

**HARDIN COUNTY WATER DISTRICT No. 1
Radcliff, Kentucky**

**FINANCIAL STATEMENTS
December 31, 2024**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hardin County Water District No. 1
Radcliff, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund of the Hardin County Water District No. 1, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Hardin County Water District No. 1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Hardin County Water District No. 1, as of December 31, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hardin County Water District No. 1, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hardin County Water District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Water District No. 1'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 Hardin County Water District No. 1'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 pension and OPEB schedules on pages 4–7 and 29–35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hardin County Water District No. 1's basic financial statements. The budgetary comparison schedules, the combining statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, the combining statements of net position, revenues, expenses and changes in net position and cash flows, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025, on our consideration of the Hardin County Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hardin County Water District No. 1'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 Hardin County Water District No. 1's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
March 26, 2025

Hardin County Water District No. 1

Serving Hardin County Since 1952

1400 Rogersville Road
Radcliff, KY 40160

March 26, 2025

TO: Hardin County Water District No. 1
Board of Commissioners

SUBJECT: 2024 Annual Report & Management's Discussion and Analysis

This report is a joint effort of our staff and RFH, PLLC, Certified Public Accountants. For the twentieth year, we have retained RFH to complete our annual audit. This report includes the Management Discussion & Analysis, the Independent Auditor's Report, the basic financial statements of the District and related supplemental information and audit notes.

I would like to recognize the contribution of our Finance & Accounting Manager, Mr. Scott Schmuck, CGFM, Ms. Jessica Warren (Accountant), Ms. Sara O'Bryant (Accounting Specialist) and Ms. Megan Probst (Accounting Specialist) for their work assisting the auditors in preparing this information. Mr. Kevin Fischer, CPA was the lead auditor for the firm and field staff to complete the audit.

Financial Performance & Highlights

Consolidated Financial Performance: The financial reports include statements for five distinct enterprise utility funds: County Water, Ft. Knox Water, Ft. Knox Sanitary Sewer, Ft. Knox Storm Sewer and Radcliff Sanitary Sewer. Overall consolidated financial highlights of the year are reviewed first, followed with more specific key items by utility.

For the year, gross plant assets increased by \$6,389,729. Total net position increased by \$5,219,612 (+3.19%) ([percent changes in parentheses represent change from 2023]). Total revenues, including interest income, increased by +\$885,414 or +4.43% compared to 2023. This increase is mainly attributable to more interest income across all five funds and increased revenues in the County Water fund because of the Purchased Water Adjustment in the County Water fund and Inflationary Increase in the FK Water fund. Operating income before depreciation was \$8,331,979 (+ 9.4%) and operating income after depreciation (gross of non-operating income and expenses) was \$2,580,431. This operating income is mainly due to increased revenues in the County Water Fund and interest income across all funds offset by an increase in depreciation expenses due to completion of County Expansion Along Unserved Roads Phase I, Brizendine Booster Station, Pirtle Spring WTP 4th Filter, Gray Lane Raw Water Pump Station and Radcliff Dewatering Building Phase I. Total Net Income was \$3,426,799. Total net position at the end of the year was \$163,902,505 (+ 3.29%).

Cash used for capital construction was \$7,166,443 (-10.9%), of which 37.5% was provided by government grants. At year-end, consolidated outstanding debt principal and notes payable were \$3,028,151 (+ 13.15%) as the result of receiving \$995,000 in RD2 loan proceeds. Total working capital (unrestricted cash + investments) at year-end increased by +12.65% to \$26,861,125. Of all reserves (cash + investments), 94.7% were unrestricted and available as working capital for capital construction or operations.

Individual Fund Highlights:

County Water: Total operating expenses (excluding debt interest and depreciation) were (-1.6%) or (-\$72,125) less than budgeted because of lower personnel cost due to open positions. Revenues were (-5.9%) lower than budgeted due to the decreased wholesale sales to the FK Water fund and Meade County Water District. Net income/(loss) after depreciation and interest expense was (-\$345,759) less than budgeted due to buying more water than anticipated and disposal of assets which were replaced. Water sales increased by +0.36% from 2023 and total net position increased by +10.1%. The bond coverage ratio was 6.40 (-3.47%) from 2023 which exceeds the required 1.20.

Ft. Knox Water: Total operating revenues were \$3,425,986 (+ 1.9%) including interest income. Operating income before depreciation was +\$813,837. Net Loss after depreciation and amortized expenses was (-\$539,553) mainly due to delays in receiving the request for a price adjustment and increased depreciation expense. Net position at year-end was \$38,688,742 (-1.36%) and construction in progress was valued at \$68,593. Working capital and cash available for capital construction was \$1,368,570, (-0.26%).

Ft. Knox Sewer (Sanitary and Storm): Total operating revenues including interest income increased by + 2.35%. Total operating income, before depreciation expense was \$2,076,965 (- 2.78%). Total net position increased by 3.31%. Total expended for construction was \$506,235. At the beginning of 2025, the fund had a balance of \$11,564,705 (+ 11.06%) available for construction projects and capital improvements.

Radcliff Sewer: Total revenues (including interest income) were \$5,252,845 (+ 14.71%). This increase is attributable to rising interest rates on investments and a PSC rate increase effective April 2024. Total operating expenses (excluding depreciation) were (-1.69%) less than budgeted. This is due to lower personnel costs as a result of open positions throughout the year. Total net position increased 1.22% to \$39,836,019 and at year-end, we had construction in progress assets of \$263,981. Of the \$2,633,298 expended for construction, 4.92% was grant funded. At year-end, the total cash & investment reserve balance was \$10,289,050 (+6.34%) of which 100% was unrestricted and available for capital construction or operations. The fund had net operating income before depreciation and debt interest of \$1,810,354 (+ 18.35%) with a net income of \$469,982.

Operational Changes & Statistics

During 2024, a total of 1,764 MG (million gallons) of potable water was treated (+ 11.8%) and a total of 275.8 MG was purchased for resale (- 41.7%). Total water delivered to customers (County and Ft. Knox combined) was 1,937 MG (- 0.1%). The maximum demand day was 7.7 MG (- 7.2%) and occurred on 14-July. The average daily water demand for the year was 5.45 MG (+ 20.5%). A total of 88 new water services were installed in 2024. Wholesale customers purchased 643.6 MG (- 11.4%), which was equivalent to 31.6% of total water produced and purchased volume.

The two wastewater treatment plants (Ft. Knox and Radcliff) treated 1,582 MG (+ 15%). This resulted in an average daily flow of clean, recycled water into streams of 4.33 MG. The maximum day treated was 18.1 MG and occurred on 27-Sept.

Other Significant Projects / Changes:

County Water System

Rehabilitation of the Gray Lane raw water pump station and construction of the Brizendine Booster Station were completed in the first quarter of 2024. These projects contributed to the Pirtle Spring WTP achieving its highest annual production of 1,110,750,000 gallons to date.

With the help of \$2,187,051 of KY Cleaner Water Program grant funds, the District awarded a Phase II project in October 2024 to extend water lines down unserved public roads in its service territory. After the completion of this project, 98% of all public roads in HCWD1's service territory will have access to a community water system.

The project to convert all water meters in HCWD1's service territory to fixed base meter reading was ongoing in 2024. Approximately 88% of all water meters are currently being read remotely by fixed base meter reading infrastructure. This project is expected to be completed in 2025.

With the help of \$1,097,111 of KY Cleaner Water Program grant funds, corrosion plagued cast iron water lines along West Lincoln Trail and North Woodland Drive in the heart of Radcliff were replaced with C900 PVC pipe in 2024.

Fort Knox Water System

The District has three separate funding requests pending finalization. A Request for Equitable Adjustment submitted in May 2022 is pending payment to the District. A change from a fixed annual inflationary adjustment to an index based inflationary adjustment (CPI-U) was submitted to DLA and is pending completion. A request for an increase to the monthly utility service charge was submitted to DLA and it is pending completion. All three funding requests are expected to finalize mid-year 2025.

Fort Knox Sewer System

A project to replace the automatic transfer switch at the Fort Knox WWTP was bid and awarded in 2023. The automatic transfer switch finally delivered in January 2025 and is expected to be installed in June 2025. In conjunction with this project the District has agreed to take ownership of the onsite generator at the Fort Knox WWTP in agreement that the District will discontinue 24-hour staffing at the facility.

Just over 4,000 linear feet of 18-inch gravity sewer traversing across the Lindsey Golf Course at Fort Knox was rehabilitated with cured-in-place-pipe (CIPP) in 2024.

Radcliff Sewer System

Construction of a new dewatering building to include the installation of a new screw press began in 2023. This project has experienced equipment delivery delays and is now expected to be substantially complete in July 2025.

The District was awarded \$768,100 of ARPA grant funds to renovate the Marvin's lift station. Engineering design began in 2024 on this project with substantial completion expected in late 2025. This project will double the capacity of the Marvin's lift station and eliminate reoccurring overflows at manholes during substantial rain events.

The District was awarded \$175,000 of ARPA grant funds in late 2024 to increase the capacity of the Boone Trace lift station force main and to retrofit an abandoned tank at the Radcliff WWTP into a sludge thickener.

The District was awarded \$630,289 of KY Cleaner Water Program grant funds to eliminate the Beverly's MHP lift station. This project will include the renovation of the Industrial lift station to accommodate the increased flows from the new gravity sewer flowing from the eliminated Beverly's MHP lift station.

Sincerely,



Mr. Justin Metz
General Manager



Mr. Scott Schmuck, CGFM
Finance & Accounting Manager

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF NET POSITION
December 31, 2024

