.
16. The project shall comply with American Iron and Steel requirements of The Consolidated Appropriations Act of 2014 (H.R. 3547), which became effective January 17, 2014, unless engineering plans and specifications were approved by the Division of Water prior to the effective date.

Any special conditions stated in Attachment B must be resolved.

**ATTACHMENT B**

**Lyon County Water District  
F20-034**

<b>EXECUTIVE SUMMARY</b>		Reviewer	Ashley Adams	
<b>KENTUCKY INFRASTRUCTURE AUTHORITY</b>		Date	February 6, 2020	
<b>FUND F, FEDERALLY ASSISTED DRINKING WATER</b>		KIA Loan Number	F20-034	
<b>REVOLVING LOAN FUND</b>		WRIS Number	WX21143017	
<b>BORROWER</b>	LYON COUNTY WATER DISTRICT LYON COUNTY			
<b>BRIEF DESCRIPTION</b>				
This project will help to improve water quality and resolve pressure issues throughout the system by rehabilitating 2 water tanks, building an interconnect to loop lines for better water circulation, upsizing a line in the Tinsley Creek Subdivision, and replacing a creek crossing near KY 274 that is in danger of failure.				
<b>PROJECT FINANCING</b>		<b>PROJECT BUDGET</b>		
Fund F Loan	\$2,094,675	RD Fee %	Actual %	
		Administrative Expenses		\$50,000
		Legal Expenses		15,000
		Eng - Design / Const	7.8% 4.4%	81,150
		Eng - Insp	4.8% 5.8%	106,025
		Construction		1,675,000
		Contingency		167,500
<b>TOTAL</b>	<b>\$2,094,675</b>	<b>TOTAL</b>		<b>\$2,094,675</b>
<b>REPAYMENT</b>	Rate	2.50%	Est. Annual Payment	\$138,967
	Term	20 Years	1st Payment	6 Mo. after first draw
<b>PROFESSIONAL SERVICES</b>	Engineer	HDR		
	Bond Counsel	Rubin & Hays		
<b>PROJECT SCHEDULE</b>	Bid Opening	Mar-20		
	Construction Start	Apr-20		
	Construction Stop	Aug-21		
<b>DEBT PER CUSTOMER</b>	Existing	\$1,891		
	Proposed	\$2,473		
<b>OTHER DEBT</b>	See Attached			
<b>OTHER STATE-FUNDED PROJECTS LAST 5 YRS</b>	See Attached			
<b>RESIDENTIAL RATES</b>		<u>Users</u>	<u>Avg. Bill</u>	
	Current	2,649	\$46.24 (for 4,000 gallons)	
	Additional	0	\$46.24 (for 4,000 gallons)	
<b>REGIONAL COORDINATION</b>	This project is consistent with regional planning recommendations.			
<b>CASHFLOW</b>	<b>Cash Flow Before Debt Service</b>	<b>Debt Service</b>	<b>Cash Flow After Debt Service</b>	<b>Coverage Ratio</b>
Audited 2016	278,617	120,909	157,708	2.3
Audited 2017	401,254	126,621	274,633	3.2
Audited 2018	281,165	224,090	57,075	1.3
Projected 2019	281,165	261,542	19,623	1.1
Projected 2020	281,165	253,720	27,445	1.1
Projected 2021	281,165	254,044	27,121	1.1
Projected 2022	476,894	398,446	78,448	1.2
Projected 2023	457,441	398,781	58,660	1.1

Reviewer: Ashley Adams  
Date: February 6, 2020  
Loan Number: F20-034

**KENTUCKY INFRASTRUCTURE AUTHORITY  
DRINKING WATER STATE REVOLVING FUND (FUND F)  
LYON COUNTY WATER DISTRICT, LYON COUNTY  
PROJECT REVIEW  
WX21143017**

**I. PROJECT DESCRIPTION**

The Lyon County Water District is requesting a Fund F loan in the amount of \$2,094,675 for the Water System and Storage Tank Improvements project. This project will address several areas throughout the distribution system to help improve water age, water quality, pressure issues, and maintenance in the system.

Two water tanks will be rehabilitated including the Lamasco glass lined standpipe tank and the Jack Thompson tank. The Lamasco tank needs coating on the interior to mitigate a rust problem as well as installation of a mixing system and work on the exterior valve vault to install a bypass valve for better control at the tank site. The Jack Thompson elevated storage tank needs coating on the interior and exterior per the latest inspection.

The project will also loop several lines in the KY 295 area in order to increase circulation of water and improve water quality. This includes an interconnect between KY 295 and KY 373 and another between US 62 and KY 295. The KY 373 to KY 295 Loop project is a project that loops a line that dead ends at the City of Eddyville's master meter valve. The line is also the first phase in allowing the Crittenden Livingston County Water District to serve the City of Kuttawa as a backup source or possibly a primary source. In addition, the loop will allow additional water to be transmitted by the City of Eddyville to the City of Kuttawa as a backup water source.

The US 62 & KY 295 project provides another connection between the Lyon County Water District and the City of Kuttawa. Along with the KY 373 to KY 295 project described above, the project provides a means of allowing Kuttawa to receive water from the Crittenden Livingston County Water District and a higher volume feed from the City of Eddyville. The new feed will currently serve as a backup water supply for Kuttawa and could serve as Kuttawa's primary water supply in the event Kuttawa ceases operation of its water treatment plant.

In addition, an undersized 2" line in the Tinsley Creek Subdivision will be replaced with an adequately sized line to resolve water quality and pressure issues in the area and a creek crossing near KY 274 will also be replaced as the line is very shallow and in danger of immediate failure.

The Lyon County Water District is a PSC regulated distribution system that does not produce water. The District purchases approximately 111 MG of water annually

primarily from the Kuttawa Water Department (41 MG) and Princeton Water (41 MG) in addition to the Crittenden-Livingston County Water District (12 MG), and the Eddyville Water Department (6 MG).

## II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 50,000
Legal Expenses	15,000
Engineering Fees - Design	50,000
Engineering Fees - Construction	31,150
Engineering Fees - Inspection	106,025
Construction	1,675,000
Contingency	167,500
<b>Total</b>	<b>\$ 2,094,675</b>

## III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 2,094,675	100%
<b>Total</b>	<b>\$ 2,094,675</b>	<b>100%</b>

## IV. KIA DEBT SERVICE

Construction Loan	\$ 2,094,675
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 2,094,675
Interest Rate	2.50%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 133,730
Administrative Fee (0.25%)	5,237
<b>Total Estimated Annual Debt Service</b>	<b>\$ 138,967</b>

## V. PROJECT SCHEDULE

Bid Opening	March 2020
Construction Start	April 2020
Construction Stop	August 2021

## VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

### A) Customers

	<u>Current</u>
Residential	2,607
Commercial	42
<b>Total</b>	<b>2,649</b>

## B) Rates

	<u>Current</u>	<u>Prior</u>
Date of Last Rate Increase	01/07/16	04/23/15
Minimum (2,000 gallons)	\$25.00	\$20.02
Next 3,000 Gallons	10.62	8.50
<b>Cost for 4,000 gallons</b>	<b>\$46.24</b>	<b>\$37.02</b>
Increase %	24.9%	
Affordability Index (Rate/MHI)	1.1%	

## VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility's service area population was 4,039 with a Median Household Income (MHI) of \$51,086. The median household income for the Commonwealth is \$46,535. The project will qualify for a 2.5% interest rate based on MHI.

Year	Population		County Unemployment	
	County	% Change	Date	Rate
1980	6,490		June 2005	7.0%
1990	6,624	2.1%	June 2010	10.1%
2000	8,080	22.0%	June 2015	5.2%
2010	8,314	2.9%	June 2019	5.1%
Current	8,268	-0.6%		
Cumulative %		27.4%		

## VIII. 2019 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

## IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2016 through June 30, 2018. The non-cash impact of GASB 68, Accounting and Financial Reporting for Pensions, has been removed from fiscal 2016-2018 operating expenses and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has been removed from 2018 operating expenses. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

## HISTORY

Revenues have averaged approximately \$1.2 million from 2016 to 2018 while operating expenses have increased 3.4% from \$922,389 in 2016 to \$953,566 in 2018. The District's last rate increase occurred in 2016 when rates jumped 25%. The District is currently undergoing a rate study by their engineering firm in order to apply for another rate increase at the PSC which will include projected revenue needs for this project as well as several other necessary capital projects for the system. Debt coverage was 2.3 in 2016, 3.2 in 2017, and 1.3 in 2018. Debt service was adjusted in 2017 to remove an interim financing payoff to Kentucky Rural Water Association which was replaced with KIA loan F12-02 for another water quality system improvement project to normalize the debt coverage ratio.