| | <u>Water Total</u> | <u>Sewer Total</u> | <u>Storm Water</u> | <u>Total</u> |
|---|------------------------|------------------------|------------------------|-----------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 4,069,156 | \$ 18,332,329 | \$ 2,534,641 | \$ 24,936,126 |
| Investments | 938,214 | 563,558 | 423,227 | 1,924,999 |
| Customer accounts receivable, net | 769,153 | 524,679 | 39,809 | 1,333,641 |
| Interest receivable | 12,955 | 7,384 | 5,545 | 25,884 |
| Other accounts receivable | 31,536 | - | - | 31,536 |
| Lease receivable - current | 17,142 | - | - | 17,142 |
| Due to (from) other funds | (1,906,377) | 1,916,369 | (9,990) | 2 |
| Inventory - materials and supplies | 547,153 | 12,513 | - | 559,666 |
| Current portion of interfund receivable (payable) | (256,214) | 256,214 | - | - |
| Prepaid expenses | 101,919 | 37,108 | 2,058 | 141,085 |
| Total current assets | <u>4,324,637</u> | <u>21,650,154</u> | <u>2,995,290</u> | <u>28,970,081</u> |
| Non-current assets | | | | |
| Deferred Rate Case Expense | - | 119,529 | - | 119,529 |
| Lease receivable | 199,258 | - | - | 199,258 |
| Restricted investments - reserve funds | 1,515,250 | - | - | 1,515,250 |
| Unamortized acquisition costs | - | 92,899 | - | 92,899 |
| Regulatory asset - CERS Pension | 5,345,162 | 3,409,799 | - | 8,754,961 |
| Regulatory asset - CERS OPEB | 1,068,308 | 681,495 | - | 1,749,803 |
| Net OPEB asset | 158,860 | 101,341 | - | 260,201 |
| Total non-current assets | <u>8,286,838</u> | <u>4,405,063</u> | <u>-</u> | <u>12,691,901</u> |
| Capital assets | | | | |
| Land and easements | 338,807 | 26,326 | - | 365,133 |
| Construction in progress | 518,681 | 403,718 | - | 922,399 |
| Plant and lines | 93,097,619 | 148,251,336 | 7,437,417 | 248,786,372 |
| Vehicles and equipment | 19,789,448 | 4,550,512 | 160,497 | 24,500,457 |
| Leased equipment | 42,311 | 8,059 | - | 50,370 |
| Total capital assets | 113,786,866 | 153,239,951 | 7,597,914 | 274,624,731 |
| Less: accumulated depreciation and amortization | <u>(34,252,685)</u> | <u>(100,905,395)</u> | <u>(1,515,411)</u> | <u>(136,673,491)</u> |
| Total capital assets, net | <u>79,534,181</u> | <u>52,334,556</u> | <u>6,082,503</u> | <u>137,951,240</u> |
| Total assets | <u>92,145,656</u> | <u>78,389,773</u> | <u>9,077,793</u> | <u>179,613,222</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows of resources - pension | 743,161 | 474,079 | - | 1,217,240 |
| Deferred outflows of resources - OPEB | 349,476 | 222,939 | - | 572,415 |
| Total deferred outflows of resources | <u>1,092,637</u> | <u>697,018</u> | <u>-</u> | <u>1,789,655</u> |
| Total assets and deferred outflows of resources | <u>\$ 93,238,293</u> | <u>\$ 79,086,791</u> | <u>\$ 9,077,793</u> | <u>\$ 181,402,877</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 333,805 | \$ 182,354 | \$ - | \$ 516,159 |
| Accrued expenses | 223,017 | 75,182 | 1,122 | 299,321 |
| Unearned revenue | 16,922 | - | - | 16,922 |
| Customers' deposits | 210,235 | 210,523 | - | 420,758 |
| Accrued interest on long-term debt | - | 5,324 | - | 5,324 |
| Current portion of lease liability | 2,795 | 533 | - | 3,328 |
| Current portion of notes payable | 30,760 | 123,982 | - | 154,742 |
| Reserve for unclaimed funds - escheatment | 14,736 | - | - | 14,736 |
| Liabilities payable from restricted assets: | | | | |
| Current portion of long-term debt | 526,500 | - | - | 526,500 |
| Accrued interest on long-term debt | 32,083 | - | - | 32,083 |
| Total current liabilities | <u>1,390,853</u> | <u>597,898</u> | <u>1,122</u> | <u>1,989,873</u> |
| Long-term liabilities | | | | |
| Compensated absences | 306,759 | 85,811 | - | 392,570 |
| Bonds payable | 2,179,000 | - | - | 2,179,000 |
| Notes payable | 33,377 | 134,532 | - | 167,909 |
| Net pension liability | 5,487,572 | 3,500,645 | - | 8,988,217 |
| Total long-term liabilities | <u>8,006,708</u> | <u>3,720,988</u> | <u>-</u> | <u>11,727,696</u> |
| Total liabilities | <u>9,397,561</u> | <u>4,318,886</u> | <u>1,122</u> | <u>13,717,569</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows of resources - pension | 600,751 | 383,233 | - | 983,984 |
| Deferred inflows of resources - OPEB | 1,576,644 | 1,005,775 | - | 2,582,419 |
| Deferred inflows of resources - leases | 216,400 | - | - | 216,400 |
| Total deferred inflows of resources | <u>2,393,795</u> | <u>1,389,008</u> | <u>-</u> | <u>3,782,803</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 76,761,749 | 52,075,509 | 6,082,503 | 134,919,761 |
| Restricted | 1,515,250 | - | - | 1,515,250 |
| Unrestricted | 3,169,938 | 21,303,388 | 2,994,168 | 27,467,494 |
| Total net position | <u>81,446,937</u> | <u>73,378,897</u> | <u>9,076,671</u> | <u>163,902,505</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 93,238,293</u> | <u>\$ 79,086,791</u> | <u>\$ 9,077,793</u> | <u>\$ 181,402,877</u> |

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

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2024

| | <u>Water Total</u> | <u>Sewer Total</u> | <u>Storm Water</u> | <u>Total</u> |
|--|------------------------|------------------------|------------------------|-----------------------|
| OPERATING REVENUE | | | | |
| Metered water sales | \$ 8,795,270 | \$ - | \$ - | \$ 8,795,270 |
| Wholesale sales | 2,153,018 | - | - | 2,153,018 |
| Sewer billing contract revenue | 109,583 | - | - | 109,583 |
| Sewer service revenue | - | 7,463,183 | - | 7,463,183 |
| Stormwater service revenue | - | - | 477,792 | 477,792 |
| Penalties, service fees and reimbursements | <u>361,503</u> | <u>224,641</u> | <u>-</u> | <u>586,144</u> |
| Total operating revenue | <u>11,419,374</u> | <u>7,687,824</u> | <u>477,792</u> | <u>19,584,990</u> |
| OPERATING EXPENSES | | | | |
| Treatment | 2,531,390 | 1,535,108 | - | 4,066,498 |
| Transmission and distribution | 2,018,128 | 1,403,168 | 54,157 | 3,475,453 |
| Customer service | 329,585 | 720,466 | 1,083 | 1,051,134 |
| General and administrative expenses | 1,230,647 | 403,631 | - | 1,634,278 |
| Purchased water | 715,670 | - | - | 715,670 |
| General maintenance | 120,151 | 123,038 | - | 243,189 |
| Source of supply | 29,143 | - | - | 29,143 |
| Stormwater | <u>-</u> | <u>-</u> | <u>37,646</u> | <u>37,646</u> |
| Total operating expense | <u>6,974,714</u> | <u>4,185,411</u> | <u>92,886</u> | <u>11,253,011</u> |
| Operating income before depreciation and amortization | 4,444,660 | 3,502,413 | 384,906 | 8,331,979 |
| Depreciation and amortization expense | <u>(2,819,213)</u> | <u>(2,777,998)</u> | <u>(154,337)</u> | <u>(5,751,548)</u> |
| OPERATING INCOME (LOSS) | 1,625,447 | 724,415 | 230,569 | 2,580,431 |
| Non-operating income (expenses) | | | | |
| Interest income | 216,598 | 917,304 | 137,716 | 1,271,618 |
| Interest expense | (122,872) | (24,945) | - | (147,817) |
| Transfer in (out) | (7,631) | 7,969 | (338) | - |
| Gain (loss) on disposal of equipment | <u>(119,685)</u> | <u>(157,212)</u> | <u>(536)</u> | <u>(277,433)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | 1,591,857 | 1,467,531 | 367,411 | 3,426,799 |
| Capital contributions | | | | |
| Grants | 1,557,626 | 9,100 | - | 1,566,726 |
| Tap fees | 159,515 | - | - | 159,515 |
| Customer contributions | <u>66,572</u> | <u>-</u> | <u>-</u> | <u>66,572</u> |
| CHANGE IN NET POSITION | 3,375,570 | 1,476,631 | 367,411 | 5,219,612 |
| Net position, beginning of year | <u>78,071,367</u> | <u>71,902,266</u> | <u>8,709,260</u> | <u>158,682,893</u> |
| NET POSITION, END OF YEAR | <u>\$ 81,446,937</u> | <u>\$ 73,378,897</u> | <u>\$ 9,076,671</u> | <u>\$ 163,902,505</u> |

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

HARDIN COUNTY WATER DISTRICT No. 1
STATEMENT OF CASH FLOWS
for the year ended December 31, 2024

| | Water Total | Sewer Total | Storm Water | Total |
|--|------------------------|------------------------|------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 11,403,114 | \$ 7,646,276 | \$ 477,792 | \$ 19,527,182 |
| Payments to suppliers | (3,729,146) | (2,801,312) | (93,489) | (6,623,947) |
| Payments for employee services and benefits | <u>(3,259,898)</u> | <u>(1,881,667)</u> | <u>-</u> | <u>(5,141,565)</u> |
| Net cash provided by operating activities | <u>4,414,070</u> | <u>2,963,297</u> | <u>384,303</u> | <u>7,761,670</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Receipts (payments) on interfund loans | <u>(484,796)</u> | <u>482,804</u> | <u>1,992</u> | <u>-</u> |
| Net cash provided by (used in) non-capital financing activities | <u>(484,796)</u> | <u>482,804</u> | <u>1,992</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal paid on long-term debt | (528,848) | (114,260) | - | (643,108) |
| Proceeds from issuance of debt | 995,000 | - | - | 995,000 |
| Line of credit proceeds | 1,054,333 | - | - | 1,054,333 |
| Payments on line of credit | (2,931,851) | - | - | (2,931,851) |
| Payments on leased equipment | (11,240) | (2,141) | - | (13,381) |
| Interest paid | (114,994) | (27,259) | - | (142,253) |
| Contributions in aid of construction | 162,073 | - | - | 162,073 |
| Grants received | 2,560,200 | 129,600 | - | 2,689,800 |
| Proceeds from sale of equipment | 22,985 | 30,389 | - | 53,374 |
| Acquisition and construction of capital assets | <u>(4,026,910)</u> | <u>(3,136,135)</u> | <u>(3,398)</u> | <u>(7,166,443)</u> |
| Net cash (used in) capital and related financing activities | <u>(2,819,252)</u> | <u>(3,119,806)</u> | <u>(3,398)</u> | <u>(5,942,456)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest income | 211,978 | 917,487 | 137,854 | 1,267,319 |
| Redemption of investments | 142,564 | 533,232 | 400,452 | 1,076,248 |
| Purchase of investments | <u>(251,899)</u> | <u>(563,558)</u> | <u>(423,227)</u> | <u>(1,238,684)</u> |
| Net cash provided by investing activities | <u>102,643</u> | <u>887,161</u> | <u>115,079</u> | <u>1,104,883</u> |
| NET INCREASE IN CASH | 1,212,665 | 1,213,456 | 497,976 | 2,924,097 |
| Cash and cash equivalents, beginning of year | <u>2,856,491</u> | <u>17,118,873</u> | <u>2,036,665</u> | <u>22,012,029</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 4,069,156</u> | <u>\$ 18,332,329</u> | <u>\$ 2,534,641</u> | <u>\$ 24,936,126</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 1,625,447 | \$ 724,415 | \$ 230,569 | \$ 2,580,431 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization expense | 2,819,213 | 2,777,998 | 154,337 | 5,751,548 |
| Change in assets and liabilities: | | | | |
| Accounts receivable | (4,824) | (41,548) | - | (46,372) |
| Prepaid expenses | 5,671 | 1,376 | (541) | 6,506 |
| Inventory | 73,351 | (1,088) | - | 72,263 |
| Accounts payable | (185,409) | (482,433) | (62) | (667,904) |
| Unearned revenue | (11,440) | - | - | (11,440) |
| Accrued expenses | 47,639 | (8,173) | - | 39,466 |
| Compensated absences | 52,907 | 2,651 | - | 55,558 |
| Deferred rate case expenses | - | (3,139) | - | (3,139) |
| Other payables | <u>(8,485)</u> | <u>(6,762)</u> | <u>-</u> | <u>(15,247)</u> |
| Net cash provided by operating activities | <u>\$ 4,414,070</u> | <u>\$ 2,963,297</u> | <u>\$ 384,303</u> | <u>\$ 7,761,670</u> |

The accompanying notes are an integral part of the financial statements

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hardin County Water District No. 1 (the District) is organized pursuant to provision of Chapter 74 of the Kentucky Revised Statutes in order to provide a water supply for citizens and residents of Radcliff, Kentucky and parts of Hardin, Meade, and Breckinridge Counties. The District also provides water, sanitary and storm water services to the Fort Knox Army Post adjacent to Radcliff. The District is regulated by the Kentucky Public Service Commission.