The balance sheet reflects a current ratio of 2.0, a debt to equity ratio of 1.6, 52.5 days sales in accounts receivable, and 5.4 months operating expenses in unrestricted cash.

## PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase at least \$220,000 or 18% annually upon approval of the PSC in order to support inflation and debt service for this loan.
- 2) Expenses will increase 2% for inflation starting in the year debt service begins on this pending loan. Inflation expense has been removed from projections in 2019-2021 as this is the only thing driving rate increase needs during that time period.
- 3) Debt service coverage is 1.2 in 2022 when principal and interest repayments begin.

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

## REPLACEMENT RESERVE

The replacement reserve will be 5% (\$104,000 total) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$5,200 yearly) each December 1 for 20 years and maintained for the life of the loan.

## X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Regions - Series 2013 C	\$ 1,115,000	2040
USDA - Series 2016	1,900,000	2046
KIA Loan (F12-02)	1,959,089	2038
Capital Lease	34,774	2020
<b>Total</b>	<b>\$ 5,008,863</b>	

## XI. CONTACTS

### **Legal Applicant**

Entity Name	Lyon County Water District
Authorized Official	Don Robertson (Chairman)
County	Lyon
Email	lyoncountyw24787@bellsouth.net
Phone	270-388-0271
Address	PO Box 489 Kuttawa, KY 42055

### **Applicant Contact**

Name	Dixie Cayce
Organization	Lyon County Water District
Email	dixie.cayce@att.net
Phone	270-388-0271
Address	PO Box 489 Kuttawa, KY 42055

### **Project Administrator**

Name	Kyle Cunningham
Organization	PEADD
Email	kyle.cunningham@ky.gov
Phone	270-886-9484
Address	300 Hammond Dr Hopkinsville, KY 42240

### **Consulting Engineer**

PE Name	Mike Hansen
Firm Name	HDR
Email	mike.hansen@hdrinc.com
Phone	270-443-7600
Address	2550 Irvin Cobb Rd Paducah, KY 42003



## **XII. RECOMMENDATIONS**

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

- 1) By March 1, 2020, the District will need to apply to the Public Service Commission (PSC) for debt authorization for the \$2,094,675 million loan. This debt authorization application should include a forecast for meeting debt service projected through no less than 2025.
- 2) By March 1, 2020, the District will need a resolution from the Lyon County Water District Board, demonstrating their intentions to increase revenues as necessary and authorized by the PSC to meet the loan requirements over the life of the loan. KIA Staff review indicates that revenues would need to increase by \$220,000 annually which equates to an approximate 18% rate increase by January 1, 2022 to meet expenses and debt service in the first full year of repayment.
- 3) Prior to the assistance agreement being executed, the District must receive a Certificate of Public Convenience and Necessity from the PSC for any portion of the project that may be necessary or provide an opinion from the staff of the PSC that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement.

**LYON 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	469,955	712,802	652,731	656,625	662,114	667,538	714,927	726,659
Other Assets	11,167,361	9,253,211	8,836,080	8,393,442	9,134,704	9,875,706	9,558,066	9,224,595
<b>Total</b>	<b>11,637,316</b>	<b>9,966,013</b>	<b>9,488,811</b>	<b>9,050,067</b>	<b>9,796,818</b>	<b>10,543,244</b>	<b>10,272,993</b>	<b>9,951,254</b>
<b>Liabilities &amp; Equity</b>								
Current Liabilities	4,415,176	2,346,033	333,446	311,515	316,118	325,755	469,395	474,095
Long Term Liabilities	3,431,550	3,656,711	5,443,627	4,642,067	5,510,979	6,371,653	6,042,750	5,710,647
<b>Total Liabilities</b>	<b>7,846,726</b>	<b>6,002,744</b>	<b>5,777,073</b>	<b>4,953,582</b>	<b>5,827,097</b>	<b>6,697,408</b>	<b>6,512,145</b>	<b>6,184,742</b>
<b>Net Assets</b>	<b>3,790,590</b>	<b>3,963,269</b>	<b>3,711,738</b>	<b>4,096,485</b>	<b>3,969,721</b>	<b>3,845,836</b>	<b>3,760,848</b>	<b>3,766,512</b>
<b>Cash Flow</b>								
Revenues	1,200,355	1,244,269	1,231,775	1,231,775	1,231,775	1,231,775	1,451,775	1,451,775
Operating Expenses	922,389	844,700	953,566	953,566	953,566	953,566	977,837	997,290
Other Income	651	1,685	2,956	2,956	2,956	2,956	2,956	2,956
<b>Cash Flow Before Debt Service</b>	<b>278,617</b>	<b>401,254</b>	<b>281,165</b>	<b>281,165</b>	<b>281,165</b>	<b>281,165</b>	<b>476,894</b>	<b>457,441</b>
<b>Debt Service</b>								
Existing Debt Service	120,909	126,621	224,090	261,542	253,720	254,044	259,479	259,814
Proposed KIA Loan	0	0	0	0	0	0	138,967	138,967
<b>Total Debt Service</b>	<b>120,909</b>	<b>126,621</b>	<b>224,090</b>	<b>261,542</b>	<b>253,720</b>	<b>254,044</b>	<b>398,446</b>	<b>398,781</b>
<b>Cash Flow After Debt Service</b>	<b>157,708</b>	<b>274,633</b>	<b>57,075</b>	<b>19,623</b>	<b>27,445</b>	<b>27,121</b>	<b>78,448</b>	<b>58,660</b>
<b>Ratios</b>								
Current Ratio	0.1	0.3	2.0	2.1	2.1	2.0	1.5	1.5
Debt to Equity	2.1	1.5	1.6	1.2	1.5	1.7	1.7	1.6
Days Sales in Accounts Receivable	47.1	54.9	52.5	52.5	52.5	52.5	52.5	52.5
Months Operating Expenses in Unrestricted Cash	3.6	6.9	5.4	5.4	5.5	5.6	5.7	5.7
Debt Coverage Ratio	2.3	3.2	1.3	1.1	1.1	1.1	1.2	1.1

## Exhibit 12

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### NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1  
Revised 1/1/2011

For DLG staff use only:

File # \_\_\_\_\_  
Received \_\_\_\_\_

Completion and delivery of this form to the address below shall satisfy the requirements of KRS 65.117, which prohibits any city, county, urban-county, consolidated local government, charter county, special district, or taxing district from entering into any financing obligation of any nature, except leases under \$200,000, without first notifying the state local debt officer in writing. This form shall also serve as application for approval of debt issuance when applicable. An electronic version of the form is available at www.dlg.ky.gov.

Type of debt to be issued ( <u>must check one</u> ):	SLDO Approval Required	Complete Sections
<input type="checkbox"/> Short Term Borrowing - KRS 65.7701 et seq.	No	A, B, C
<input type="checkbox"/> Lease from \$200,000 - \$500,000 - KRS 65.940 et seq.	No	A, B, D
<input type="checkbox"/> Lease exceeding \$500,000 - KRS 65.940 et seq.	Yes (Counties only)	A, B, D
<input type="checkbox"/> General Obligation Bond - KRS Chapter 66	Yes (Counties only)	A, B, E
<input type="checkbox"/> Public Project Rev. Bond - KRS Chapter 58	No	A, B, E
<input type="checkbox"/> Public Project Rev. Bond w/Lease - KRS 66.310(2)	Yes (Counties only)	A, B, D, E
<input type="checkbox"/> Industrial Revenue Bond - KRS Chapter 103	Yes (All Borrowers)	A, B, F
<input type="checkbox"/> Other Bonds (True Revenue, Utility Assessment, TIF)	No	A, B, E

ASSISTANCE AGREEMENT [KENTUCKY INFRASTRUCTURE AUTHORITY]

#### Section A - Borrower Information

Agency Name Lyon County Water District  
 Governing Body Lyon County Water District Board of Commissioners  
 Street Address \_\_\_\_\_  
 P.O. Box # 489 City Kuttawa  
 County Lyon Zip 42055  
 Authorized Official Charles D. Robertson

#### Section B - Terms of Financial Obligation

Please provide all relevant information. Fields in bold are mandatory.