Reporting Entity

Hardin County Water District No. 1's financial statements include the operations of all entities for which the District exercises oversight responsibilities. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The only entity included in these financial statements are the general operations of Hardin County Water District No. 1.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

The District reports all revenue and expenses as operating, except interest income and expense, gains and losses on asset sales or disposals and capital contributions.

Fund Accounting

The District reports three major funds: Water, Sewer and Storm Water. The Water Fund consists of the County Water and Ft. Knox Water operations. The Sewer Fund consists of the Ft. Knox Sewer and Radcliff Sewer operations. The Storm Water Fund consists of the Ft. Knox Storm Water operations.

Accounts Receivable

The County Water and Radcliff Sewer Funds' accounts receivable are net of an allowance for uncollectible accounts of \$134,892 and \$116,512 at December 31, 2024, respectively. The allowance is increased by charges to bad debts and decreased by write-offs. Management's periodic evaluation of the adequacy of the allowance is based on the District's aged accounts receivable balances. The Ft. Knox Water Fund, Ft. Knox Sewer Fund and the Storm Water Fund do not carry an allowance for doubtful accounts based upon historical experience.

Pension and OPEB

For purposes of measuring the net pension and OPEB liabilities (assets), deferred outflows/inflows of resources, and regulatory assets, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS except that CERS's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regulatory Assets

The District's rates are regulated by the Kentucky Public Service Commission. In accordance with GASB Statement No. 62, Paragraphs 476-500, *Regulated Operations*, which requires that the effects of the rate-making process be recorded in the financial statements, the District has elected to record a regulatory asset for the net pension and OPEB liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB. Accordingly, the District recognizes the actuarially determined contribution as the current year pension and OPEB expense.

Interfund Transactions

The asset "due from other funds" and the liability "due to other funds" represent short-term amounts transferred between the funds owed for personnel and other operating and non-operating expenses. The "due to" and "due from" are offset in the statement of net position.

The asset "interfund receivable" and the liability "interfund payable" represent long-term interfund obligations. The "receivable" and "payable" are offset in the statement of net position.

Inventory

The Water Fund's inventory is composed of chemicals, equipment and supply-type items used for routine maintenance and repairs and new water lines. The Sewer Fund's inventory consists of chemicals. The inventory is stated at the lower of cost (first-in, first-out method) or market.

Restricted Assets

The Water Fund's restricted assets consist of certificates of deposit and non-interest-bearing accounts.

When both restricted and unrestricted resources are available for use, the District's Board of Commissioners makes a determination as to which resource should first be used.

Investments

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and District regulations governing the investment of public funds. As of December 31, 2024, all investments of the District were in certificates of deposit or bank accounts restricted for debt service and were valued at cost.

Capital Assets

The Water, Sewer and Storm Water Funds' property and equipment assets are recorded at cost or, if contributed, at donor cost or appraised value at date of acquisition. Depreciation is computed by the straight-line method based on the estimated useful life of the depreciable property. Plant and lines are capitalized with lives ranging from 5-65 years and vehicles and equipment are capitalized with lives ranging from 5-35 years. Land is not subject to depreciation. Expenditures for maintenance and repairs are charged to expense as incurred whereas expenditures, including associated labor, for installation, renewals or betterments are generally capitalized.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

The Sewer Fund's City of Radcliff sewer acquisition costs are being amortized using the straight-line method over a period of twenty-five years. The costs are being amortized in the Radcliff Sewer Fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Investments classified as restricted assets are not included as cash and cash equivalents. Short-term certificates of deposit mature during the upcoming year, but do not meet the definition of a cash equivalent and therefore, are not classified as such.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation benefits up to a maximum of 240 hours, which are eligible for payment upon separation. Vested or accumulated vacation leave is reported as an expense and a liability of the fund that will pay it. Earned but unused sick leave may be accumulated up to a maximum of 960 hours. Up to 25% of accumulated sick leave hours may be eligible for payment upon separation, depending on years of service. Vested or accumulated sick leave is reported as an expense and a liability of the fund that will pay it.

Estimates

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

Subscription-Based Technology Arrangements (SBITA)

The District follows Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

New Authoritative Accounting Guidance Pending Adoption

In January 2024, the GASB issued Statement 102, *Certain Risk Disclosures*. This statement is effective for periods beginning after June 15, 2024. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through March 26, 2025, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2024, have not been evaluated by the District.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

2. CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The majority of the District's deposits and investments at December 31, 2024, were covered by federal depository insurance or by collateral held by the custodial banks in the District's name. At December 31, 2024, the District had \$28,590,616 in banks, of which \$1,777,485 was uncollateralized. The entire uncollateralized balance consisted of certificates of deposit held at a single financial institution which is rated in one of the three highest categories by a nationally recognized rating agency.

The following is a detail of the District's deposit coverage at December 31, 2024:

| | |
|---|----------------------|
| FDIC insured (or equivalent) | \$ 753,086 |
| Collateralized by securities held by the bank in the District's name | 26,060,045 |
| Uncollateralized certificates of deposit | <u>1,777,485</u> |
| Total cash and investments in banks | <u>\$ 28,590,616</u> |

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments are classified as follows as of December 31, 2024:

| | |
|-------------------------------------|----------------------|
| Unrestricted: | |
| Cash and cash equivalents: | |
| Revenue fund | \$ 24,931,337 |
| Other | <u>4,789</u> |
| | 24,936,126 |
| Short-term investments: | |
| Certificates of deposit | <u>1,924,999</u> |
| Total unrestricted | <u>26,861,125</u> |
| Restricted: | |
| Long-term reserved funds: | |
| 2016 Sinking fund interest | 2,777 |
| 2016 Sinking fund principal | 163,333 |
| 2016 Debt service reserve | 420,027 |
| 2016 Depreciation fund | 762,151 |
| 2019 RD Sinking fund | 37,782 |
| 2021 RD Sinking fund | 26,694 |
| 2019 RD Depreciation reserve | <u>102,486</u> |
| Total restricted | <u>1,515,250</u> |
| Total reported cash and investments | <u>\$ 28,376,375</u> |

3. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

The District follows Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. Based on the status of existing lease agreements with Sprint and T-Mobile as of January 1, 2019, the District recognized both a lease receivable and a deferred inflow of resources related to various cell phone tower lease agreements totaling \$610,589. Each lease agreement has an initial term of five years, with various five-year renewal options at the option of the lessee. The District has calculated the present value of future lease payments based on an incremental borrowing rate of 3%. At December 31, 2022, the District reassessed the present value of future lease payments due to modified lease terms for the agreements with Sprint, which terminated effective May 27, 2023 and May 27, 2024. The present value of expected future minimum leases payments are as follows:

| Calendar Year | Principal | Interest | Total |
|---------------|-------------------|------------------|-------------------|
| 2025 | \$ 17,142 | \$ 1,066 | \$ 18,208 |
| 2026 | 18,586 | 2,497 | 21,083 |
| 2027 | 19,151 | 1,932 | 21,083 |
| 2028 | 19,734 | 1,349 | 21,083 |
| 2029 | 20,334 | 749 | 21,083 |
| 2030-2034 | 106,164 | 8,387 | 114,551 |
| 2035 | <u>15,289</u> | <u>172</u> | <u>15,461</u> |
| Total | <u>\$ 216,400</u> | <u>\$ 16,152</u> | <u>\$ 232,552</u> |

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

3. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

Additionally, the District recognized deferred inflows of resources related to the above leases that totaled \$216,400 as of December 31, 2024. The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2024, the District recognized \$734 of interest revenue and \$26,193 of lease revenue from the lease agreements.

4. CAPITAL ASSETS

A summary of capital asset activity during the year follows:

| | Balance | | | Balance |
|--------------------------------------|-----------------------|----------------------|------------------------|-----------------------|
| | Jan. 1, 2024 | Additions | Retirements | Dec. 31, 2024 |
| Capital assets not depreciated: | | | | |
| Land and easements | \$ 348,351 | \$ 16,782 | \$ - | \$ 365,133 |
| Construction in process | 6,294,112 | 6,313,001 | (11,684,714) | 922,399 |
| Capital assets that are depreciated: | | | | |
| Plant and lines | 238,057,908 | 11,181,545 | (453,079) | 248,786,374 |
| Vehicles and equipment | 23,484,275 | 1,391,240 | (375,057) | 24,500,458 |
| Leased equipment | <u>50,370</u> | <u>-</u> | <u>-</u> | <u>50,370</u> |
| Total plant and equipment | 268,235,016 | 18,902,568 | (12,512,850) | 274,624,734 |
| Less: accumulated amortization | 34,630 | 12,594 | - | 47,224 |
| Less: accumulated depreciation | <u>131,285,116</u> | <u>5,776,580</u> | <u>(435,426)</u> | <u>136,626,270</u> |
| Capital assets, net | <u>\$ 136,915,270</u> | <u>\$ 13,113,394</u> | <u>\$ (12,077,424)</u> | <u>\$ 137,951,240</u> |

Depreciation and amortization expense for all combined funds totaled \$5,751,548 for the year ended December 31, 2024.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

5. LONG-TERM LIABILITIES

Publicly issued bonds and notes payable

Some of the construction costs of the District's water and sewer facilities have been financed by issuance of revenue bonds and revolving notes authorized under Kentucky Revised Statutes.

Bonds and notes payable of the County Water and Radcliff Sewer Funds consist of the following at December 31, 2024:

| | | |
|--|----|---------------------|
| 2022 Revenue bonds, various semi-annual principal, and interest payments at 2.25% through January 1, 2064, secured by the revenues of the District. | \$ | 995,000 |
| 2017 Revenue bonds, various semi-annual principal, and interest payments at 2.75% through January 1, 2059, secured by the revenues of the District. | | 1,220,500 |
| 2016 Revenue bonds, various semi-annual principal, and interest payments at 1.4% - 1.7% through September 1, 2025, secured by the revenues of the District. | | 490,000 |
| City of Westpoint note payable, quarterly payments through October 1, 2026. Recorded at the present value of future minimum note payments based on an incremental borrowing rate of 8.25%. | | <u>322,651</u> |
| Total debt | | 3,028,151 |
| Less: current portion | | <u>681,242</u> |
| Total long-term debt | | <u>\$ 2,346,909</u> |

Debt maturities for the County Water Fund are as follows:

| Calendar Year | Principal | Interest | Total |
|---------------|---------------------|---------------------|---------------------|
| 2025 | \$ 557,260 | \$ 68,174 | \$ 625,434 |
| 2026 | 71,377 | 56,281 | 127,658 |
| 2027 | 39,000 | 53,565 | 92,565 |
| 2028 | 39,500 | 52,568 | 92,068 |
| 2029 | 40,500 | 51,552 | 92,052 |
| 2030-2034 | 219,500 | 241,492 | 460,992 |
| 2035-2039 | 249,500 | 211,728 | 461,228 |
| 2040-2044 | 283,000 | 177,879 | 460,879 |
| 2045-2049 | 320,000 | 139,481 | 459,481 |
| 2050-2054 | 363,500 | 95,951 | 459,451 |
| 2055-2059 | 411,000 | 46,478 | 457,478 |
| 2060-2064 | <u>175,500</u> | <u>9,928</u> | <u>185,428</u> |
| | <u>\$ 2,769,637</u> | <u>\$ 1,205,077</u> | <u>\$ 3,974,714</u> |

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

5. LONG-TERM LIABILITIES (CONTINUED)

Debt maturities for the Radcliff Sewer Fund are as follows:

| Calendar Year | Principal | Interest | Total |
|---------------|-------------------|------------------|-------------------|
| 2025 | \$ 123,982 | \$ 17,557 | \$ 141,539 |
| 2026 | <u>134,533</u> | <u>7,008</u> | <u>141,541</u> |
| | <u>\$ 258,515</u> | <u>\$ 24,565</u> | <u>\$ 283,080</u> |

Lease liability – office phones

During 2021, the District entered into a lease agreement for office phones. The District recorded a leased equipment asset and a related lease liability for the office phones totaling \$50,370. Payments on the lease will be made over a period of four years. The liability and related leased equipment asset have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 3%.

Amortization expense for the office phones during 2024 totaled \$12,594.

The annual principal and interest requirements to maturity for the lease liability is as follows:

| Calendar Year | Principal | Interest | Total |
|---------------|-----------------|--------------|-----------------|
| 2025 | \$ <u>3,328</u> | \$ <u>17</u> | \$ <u>3,345</u> |
| | <u>\$ 3,328</u> | <u>\$ 17</u> | <u>\$ 3,345</u> |

Changes in long-term liabilities for the District are as follows:

| | Balance Jan. 1, 2024 | Additions | Retirements | Balance Dec. 31, 2024 | Due within one year |
|-----------------------------|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Bond and notes payable | \$ 2,676,260 | \$ 995,000 | \$ (643,109) | \$ 3,028,151 | \$ 681,242 |
| Lease liability | 16,394 | - | (13,066) | 3,328 | 3,328 |
| Net pension liability | 9,210,641 | - | (222,424) | 8,988,217 | - |
| Net OPEB liability (asset) | (198,182) | - | (62,019) | (260,201) | - |
| Compensated absences | <u>337,012</u> | <u>55,558</u> | <u>-</u> | <u>392,570</u> | <u>-</u> |
| Total long-term liabilities | <u>\$ 12,042,125</u> | <u>\$ 1,050,558</u> | <u>\$ (940,618)</u> | <u>\$ 12,152,066</u> | <u>\$ 684,570</u> |

For the year ended December 31, 2024, the net OPEB liability is now presented as a net OPEB asset on the Statement of Net Position.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

6. COMPLIANCE WITH BOND INDENTURE

Under covenants of the bond ordinance, certain funds have been established. These funds and their current financial requirements are presented in summary as follows:

Sinking Funds – There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2016 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2016 issue as of December 31, 2024, was \$166,110. There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2017 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2017 issue as of December 31, 2024, was \$37,782. There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2022 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2022 issue as of December 31, 2024, was \$26,694.

Debt Service Reserve Funds – A fund was established with the 2016 revenue bond issue and is required to have an amount equal to the lesser of: 10% of the proceeds of the bond issue, the maximum annual debt service of the bond issue, or 125% of the average annual debt service of the issue. The amount required to be held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2024, was \$416,500. The amount held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2024, was \$420,027. Additionally, a fund was established for the 2017 bond issue and is required to deposit \$470 a month until the account reaches \$56,400. The amount held in the Debt Service Reserve Fund for the 2017 bond issue as of December 31, 2024, was \$63,483. Additionally, a fund was established for the 2022 bond issue and is required to deposit \$320 a month until the account reaches \$38,400. The amount held in the Debt Service Reserve Fund for the 2022 bond issue as of December 31, 2024, was \$39,003.

Depreciation Fund – This fund receives \$8,500 monthly after the above transfers have been made until the total sum of \$750,000 has been established and maintained. This fund also receives the proceeds from the sale of any property and equipment. This fund may be used to purchase new or replacement property and equipment. Monies from this account are held by the bond custodian. At December 31, 2024, the District was fully funded with a balance of \$762,151.

Operating and Maintenance Fund – This fund receives, on a monthly basis, the remaining balance in the Revenue Fund after the above transfers have been made. This fund is used to pay operating expenditures. Any surplus left, after operating expenses have been met, may be added to the Debt Service Reserve.

The bond ordinance calls for “net annual revenues” to exceed the maximum annual debt requirements of fixed rate bonds by 1.20 for the Water Fund. For the year ended December 31, 2024, the Water Fund ratio was 6.40.

7. LINE OF CREDIT

During 2016, the District opened up a line of credit at a local bank with a limit of \$5,000,000 that bears interest at a variable rate determined by the Wall Street Journal Prime Rate which can change daily, not to decrease below the initial interest rate of 3.25% at the time of renewal. The line of credit was opened to provide short-term financing for various projects taken on by the District and is expected to be paid down shortly after each draw is taken. The line of credit was renewed under the same terms with an increased limit of \$10,000,000 in July 2023 and matures in July 2025.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

7. LINE OF CREDIT (CONTINUED)

Activity for the line of credit during the year is as follows:

| | Balance | | | Balance |
|----------------|---------------------|---------------------|-----------------------|----------------------|
| | Jan. 1, 2024 | Additions | Payments | Dec. 31, 2024 |
| Line of credit | <u>\$ 1,877,518</u> | <u>\$ 1,054,333</u> | <u>\$ (2,931,851)</u> | <u>\$ _____</u> |

8. 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 disasters. In addition to its general liability insurance, the district also carries commercial insurance for all other risks of loss such as worker's compensation and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

9. RETIREMENT PLAN

Hardin County Water District No. 1 is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension 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 retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended December 31, 2024, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended December 31, 2024, participating employers contributed 23.34% through June 30th and 19.71% thereafter, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 10. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

9. RETIREMENT PLAN (CONTINUED)

actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended December 31, 2024, the District contributed \$1,030,581 or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

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

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2024, the District reported a liability of \$8,988,217 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the District's proportion was .150294 percent, which was an increase of .006748 percent from its proportion measured as of June 30, 2023.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

9. RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2024, the District would have recognized pension expense of \$400,736; However, this expense was offset by increasing a regulatory asset described further in Note 11. During 2024, the District recognized the actuarially determined contribution of \$1,030,581 as the current year pension expense. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ 435,046 | \$ - |
| Changes of assumptions | - | 406,091 |
| Net difference between projected and actual earnings on Plan investments | - | 577,893 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 299,036 | - |
| District contributions subsequent to the measurement date | <u>483,158</u> | <u>-</u> |
| Total | <u>\$ 1,217,240</u> | <u>\$ 983,984</u> |

The \$483,158 of deferred outflows of resources 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year ending December 31, | |
|---------------------------------|--------------|
| 2025 | \$ (162,970) |
| 2026 | \$ 264,006 |
| 2027 | \$ (222,149) |
| 2028 | \$ (128,789) |

Actuarial Assumptions – The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.50% |
| Salary increases | 3.30% to 10.30%, varies by service |
| Investment rate of return | 6.50%, net of Plan investment expense, including inflation |

The mortality table used for active members was a 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 healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2024, valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

9. RETIREMENT PLAN (CONTINUED)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|--------------------------|---|
| Equity | 60.00% | |
| Public Equity | 50.00% | 4.15% |
| Private Equity | 10.00% | 9.10% |
| Fixed Income | 20.00% | |
| Core Fixed Income | 10.00% | 2.85% |
| Specialty Credit | 10.00% | 3.82% |
| Cash | 0.00% | 1.70% |
| Inflation Protected | 20.00% | |
| Real Estate | 7.00% | 4.90% |
| Real Return | 13.00% | 5.35% |
| Total | 100.00% | 4.69% |
| Long term inflation assumption | | 2.50% |
| Expected nominal return for portfolio | | 7.19% |

Discount Rate – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining closed 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate 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 6.50 percent, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

| | Discount rate | District's proportionate share of net pension liability |
|-----------------------|----------------------|--|
| 1% decrease | 5.50% | \$ 11,587,282 |
| Current discount rate | 6.50% | \$ 8,988,217 |
| 1% increase | 7.50% | \$ 6,831,680 |

Payable to the Pension Plan – The District reported a payable of \$0 as of December 31, 2024, for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the District participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension 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. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2024, the employer’s contribution was 0.00% through June 30th and 0.00% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended December 31, 2024, the District contributed \$0 or 100% of the required contribution for non-hazardous job classifications.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

| | | |
|--------|--|--|
| Tier 1 | Participation date Insurance eligibility Benefit | Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement |
| Tier 1 | Participation date Insurance eligibility Benefit | Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually |
| Tier 2 | Participation date Insurance eligibility Benefit | After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually |
| Tier 3 | Participation date Insurance eligibility Benefit | After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually |

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Asset, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2024, the District reported an asset for its proportionate share of the net OPEB asset of \$260,201. The net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2023, and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2024 was .150422 percent, which was an increase of .006881 percent from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the District would have recognized OPEB expense of (\$583,690); However, this expense was offset by recording a regulatory asset described further in Note 11. During 2024, the District recognized the actuarially determined contribution of \$0 as the current year pension expense. At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ 144,356 | \$ 2,047,263 |
| Changes of assumptions | 235,773 | 183,599 |
| Net difference between projected and actual earnings on Plan investments | - | 237,447 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 121,753 | 114,110 |
| District contributions subsequent to the measurement date | <u>70,533</u> | <u>-</u> |
| Total | <u>\$ 572,415</u> | <u>\$ 2,582,419</u> |

The \$70,533 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2025. This includes an adjustment of \$70,533 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

| Year ending December 31, | |
|---------------------------------|--------------|
| 2025 | \$ (855,824) |
| 2026 | \$ (672,105) |
| 2027 | \$ (542,506) |
| 2028 | \$ (10,102) |

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions – The total OPEB liability (asset) in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

| | |
|---------------------------|---|
| Inflation | 2.50% |
| Salary increases | 3.30 to 10.30%, varies by service |
| Investment rate of return | 6.50%, net of Plan investment expense, including inflation |
| Healthcare Trend Rates | |
| Pre – 65 | Initial trend starting at 6.80% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years. |
| Post – 65 | Initial trend starting at 8.00% in January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years. |

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2024 valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total OPEB asset was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|------------------------------|---|
| Equity | 60.00% | |
| Public Equity | 50.00% | 4.15% |
| Private Equity | 10.00% | 9.10% |
| Fixed Income | 20.00% | |
| Core Fixed Income | 10.00% | 2.85% |
| Specialty Credit | 10.00% | 3.82% |
| Cash | 0.00% | 1.70% |
| Inflation Protected | 20.00% | |
| Real Estate | 7.00% | 4.90% |
| Real Return | 13.00% | 5.35% |
| Total | 100.00% | 4.69% |
| Long term inflation assumption | | 2.50% |
| Expected nominal return for portfolio | | 7.19% |

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate – The discount rate used to measure the total OPEB asset as of June 30, 2024, was 5.99%, for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2024, the discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index”. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability/Asset to Changes in the Discount Rate – The following presents the District’s proportionate share of the net OPEB liability/asset calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Discount rate | | Proportionate share of net OPEB liability (asset) |
|-----------------------|----------------------|----|--|
| 1% decrease | 4.99% | \$ | 351,820 |
| Current discount rate | 5.99% | \$ | (260,201) |
| 1% increase | 6.99% | \$ | (774,788) |

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability/Asset to Changes in the Healthcare Cost Trend Rate – The following presents the District’s proportionate share of the net OPEB liability/asset calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | | Proportionate share of net OPEB liability (asset) |
|--------------------|----|--|
| 1% decrease | \$ | (626,010) |
| Current trend rate | \$ | (260,201) |
| 1% increase | \$ | 165,942 |

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report.