Principle Amount: \$2,094,675.00 Date of Issue: 8/1/2023  
 Maturity Date(s): 8/1/2043 Payment Schedule: (must attach schedule)  
 Term: 20 years Number of Renewal Periods: 0  
 Interest Rate(s): 2.50 Type of Interest (fixed or variable): fixed  
 Retirement Method: periodic interest and principal payments on a fully amortized loan  
 Lender's Name: Kentucky Infrastructure Authority  
 Lender's Address: 100 Airport Road, Frankfort, Kentucky 40601  
 Right of Termination: yes  
 Termination Penalties: none  
 Prepayment Provisions: none  
 Trustee or Paying Agent: none  
 AOC Funded Percentage: 0.00

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**NOTIFICATION OF INTENT TO FINANCE  
AND APPLICATION FOR DEBT APPROVAL**

Form # SLDO-1  
Revised 1/1/2011

**Section C - Note (Loan) Information/Documentation**

Purpose - Briefly explain the documented need that necessitates this note (loan) and the public purpose it is intended to address. (Attach additional information if necessary):

Pledge of Taxes/Description:

None

Pledge of Revenue/Description:

The Water District's revenues from water sales will be pledged as collateral for the loan.

Pledge of Project Revenues (Attach documentation which substantiates the revenue projections):

Have bids been sought by the local governments to determine the financial and programmatic competitiveness of the note (loan) proposal?  Yes  No

If No, explain what steps were taken to ensure adequate competition.

Loan was obtained from the Kentucky Infrastructure Authority, a public corporation and an agency of the Commonwealth of Kentucky.

**Required Attachments**

1. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the note and statement as to taxes and revenues to be collected during the term of the note.

**Section D - Lease Information/Documentation**

Describe the real or personal property to be acquired or constructed:

N/A - no real or personal property will be leased.

Type of Lease :  General Obligation  Revenue

Is Lease Annually Renewable?  Yes  No

Does Agency seek approval without a hearing?  Yes  No Justification:  Revenue  Refunding

If yes, must attach certification from counsel regarding county obligation.

Does this lease refund a prior lease?  Yes  No

If yes, please state the name, date and principal amount of original issue(s) being refunded:

**Required Attachments (If lease requires SLDO approval)**

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing (if hearing is required) and newspaper advertisement tear sheet
3. Copy of lease.
4. Executed copy of ordinance/resolution of fiscal court authorizing the lease
5. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the lease and statement as to taxes and revenues to be collected during the term of the lease.

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**NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL**

Form # SLDO-1  
Revised 1/1/2011

**Section E - Bond Information/Documentation**

Please provide all relevant information. Fields in bold are mandatory

**Describe the purpose of the bond:**

No bonds will be issued

**Bond Counsel:**

**Counsel Address:**

**Financial Advisor:**

**Advisor Address:**

**Bond Series:**

**Call Date:**

Does this bond refund a prior bond?  Yes  No

If yes, please state the name, date and principal amount of original issue(s) being refunded:

**Required Attachments (If SLDO Approval is Required)**

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing and newspaper advertisement tear sheet
3. Executed copy of ordinance/resolution of fiscal court authorizing financial plan for the issuance of the bonds
4. Proposed plan of financing
5. Preliminary official statement (if applicable)
6. Sources and uses table

**Additional Required Attachments for KRS Chapter 103 Bonds**

1. Documentation in an appropriate form substantiating the project's eligibility under KRS 103.2101(1)(a)-(e).
2. If the project requires approval of the reduction in property taxes, attach any documentation provided to agency responsible for approval.

\*\*\*\*\*

By signing below, the Authorized Official certifies that the foregoing is true and accurate to the best of his or her knowledge.

Name (please print) Charles D. Robertson

Date: 5/16/2028

Title: Board Chairman

Signature: 

Mail to:  
Department for Local Government  
Attn: State Local Debt Officer  
1024 Capital Center Drive, Suite 340  
Frankfort, KY 40601

Fax to: 502-573-3712