11. ACCOUNTING FOR THE EFFECTS OF RATE REGULATION

The District is subject to the provisions of GASB Statement No. 62 Paragraph 476-500, *Regulated Operations*, Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements. Paragraph 476-500, *Regulated Operations* recognizes the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulating entities. Accordingly, the District records these future economic benefits and obligations as regulatory assets and regulatory liabilities.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

11. ACCOUNTING FOR THE EFFECTS OF RATE REGULATION (CONTINUED)

Regulatory assets represent probable future revenues associated with previously incurred costs that are expected to be recovered from customers. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be refunded to customers through the ratemaking process.

In order for the District to apply the provisions of GASB Statement No. 62, Paragraph 476-500, *Regulated Operations*, it must meet the following three criteria:

1. The entities' rates for regulated services provided to its customers must be established by an independent third-party regulator or its own governing board empowered by a statute to establish rates that bind customers;
2. The regulated rates must be designed to recover the specific entities cost of providing the regulated services;
3. In view of the demand for the regulated services and the level of competition, it is reasonable to assume that the rates set at levels that will recover the entities' cost can be charged to and collected from customers.

Based on the District's management evaluation of the three criteria discussed above in relation to its operations, and the effects of competition on its ability to recover its costs, the District believes that GASB Statement No. 62 applies and has elected to apply the guidance to its pension and OPEB liabilities (assets). The District believes these liabilities will be recovered through rates charged to customers in future periods. As of December 31, 2024, the District had regulatory assets of \$8,754,962 and \$1,749,803, which equates to the net impact of pension and OPEB expense on the balance sheet.

12. CONSTRUCTION COMMITMENTS

Initial System Deficiency Correction Projects

The District has been in contract with the U.S. Government for water system ownership and operations since 2012. An Initial System Deficiency Correction (ISDC) project list was part of the original contract. The ISDC project list was revised in a contract modification in August 2016. The District has been working towards the completion of the Revised ISDC projects list with the Defense Logistics Agency Energy (DLA) since that time. The three substantial projects in the revised ISDC projects list are the construction of two new 1.5-million-gallon elevated water storage tanks and major improvements and complete renovation to the Muldraugh Water Treatment Plant (WTP).

Construction of the two tanks and the Muldraugh WTP Rehabilitation are complete and in service for the District.

The remaining ISDC projects are the demolition of the six old elevated water storage tanks, some water line work and installation of a couple of auto-flushers. These projects are delayed until Request for Equitable Adjustment (REA) funding is provided by the Government. The surplus of District funds provided by the Government were expended due to cost escalation in commodity prices and delays in construction through the COVID years along with an unforeseen change in scope of the rehabilitation of the Muldraugh WTP once construction started.

REQUIRED SUPPLEMENTARY INFORMATION

**HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Years**

| Reporting Year End (Measurement Date) | December 31, 2015 (June 30, 2015) | December 31, 2016 (June 30, 2016) | December 31, 2017 (June 30, 2017) | December 31, 2018 (June 30, 2018) | December 31, 2019 (June 30, 2019) | December 31, 2020 (June 30, 2020) | December 31, 2021 (June 30, 2021) | December 31, 2022 (June 30, 2022) | December 31, 2023 (June 30, 2023) | December 31, 2024 (June 30, 2024) |
|---|--|--|--|--|--|--|--|--|--|--|
| District's proportion of the net pension liability (asset) | 0.087805% | 0.112389% | 0.113469% | 0.142783% | 0.154218% | 0.152133% | 0.155740% | 0.141028% | 0.143546% | 0.150294% |
| District's proportionate share of the net pension liability (asset) | \$ 3,775,211 | \$ 5,533,595 | \$ 6,641,690 | \$ 8,695,921 | \$ 10,846,221 | \$ 11,668,472 | \$ 9,929,646 | \$ 10,194,932 | \$ 9,210,641 | \$ 8,988,217 |
| District's covered employee payroll | \$ 2,045,178 | \$ 2,675,993 | \$ 2,758,851 | \$ 3,538,859 | \$ 3,890,025 | \$ 3,896,779 | \$ 4,015,112 | \$ 3,948,607 | \$ 4,229,647 | \$ 4,708,702 |
| District's share of the net pension liability (asset) as a percentage of its covered employee payroll | 184.59% | 206.79% | 240.74% | 245.73% | 278.82% | 299.44% | 247.31% | 258.19% | 217.76% | 190.89% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 59.97% | 55.50% | 53.32% | 53.54% | 50.45% | 47.81% | 57.33% | 52.42% | 57.48% | 61.61% |

HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS - PENSION
Last Ten Calendar Years

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Contractually required employer contribution | \$ 275,816 | \$ 350,063 | \$ 438,748 | \$ 586,243 | \$ 695,909 | \$ 760,991 | \$ 835,707 | \$ 921,069 | \$ 1,069,289 | \$ 1,030,581 |
| Contributions relative to contractually required employer contribution | <u>275,816</u> | <u>350,063</u> | <u>438,748</u> | <u>586,243</u> | <u>695,909</u> | <u>760,991</u> | <u>835,707</u> | <u>921,069</u> | <u>1,069,289</u> | <u>1,030,581</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered employee payroll | \$ 2,291,730 | \$ 2,696,840 | \$ 3,066,388 | \$ 3,814,416 | \$ 3,915,602 | \$ 3,942,959 | \$ 3,973,535 | \$ 3,988,417 | \$ 4,575,670 | \$ 4,796,764 |
| Employer contributions as a percentage of covered-employee payroll | 12.04% | 12.98% | 14.31% | 15.37% | 17.77% | 19.30% | 21.03% | 23.09% | 23.37% | 21.48% |

**HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Last Nine Years**

| Reporting Year End (Measurement Date) | December 31, 2016 (June 30, 2016) | December 31, 2017 (June 30, 2017) | December 31, 2018 (June 30, 2018) | December 31, 2019 (June 30, 2019) | December 31, 2020 (June 30, 2020) | December 31, 2021 (June 30, 2021) | December 31, 2022 (June 30, 2022) | December 31, 2023 (June 30, 2023) | December 31, 2024 (June 30, 2024) |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| District's proportion of the net OPEB liability (asset) | 0.113469% | 0.113469% | 0.142777% | 0.154177% | 0.152089% | 0.155704% | 0.141004% | 0.143541% | 0.150422% |
| District's proportionate share of the net OPEB liability (asset) | \$ 1,789,239 | \$ 2,281,115 | \$ 2,534,975 | \$ 2,593,205 | \$ 3,672,487 | \$ 2,980,875 | \$ 2,782,733 | \$ (198,182) | \$ (260,201) |
| District's covered employee payroll | \$ 2,675,993 | \$ 2,758,851 | \$ 3,538,859 | \$ 3,890,025 | \$ 3,896,779 | \$ 4,015,112 | \$ 3,948,607 | \$ 4,229,647 | \$ 4,708,702 |
| District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 66.86% | 82.68% | 71.63% | 66.66% | 94.24% | 74.24% | 70.47% | -4.69% | -5.53% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | unavailable | 52.39% | 57.62% | 60.44% | 51.67% | 62.91% | 60.95% | 104.23% | 104.89% |

Notes:

The above schedule will present 10 years of historical data, once available.

HARDIN COUNTY WATER DISTRICT No. 1
REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS - OPEB
Last Ten Calendar Years

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|--------------|
| Contractually required employer contribution | \$ 110,888 | \$ 132,117 | \$ 147,156 | \$ 190,193 | \$ 196,108 | \$ 187,685 | \$ 177,473 | \$ 150,583 | \$ 75,000 | \$ - |
| Contributions relative to contractually required employer contribution | <u>110,888</u> | <u>132,117</u> | <u>147,156</u> | <u>190,193</u> | <u>196,108</u> | <u>187,685</u> | <u>177,473</u> | <u>150,583</u> | <u>75,000</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered employee payroll | \$ 2,291,730 | \$ 2,696,840 | \$ 3,066,388 | \$ 3,814,416 | \$ 3,915,602 | \$ 3,942,959 | \$ 3,973,535 | \$ 3,988,417 | \$ 4,575,670 | \$ 4,796,764 |
| Employer contributions as a percentage of covered-employee payroll | 4.84% | 4.90% | 4.80% | 4.99% | 5.01% | 4.76% | 4.47% | 3.78% | 1.64% | 0.00% |

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Contributions - Pensions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of Contributions - OPEB.

Payroll

The District's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability (Asset) and the Schedule of Proportionate Share of the Net OPEB Liability (Asset) is for the corresponding measurement date of the net liabilities and differs from the District's calendar year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

December 31, 2024 – Pension and OPEB

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.

December 31, 2023 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for Pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

December 31, 2022 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

December 31, 2021 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

December 31, 2020 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023.

December 31, 2019 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

December 31, 2018 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

December 31, 2017 – Pension and OPEB

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

December 31, 2016 – Pension and OPEB

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

December 31, 2015 – Pension

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

December 31, 2014 – Pension

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

SUPPLEMENTARY INFORMATION

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
COUNTY WATER FUND
for the year ended December 31, 2024

| | Original Budget | Amended Budget | Actual | Variance |
|---|----------------------------|---------------------------|---------------------|-----------------------|
| OPERATING REVENUE | | | | |
| Metered water sales | \$ 5,690,200 | \$ 5,690,200 | \$ 5,438,201 | \$ (251,999) |
| Wholesale sales | 2,388,000 | 2,388,000 | 2,153,018 | (234,982) |
| Sewer billing contract revenue | 104,700 | 104,700 | 109,583 | 4,883 |
| Penalties, service fees and reimbursements | <u>378,100</u> | <u>378,100</u> | <u>355,727</u> | <u>(22,373)</u> |
| Total operating revenue | <u>8,561,000</u> | <u>8,561,000</u> | <u>8,056,529</u> | <u>(504,471)</u> |
| OPERATING EXPENSES | | | | |
| Treatment | 1,604,982 | 1,604,982 | 1,532,703 | (72,279) |
| Transmission and distribution | 1,177,842 | 1,177,842 | 1,108,791 | (69,051) |
| Customer service | 332,236 | 332,236 | 329,585 | (2,651) |
| General and administrative expenses | 678,548 | 678,548 | 589,663 | (88,885) |
| Purchased water | 550,700 | 550,700 | 715,670 | 164,970 |
| General maintenance | 141,023 | 141,023 | 120,151 | (20,872) |
| Source of supply | <u>12,500</u> | <u>12,500</u> | <u>29,143</u> | <u>16,643</u> |
| Total operating expense | <u>4,497,831</u> | <u>4,497,831</u> | <u>4,425,706</u> | <u>(72,125)</u> |
| Operating income (loss) before depreciation and amortization | 4,063,169 | 4,063,169 | 3,630,823 | (432,346) |
| Depreciation and amortization expense | <u>(1,514,900)</u> | <u>(1,514,900)</u> | <u>(1,443,893)</u> | <u>71,007</u> |
| OPERATING INCOME (LOSS) | 2,548,269 | 2,548,269 | 2,186,930 | (361,339) |
| Non-operating income (expenses) | | | | |
| Interest income | 130,700 | 130,700 | 153,457 | 22,757 |
| Interest expense | (201,800) | (201,800) | (104,679) | 97,121 |
| Transfer in (out) | - | - | 11,681 | 11,681 |
| Gain (loss) on sale of equipment | <u>-</u> | <u>-</u> | <u>(115,979)</u> | <u>(115,979)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | 2,477,169 | 2,477,169 | 2,131,410 | (345,759) |
| Capital contributions | | | | |
| Grants | 4,988,228 | 4,988,228 | 1,557,626 | (3,430,602) |
| Tap fees | 91,600 | 91,600 | 155,006 | 63,406 |
| Customer contributions | <u>-</u> | <u>-</u> | <u>64,014</u> | <u>64,014</u> |
| CHANGE IN NET POSITION | <u>\$ 7,556,997</u> | <u>\$ 7,556,997</u> | <u>\$ 3,908,056</u> | <u>\$ (3,648,941)</u> |

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
FORT KNOX WATER FUND
for the year ended December 31, 2024

| | Original Budget | Amended Budget | Actual | Variance |
|---|----------------------------|---------------------------|---------------------|-----------------------|
| OPERATING REVENUE | | | | |
| Metered water sales | \$ 3,394,000 | \$ 3,394,000 | \$ 3,357,069 | \$ (36,931) |
| Penalties, service fees and reimbursements | <u>3,100</u> | <u>3,100</u> | <u>5,776</u> | <u>2,676</u> |
| Total operating revenue | <u>3,397,100</u> | <u>3,397,100</u> | <u>3,362,845</u> | <u>(34,255)</u> |
| OPERATING EXPENSES | | | | |
| Treatment | 1,138,500 | 1,138,500 | 998,687 | (139,813) |
| Transmission and distribution | 977,429 | 977,429 | 909,337 | (68,092) |
| General and administrative expenses | <u>858,008</u> | <u>858,008</u> | <u>640,984</u> | <u>(217,024)</u> |
| Total operating expense | <u>2,973,937</u> | <u>2,973,937</u> | <u>2,549,008</u> | <u>(424,929)</u> |
| Operating income (loss) before depreciation and amortization | 423,163 | 423,163 | 813,837 | 390,674 |
| Depreciation and amortization expense | <u>(1,392,300)</u> | <u>(1,392,300)</u> | <u>(1,375,320)</u> | <u>16,980</u> |
| OPERATING INCOME (LOSS) | (969,137) | (969,137) | (561,483) | 407,654 |
| Non-operating income | | | | |
| Interest income | 321,100 | 321,100 | 63,141 | (257,959) |
| Interest expense | (82,060) | (82,060) | (18,193) | 63,867 |
| Transfers in (out) | - | - | (19,312) | (19,312) |
| Gain (loss) on sale of equipment | <u>-</u> | <u>-</u> | <u>(3,706)</u> | <u>(3,706)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | (730,097) | (730,097) | (539,553) | 190,544 |
| Capital contributions | | | | |
| Tap fees | - | - | 4,509 | 4,509 |
| Customer contribution | <u>11,726,000</u> | <u>11,726,000</u> | <u>2,558</u> | <u>(11,723,442)</u> |
| CHANGE IN NET POSITION | <u>\$ 10,995,903</u> | <u>\$ 10,995,903</u> | <u>\$ (532,486)</u> | <u>\$(11,528,389)</u> |

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
FORT KNOX SEWER FUND
for the year ended December 31, 2024

| | Original Budget | Amended Budget | Actual | Variance |
|---|----------------------------|---------------------------|--------------------|-------------------|
| OPERATING REVENUE | | | | |
| Sewer service revenue | \$ 2,907,400 | \$ 2,907,400 | \$ 2,898,912 | \$ (8,488) |
| Penalties, service fees and reimbursements | <u>2,500</u> | <u>2,500</u> | <u>5,512</u> | <u>3,012</u> |
| Total operating revenue | <u>2,909,900</u> | <u>2,909,900</u> | <u>2,904,424</u> | <u>(5,476)</u> |
| OPERATING EXPENSES | | | | |
| Treatment | 642,694 | 642,694 | 575,965 | (66,729) |
| Transmission and distribution | 362,478 | 362,478 | 335,225 | (27,253) |
| Sewer administration | 8,100 | 8,100 | 10,310 | 2,210 |
| Professional services | 18,308 | 18,308 | 17,275 | (1,033) |
| Insurance | 32,400 | 32,400 | 32,706 | 306 |
| Customer service | 202,589 | 202,589 | 170,315 | (32,274) |
| Other | <u>83,821</u> | <u>83,821</u> | <u>70,569</u> | <u>(13,252)</u> |
| Total operating expense | <u>1,350,390</u> | <u>1,350,390</u> | <u>1,212,365</u> | <u>(138,025)</u> |
| Operating income (loss) before depreciation and amortization | 1,559,510 | 1,559,510 | 1,692,059 | 132,549 |
| Depreciation and amortization expense | <u>(1,169,100)</u> | <u>(1,169,100)</u> | <u>(1,149,925)</u> | <u>19,175</u> |
| OPERATING INCOME (LOSS) | 390,410 | 390,410 | 542,134 | 151,724 |
| Non-operating income (expenses) | | | | |
| Interest income | 409,300 | 409,300 | 447,859 | 38,559 |
| Interest expense | (30) | (30) | (28) | 2 |
| Transfer in (out) | - | - | 18,792 | 18,792 |
| Gain (loss) on sale of equipment | <u>-</u> | <u>-</u> | <u>(11,208)</u> | <u>(11,208)</u> |
| CHANGE IN NET POSITION | <u>\$ 799,680</u> | <u>\$ 799,680</u> | <u>\$ 997,549</u> | <u>\$ 197,869</u> |

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
RADCLIFF SEWER FUND
for the year ended December 31, 2024

| | Original Budget | Amended Budget | Actual | Variance |
|---|----------------------------|---------------------------|--------------------|---------------------|
| OPERATING REVENUE | | | | |
| Sewer service revenue | \$ 4,905,125 | \$ 4,905,125 | \$ 4,564,271 | \$ (340,854) |
| Penalties, service fees and reimbursements | <u>253,400</u> | <u>253,400</u> | <u>219,129</u> | <u>(34,271)</u> |
| Total operating revenue | <u>5,158,525</u> | <u>5,158,525</u> | <u>4,783,400</u> | <u>(375,125)</u> |
| OPERATING EXPENSES | | | | |
| Treatment | 886,450 | 886,450 | 959,143 | 72,693 |
| Transmission and distribution | 1,106,248 | 1,106,248 | 1,067,943 | (38,305) |
| Professional services | 18,145 | 18,145 | 16,134 | (2,011) |
| Insurance | 40,800 | 40,800 | 40,806 | 6 |
| Customer service | 572,298 | 572,298 | 550,151 | (22,147) |
| Sewer administration | 243,286 | 243,286 | 200,700 | (42,586) |
| Sewer commission | 19,005 | 19,005 | 15,131 | (3,874) |
| System maintenance | <u>137,977</u> | <u>137,977</u> | <u>123,038</u> | <u>(14,939)</u> |
| Total operating expense | <u>3,024,209</u> | <u>3,024,209</u> | <u>2,973,046</u> | <u>(51,163)</u> |
| Operating income (loss) before depreciation and amortization | 2,134,316 | 2,134,316 | 1,810,354 | (323,962) |
| Depreciation and amortization expense | <u>(1,633,000)</u> | <u>(1,633,000)</u> | <u>(1,628,073)</u> | <u>4,927</u> |
| OPERATING INCOME (LOSS) | 501,316 | 501,316 | 182,281 | (319,035) |
| Non-operating income (expenses) | | | | |
| Interest income | 371,800 | 371,800 | 469,445 | 97,645 |
| Interest expense | (24,920) | (24,920) | (24,917) | 3 |
| Transfer in (out) | - | - | (10,823) | (10,823) |
| Gain (loss) on sale of equipment | <u>-</u> | <u>-</u> | <u>(146,004)</u> | <u>(146,004)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | 848,196 | 848,196 | 469,982 | (378,214) |
| Capital contributions | | | | |
| Grants | - | - | 9,100 | 9,100 |
| Customer contributions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET POSITION | <u>\$ 848,196</u> | <u>\$ 848,196</u> | <u>\$ 479,082</u> | <u>\$ (369,114)</u> |

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
STORMWATER FUND
for the year ended December 31, 2024

| | Original Budget | Amended Budget | Actual | Variance |
|---|----------------------------|---------------------------|-------------------|------------------|
| OPERATING REVENUE | | | | |
| Stormwater service revenue | \$ 477,800 | \$ 477,800 | \$ 477,792 | \$ (8) |
| Total operating revenue | <u>477,800</u> | <u>477,800</u> | <u>477,792</u> | <u>(8)</u> |
| OPERATING EXPENSES | | | | |
| Transmission and distribution | 57,100 | 57,100 | 54,157 | (2,943) |
| Professional services | 5,426 | 5,426 | 3,741 | (1,685) |
| Insurance | 4,400 | 4,400 | 4,360 | (40) |
| Customer service | 1,096 | 1,096 | 1,083 | (13) |
| Other | 38,286 | 38,286 | 29,545 | (8,741) |
| Total operating expense | <u>106,308</u> | <u>106,308</u> | <u>92,886</u> | <u>(13,422)</u> |
| Operating income before depreciation | 371,492 | 371,492 | 384,906 | 13,414 |
| Depreciation expense | <u>(154,700)</u> | <u>(154,700)</u> | <u>(154,337)</u> | <u>363</u> |
| OPERATING INCOME | <u>216,792</u> | <u>216,792</u> | <u>230,569</u> | <u>13,777</u> |
| Non-operating income (expenses) | | | | |
| Interest income | 122,000 | 122,000 | 137,716 | 15,716 |
| Transfer in (out) | - | - | (338) | (338) |
| Gain (loss) on sale of equipment | - | - | (536) | (536) |
| CHANGE IN NET POSITION | <u>\$ 338,792</u> | <u>\$ 338,792</u> | <u>\$ 367,411</u> | <u>\$ 28,619</u> |

COMBINING FUND STATEMENTS

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF NET POSITION
December 31, 2024

| | County Water | Ft. Knox Water | Total |
|---|-------------------------|---------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 2,700,586 | \$ 1,368,570 | \$ 4,069,156 |
| Investments | 938,214 | - | 938,214 |
| Customer accounts receivable, net | 488,925 | 280,228 | 769,153 |
| Interest receivable | 12,955 | - | 12,955 |
| Other accounts receivable | 26,487 | 5,049 | 31,536 |
| Lease receivable - current | 17,142 | - | 17,142 |
| Due from other funds | 15,596 | - | 15,596 |
| Inventory - materials and supplies | 403,803 | 143,350 | 547,153 |
| Prepaid expenses | 73,263 | 28,656 | 101,919 |
| Total current assets | <u>4,676,971</u> | <u>1,825,853</u> | <u>6,502,824</u> |
| Non-current assets | | | |
| Lease receivable | 199,258 | - | 199,258 |
| Restricted investments - reserve funds | 1,515,250 | - | 1,515,250 |
| Regulatory asset - CERS Pension | 3,131,775 | 2,213,387 | 5,345,162 |
| Regulatory asset - CERS OPEB | 625,931 | 442,377 | 1,068,308 |
| Net OPEB asset | 93,077 | 65,783 | 158,860 |
| Total non-current assets | <u>5,565,291</u> | <u>2,721,547</u> | <u>8,286,838</u> |
| Capital assets | | | |
| Land and easements | 338,807 | - | 338,807 |
| Construction in progress | 450,088 | 68,593 | 518,681 |
| Plant and lines | 60,367,623 | 32,729,996 | 93,097,619 |
| Vehicles and equipment | 6,119,596 | 13,669,852 | 19,789,448 |
| Leased equipment | 32,741 | 9,570 | 42,311 |
| Total capital assets | <u>67,308,855</u> | <u>46,478,011</u> | <u>113,786,866</u> |
| Less: accumulated depreciation and amortization | (26,682,354) | (7,570,331) | (34,252,685) |
| Total capital assets, net | <u>40,626,501</u> | <u>38,907,680</u> | <u>79,534,181</u> |
| Total assets | <u>50,868,763</u> | <u>43,455,080</u> | <u>94,323,843</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources - pension | 435,424 | 307,737 | 743,161 |
| Deferred outflows of resources - OPEB | 204,761 | 144,715 | 349,476 |
| Total deferred outflows of resources | <u>640,185</u> | <u>452,452</u> | <u>1,092,637</u> |
| Total assets and deferred outflows of resources | <u>\$ 51,508,948</u> | <u>\$ 43,907,532</u> | <u>\$ 95,416,480</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 322,642 | \$ 11,163 | \$ 333,805 |
| Accrued expenses | 172,264 | 50,753 | 223,017 |
| Due to other funds | - | 1,921,973 | 1,921,973 |
| Unearned revenue | 11,873 | 5,049 | 16,922 |
| Customers' deposits | 210,235 | - | 210,235 |
| Current portion of interfund loan | 256,214 | - | 256,214 |
| Current portion of lease liability | 2,163 | 632 | 2,795 |
| Current portion of notes payable | 30,760 | - | 30,760 |
| Reserve for unclaimed funds - escheatment | 14,736 | - | 14,736 |
| Liabilities payable from restricted assets: | | | |
| Current portion of long-term debt | 526,500 | - | 526,500 |
| Accrued interest on long-term debt | 32,083 | - | 32,083 |
| Total current liabilities | <u>1,579,470</u> | <u>1,989,570</u> | <u>3,569,040</u> |
| Long-term liabilities | | | |
| Compensated absences | 251,538 | 55,221 | 306,759 |
| Bonds payable | 2,179,000 | - | 2,179,000 |
| Notes Payable | 33,377 | - | 33,377 |
| Net pension liability | 3,215,214 | 2,272,358 | 5,487,572 |
| Total long-term liabilities | <u>5,679,129</u> | <u>2,327,579</u> | <u>8,006,708</u> |
| Total liabilities | <u>7,258,599</u> | <u>4,317,149</u> | <u>11,575,748</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pension | 351,985 | 248,766 | 600,751 |
| Deferred inflows of resources - OPEB | 923,769 | 652,875 | 1,576,644 |
| Deferred inflows of resources - leases | 216,400 | - | 216,400 |
| Total deferred inflows of resources | <u>1,492,154</u> | <u>901,641</u> | <u>2,393,795</u> |
| NET POSITION | | | |
| Net investment in capital assets | 37,854,701 | 38,907,048 | 76,761,749 |
| Restricted | 1,515,250 | - | 1,515,250 |
| Unrestricted | 3,388,244 | (218,306) | 3,169,938 |
| Total net position | <u>42,758,195</u> | <u>38,688,742</u> | <u>81,446,937</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 51,508,948</u> | <u>\$ 43,907,532</u> | <u>\$ 95,416,480</u> |

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2024

| | County Water | Fort Knox Water | Total |
|---|-------------------------|----------------------------|----------------------|
| OPERATING REVENUE | | | |
| Metered water sales | \$ 5,438,201 | \$ 3,357,069 | \$ 8,795,270 |
| Wholesale sales | 2,153,018 | - | 2,153,018 |
| Sewer billing contract revenue | 109,583 | - | 109,583 |
| Penalties, service fees and reimbursements | <u>355,727</u> | <u>5,776</u> | <u>361,503</u> |
| Total operating revenue | <u>8,056,529</u> | <u>3,362,845</u> | <u>11,419,374</u> |
| OPERATING EXPENSES | | | |
| Treatment | 1,532,703 | 998,687 | 2,531,390 |
| Transmission and distribution | 1,108,791 | 909,337 | 2,018,128 |
| Customer service | 329,585 | - | 329,585 |
| General and administrative expenses | 589,663 | 640,984 | 1,230,647 |
| Purchased water | 715,670 | - | 715,670 |
| General maintenance | 120,151 | - | 120,151 |
| Source of supply | <u>29,143</u> | <u>-</u> | <u>29,143</u> |
| Total operating expense | <u>4,425,706</u> | <u>2,549,008</u> | <u>6,974,714</u> |
| Operating income (loss) before depreciation and amortization | 3,630,823 | 813,837 | 4,444,660 |
| Depreciation and amortization expense | <u>(1,443,893)</u> | <u>(1,375,320)</u> | <u>(2,819,213)</u> |
| OPERATING INCOME (LOSS) | 2,186,930 | (561,483) | 1,625,447 |
| Non-operating income (expenses) | | | |
| Interest income | 153,457 | 63,141 | 216,598 |
| Interest expense | (104,679) | (18,193) | (122,872) |
| Transfers in (out) | 11,681 | (19,312) | (7,631) |
| Gain (loss) on sale of equipment | <u>(115,979)</u> | <u>(3,706)</u> | <u>(119,685)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | 2,131,410 | (539,553) | 1,591,857 |
| Capital contributions | | | |
| Grants | 1,557,626 | - | 1,557,626 |
| Tap fees | 155,006 | 4,509 | 159,515 |
| Customer contributions | <u>64,014</u> | <u>2,558</u> | <u>66,572</u> |
| CHANGE IN NET POSITION | 3,908,056 | (532,486) | 3,375,570 |
| Net position, beginning of year | <u>38,850,139</u> | <u>39,221,228</u> | <u>78,071,367</u> |
| NET POSITION, END OF YEAR | <u>\$ 42,758,195</u> | <u>\$ 38,688,742</u> | <u>\$ 81,446,937</u> |

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF CASH FLOWS
for the year ended December 31, 2024

| | County Water | Ft. Knox Water | Total |
|--|-------------------------|---------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 8,045,234 | \$ 3,357,880 | \$ 11,403,114 |
| Payments to suppliers | (2,336,251) | (1,392,895) | (3,729,146) |
| Payments for employee services and benefits | <u>(2,147,406)</u> | <u>(1,112,492)</u> | <u>(3,259,898)</u> |
| Net cash provided by operating activities | <u>3,561,577</u> | <u>852,493</u> | <u>4,414,070</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Receipts (payments) on interfund loans | <u>107,541</u> | <u>(592,337)</u> | <u>(484,796)</u> |
| Net cash provided by (used in) non-capital financing activities | <u>107,541</u> | <u>(592,337)</u> | <u>(484,796)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal paid on long-term debt | (528,848) | - | (528,848) |
| Proceeds from issuance of debt | 995,000 | - | 995,000 |
| Line of credit proceeds | 1,054,333 | - | 1,054,333 |
| Payments on line of credit | (2,931,851) | - | (2,931,851) |
| Payments on leased equipment | (8,697) | (2,543) | (11,240) |
| Interest paid | (96,861) | (18,133) | (114,994) |
| Contributions in aid of construction | 155,006 | 7,067 | 162,073 |
| Grants received | 2,560,200 | - | 2,560,200 |
| Proceeds from sale of equipment | 22,985 | - | 22,985 |
| Acquisition and construction of capital assets | <u>(3,713,627)</u> | <u>(313,283)</u> | <u>(4,026,910)</u> |
| Net cash (used in) capital and related financing activities | <u>(2,492,360)</u> | <u>(326,892)</u> | <u>(2,819,252)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest income | 148,837 | 63,141 | 211,978 |
| Redemption of investments | 142,564 | - | 142,564 |
| Purchase of investments | <u>(251,899)</u> | <u>-</u> | <u>(251,899)</u> |
| Net cash provided by investing activities | <u>39,502</u> | <u>63,141</u> | <u>102,643</u> |
| NET INCREASE (DECREASE) IN CASH | 1,216,260 | (3,595) | 1,212,665 |
| Cash and cash equivalents, beginning of year | <u>1,484,326</u> | <u>1,372,165</u> | <u>2,856,491</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 2,700,586</u> | <u>\$ 1,368,570</u> | <u>\$ 4,069,156</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 2,186,930 | \$ (561,483) | \$ 1,625,447 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,443,893 | 1,375,320 | 2,819,213 |
| Change in assets and liabilities: | | | |
| Accounts receivable | 5,190 | (10,014) | (4,824) |
| Prepaid expenses | 5,960 | (289) | 5,671 |
| Inventory | 39,146 | 34,205 | 73,351 |
| Accounts payable | (177,952) | (7,457) | (185,409) |
| Unearned revenue | (16,485) | 5,045 | (11,440) |
| Accrued expenses | 41,997 | 5,642 | 47,639 |
| Compensated absences | 41,383 | 11,524 | 52,907 |
| Other payables | <u>(8,485)</u> | <u>-</u> | <u>(8,485)</u> |
| Net cash provided by operating activities | <u>\$ 3,561,577</u> | <u>\$ 852,493</u> | <u>\$ 4,414,070</u> |

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF NET POSITION
December 31, 2024

| | Ft. Knox Sewer | Radcliff Sewer | Total |
|---|----------------------|----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 8,511,751 | \$ 9,820,578 | \$ 18,332,329 |
| Investments | 95,086 | 468,472 | 563,558 |
| Customer accounts receivable, net | 242,999 | 281,680 | 524,679 |
| Interest receivable | 1,246 | 6,138 | 7,384 |
| Inventory - material and supplies | 3,470 | 9,043 | 12,513 |
| Current portion of interfund receivable | - | 256,214 | 256,214 |
| Due from other funds | 1,773,776 | 142,593 | 1,916,369 |
| Prepaid expenses | <u>15,849</u> | <u>21,259</u> | <u>37,108</u> |
| Total current assets | <u>10,644,177</u> | <u>11,005,977</u> | <u>21,650,154</u> |
| Non-current assets | | | |
| Deferred Rate Case | - | 119,529 | 119,529 |
| Unamortized Radcliff acquisition costs, net | - | 92,899 | 92,899 |
| Regulatory asset - CERS Pension | 1,234,243 | 2,175,556 | 3,409,799 |
| Regulatory asset - CERS OPEB | 246,680 | 434,815 | 681,495 |
| Net OPEB asset | <u>36,683</u> | <u>64,658</u> | <u>101,341</u> |
| Total other assets | <u>1,517,606</u> | <u>2,887,457</u> | <u>4,405,063</u> |
| Capital assets | | | |
| Land and easements | - | 26,326 | 26,326 |
| Construction in progress | 139,737 | 263,981 | 403,718 |
| Plant and lines | 93,803,389 | 54,447,947 | 148,251,336 |
| Vehicles and equipment | 1,561,402 | 2,989,110 | 4,550,512 |
| Leased equipment | <u>4,533</u> | <u>3,526</u> | <u>8,059</u> |
| Total capital assets | 95,509,061 | 57,730,890 | 153,239,951 |
| Less: accumulated depreciation and amortization | <u>(72,533,298)</u> | <u>(28,372,097)</u> | <u>(100,905,395)</u> |
| Total capital assets, net | <u>22,975,763</u> | <u>29,358,793</u> | <u>52,334,556</u> |
| Total assets | <u>35,137,546</u> | <u>43,252,227</u> | <u>78,389,773</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources - pension | 171,602 | 302,477 | 474,079 |
| Deferred outflows of resources - OPEB | <u>80,697</u> | <u>142,242</u> | <u>222,939</u> |
| Total deferred outflows of resources | <u>252,299</u> | <u>444,719</u> | <u>697,018</u> |
| Total assets and deferred outflows of resources | <u>\$ 35,389,845</u> | <u>\$ 43,696,946</u> | <u>\$ 79,086,791</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 5,857 | \$ 176,497 | \$ 182,354 |
| Accrued expenses | 29,316 | 45,866 | 75,182 |
| Customers' deposits | - | 210,523 | 210,523 |
| Accrued interest on long-term debt | - | 5,324 | 5,324 |
| Current portion of lease liability | 300 | 233 | 533 |
| Current portion of notes payable | <u>-</u> | <u>123,982</u> | <u>123,982</u> |
| Total current liabilities | <u>35,473</u> | <u>562,425</u> | <u>597,898</u> |
| Long-term liabilities | | | |
| Compensated absences | 41,589 | 44,222 | 85,811 |
| Notes payable | - | 134,532 | 134,532 |
| Net pension liability | <u>1,267,126</u> | <u>2,233,519</u> | <u>3,500,645</u> |
| Total long-term liabilities | <u>1,308,715</u> | <u>2,412,273</u> | <u>3,720,988</u> |
| Total liabilities | <u>1,344,188</u> | <u>2,974,698</u> | <u>4,318,886</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pension | 138,719 | 244,514 | 383,233 |
| Deferred inflows of resources - OPEB | <u>364,060</u> | <u>641,715</u> | <u>1,005,775</u> |
| Total deferred inflows of resources | <u>502,779</u> | <u>886,229</u> | <u>1,389,008</u> |
| NET POSITION | | | |
| Net investment in capital assets | 22,975,463 | 29,100,046 | 52,075,509 |
| Unrestricted | <u>10,567,415</u> | <u>10,735,973</u> | <u>21,303,388</u> |
| Total net position | <u>33,542,878</u> | <u>39,836,019</u> | <u>73,378,897</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 35,389,845</u> | <u>\$ 43,696,946</u> | <u>\$ 79,086,791</u> |

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2024

| | Ft. Knox Sewer | Radcliff Sewer | Total |
|--|---------------------------|---------------------------|----------------------|
| OPERATING REVENUE | | | |
| Sewer service revenue | \$ 2,898,912 | \$ 4,564,271 | \$ 7,463,183 |
| Penalties, service fees and reimbursements | <u>5,512</u> | <u>219,129</u> | <u>224,641</u> |
| Total operating revenue | <u>2,904,424</u> | <u>4,783,400</u> | <u>7,687,824</u> |
| OPERATING EXPENSES | | | |
| Treatment | 575,965 | 959,143 | 1,535,108 |
| Transmission and distribution | 335,225 | 1,067,943 | 1,403,168 |
| Customer service | 170,315 | 550,151 | 720,466 |
| General and administrative expenses | 130,860 | 272,771 | 403,631 |
| General maintenance | <u>-</u> | <u>123,038</u> | <u>123,038</u> |
| Total operating expenses | <u>1,212,365</u> | <u>2,973,046</u> | <u>4,185,411</u> |
| Operating income before depreciation and amortization | 1,692,059 | 1,810,354 | 3,502,413 |
| Depreciation and amortization expense | <u>(1,149,925)</u> | <u>(1,628,073)</u> | <u>(2,777,998)</u> |
| OPERATING INCOME (LOSS) | 542,134 | 182,281 | 724,415 |
| Non-operating income (expenses) | | | |
| Interest income | 447,859 | 469,445 | 917,304 |
| Interest expense | (28) | (24,917) | (24,945) |
| Transfers in (out) | 18,792 | (10,823) | 7,969 |
| Gain (loss) on sale of equipment | <u>(11,208)</u> | <u>(146,004)</u> | <u>(157,212)</u> |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | 997,549 | 469,982 | 1,467,531 |
| Capital Contributions | | | |
| Grants | - | 9,100 | 9,100 |
| Customer contributions | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET POSITION | 997,549 | 479,082 | 1,476,631 |
| Net position, beginning of year | <u>32,545,329</u> | <u>39,356,937</u> | <u>71,902,266</u> |
| NET POSITION, END OF YEAR | <u>\$ 33,542,878</u> | <u>\$ 39,836,019</u> | <u>\$ 73,378,897</u> |

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF CASH FLOWS
for the year ended December 31, 2024

| | Ft. Knox Sewer | Radcliff Sewer | Total |
|--|---------------------------|---------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 2,897,731 | \$ 4,748,545 | \$ 7,646,276 |
| Payments to suppliers | (763,829) | (2,037,483) | (2,801,312) |
| Payments for employee services and benefits | <u>(578,495)</u> | <u>(1,303,172)</u> | <u>(1,881,667)</u> |
| Net cash provided by operating activities | <u>1,555,407</u> | <u>1,407,890</u> | <u>2,963,297</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Receipts (payments) on interfund loans | <u>(896,155)</u> | <u>1,378,959</u> | <u>482,804</u> |
| Net cash (used in) non-capital financing activities | <u>(896,155)</u> | <u>1,378,959</u> | <u>482,804</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal paid on long-term debt | - | (114,260) | (114,260) |
| Payments on leased equipment | (1,204) | (937) | (2,141) |
| Interest paid | - | (27,259) | (27,259) |
| Contributions in aid of construction | - | - | - |
| Grants received | - | 129,600 | 129,600 |
| Proceeds from sale of equipment | 27,529 | 2,860 | 30,389 |
| Acquisition and construction of capital assets | <u>(502,837)</u> | <u>(2,633,298)</u> | <u>(3,136,135)</u> |
| Net cash (used in) capital and related financing activities | <u>(476,512)</u> | <u>(2,643,294)</u> | <u>(3,119,806)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest income | 447,890 | 469,597 | 917,487 |
| Redemption of investments | 89,969 | 443,263 | 533,232 |
| Purchase of investments | <u>(95,086)</u> | <u>(468,472)</u> | <u>(563,558)</u> |
| Net cash provided by investing activities | <u>442,773</u> | <u>444,388</u> | <u>887,161</u> |
| NET INCREASE (DECREASE) IN CASH | 625,513 | 587,943 | 1,213,456 |
| Cash and cash equivalents, beginning of year | <u>7,886,238</u> | <u>9,232,635</u> | <u>17,118,873</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 8,511,751</u> | <u>\$ 9,820,578</u> | <u>\$ 18,332,329</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 542,134 | \$ 182,281 | \$ 724,415 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization expense | 1,149,925 | 1,628,073 | 2,777,998 |
| Change in assets and liabilities: | | | |
| Accounts receivable | (6,693) | (34,855) | (41,548) |
| Prepaid expenses | 1,436 | (60) | 1,376 |
| Inventory | 2,163 | (3,251) | (1,088) |
| Accounts payable | (125,420) | (357,013) | (482,433) |
| Accrued expenses | (9,847) | 1,674 | (8,173) |
| Compensated absences | 1,709 | 942 | 2,651 |
| Deferred rate case expenses | - | (3,139) | (3,139) |
| Other payables | <u>-</u> | <u>(6,762)</u> | <u>(6,762)</u> |
| Net cash provided by operating activities | <u>\$ 1,555,407</u> | <u>\$ 1,407,890</u> | <u>\$ 2,963,297</u> |



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

Board of Commissioners
Hardin County Water District No. 1
Radcliff, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of the Hardin County Water District No. 1, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Hardin County Water District No. 1's basic financial statements and have issued our report thereon dated March 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hardin County Water District No. 1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Water District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Water District No. 1's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Water District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

RFH

RFH, PLLC
Lexington, Kentucky
March 26, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Hardin County Water District No. 1
Radcliff, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hardin County Water District No. 1's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hardin County Water District No. 1's major federal programs for the year ended December 31, 2024. Hardin County Water District No. 1's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hardin County Water District No. 1 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hardin County Water District No. 1 and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hardin County Water District No. 1's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hardin County Water District No. 1's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hardin County Water District No. 1's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hardin County Water District No. 1's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hardin County Water District No. 1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hardin County Water District No. 1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hardin County Water District No. 1's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
March 26, 2025

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2024

| GRANTOR/PROGRAM TITLE | Federal AL Number | Pass Through Grantor's Number | Expenditures |
|--|----------------------------------|--|---------------------|
| U.S. Department of the Treasury | | | |
| Passed through the Kentucky Infrastructure Authority | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 22CWW075 | \$ 1,034,054 |
| Passed through Hardin County Fiscal Court | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | No. 2022-192 | <u>532,672</u> |
| Total COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | | | <u>1,566,726</u> |
| U.S. Department of Agriculture | | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | N/A | <u>765,898</u> |
| Total expenditures of federal awards | | | <u>\$ 2,332,624</u> |

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hardin County Water District No.1 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used, in the preparation of, the basic financial statements may differ from those numbers.

Note 2 - Hardin County Water District No.1 did not pass through any funds to subrecipients.

Note 3 - Indirect Cost Rates

Hardin County Water District No.1 did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 4 - Passthrough grantor numbers are presented when available.

**HARDIN COUNTY WATER DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended December 31, 2024**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified ___ Yes X No
 Significant deficiencies identified that are not
 considered to be material weaknesses ___ Yes X None reported

Noncompliance material to financial statements noted ___ Yes X No

Federal Awards:

Internal control over major programs:
 Material weaknesses identified ___ Yes X No
 Significant deficiencies identified that are not
 considered to be material weaknesses ___ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in
 accordance with 2 CFR 200.516(a)? ___ Yes X No

Major Programs:

| AL Number | Name of Federal Program or Cluster |
|------------------|--|
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |
| 10.760 | Water and Waste Disposal Systems for Rural Communities |

Dollar threshold used to distinguish between type A
 and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? ___ Yes X No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

IV. PRIOR AUDIT FINDINGS

None