

**BATH COUNTY WATER DISTRICT
SALT LICK, KENTUCKY
AUDITED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019**

BATH COUNTY WATER DISTRICT
SALT LICK, KENTUCKY
Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Bath County Water District
Salt Lick, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bath County Water District as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bath County Water District, as of June 30, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2021 on our consideration of the Bath County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Bath County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bath County Water District's internal control over financial reporting and compliance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

May 25, 2021

BATH COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31,

ASSETS & DEFERRED OUTFLOWS	2020	2019
Current Assets		
Cash	\$ 944,111	\$ 873,460
Accounts receivable		
Customers, net	307,115	296,202
Other		
Prepaid expenses	31,543	28,680
Inventory	151,817	140,997
	<u>1,434,585</u>	<u>1,339,339</u>
Restricted Assets		
Cash-Customer deposits	99,474	93,436
Cash-Sinking fund	43,014	80,001
Cash-Depreciation fund	242,400	242,400
	<u>384,888</u>	<u>415,837</u>
Fixed Assets		
Property, Plant & Equipment	17,234,578	16,974,976
Less accumulated depreciation	(7,178,460)	(6,824,212)
Construction-in-progress	-	-
	<u>10,056,118</u>	<u>10,150,764</u>
Deferred Outflow of Resources		
Deferred Outflow of Resources-OPEB	131,345	94,794
Deferred Outflow of Resources-Pension	129,785	246,577
	<u>261,130</u>	<u>341,371</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 12,136,721</u>	<u>\$ 12,247,310</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 128,556	\$ 88,307
MUPB payable	37,332	30,149
BCSD payable	7,279	5,837
O'Ville payable	4,289	5,737
Means payable	6,801	5,746
Accrued wages and Vacation Pay	40,084	33,600
Customer deposits	90,900	85,652
Taxes payable	5,249	4,333
Accrued interest payable	13,074	11,901
Current Portion of bonds payable	14,000	14,000
Total Current Liabilities	<u>347,565</u>	<u>285,261</u>
Noncurrent Liabilities		
Accrued OPEB Liabilities	328,737	273,726
Accrued Pension Liabilities	1,044,489	938,942
KIA DWSFR Loan	555,447	586,956
Bonds payable, net	607,000	621,000
Total Long-term Liabilities	<u>2,535,673</u>	<u>2,420,624</u>
Deferred Inflow of Resources		
Deferred Inflow of Resources-OPEB	79,436	51,950
Deferred Inflow of Resources-Pension	45,527	27,744
	<u>124,963</u>	<u>79,694</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>3,008,201</u>	<u>2,785,580</u>
Net Position		
Investment in Capital Assets, Net of Related Debt	9,435,118	9,515,764
Restricted Net Assets	384,888	415,837
Unrestricted Net Assets	(691,487)	(469,871)
TOTAL NET POSITION	<u>\$ 9,128,520</u>	<u>\$ 9,461,730</u>

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

BATH COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
PROPRIETARY FUND
for the years ended December 31,

	2020	2019
OPERATING INCOME		
Water sales	\$ 2,090,304	\$ 2,118,219
Other revenue	<u>37,272</u>	<u>91,441</u>
Total operating income	<u>2,127,576</u>	<u>2,209,660</u>
OPERATING EXPENSES		
Power	76,471	79,118
Water purchased	919,928	941,891
Salaries	367,520	359,458
Materials and Supplies	53,249	51,540
Transportation expense	19,089	28,379
Insurance	28,446	28,416
Health and Life Insurance	139,539	137,568
Chemicals	9,752	10,116
Payroll taxes	27,984	28,944
Employee retirement	369,483	204,634
Legal and Professional	6,500	6,500
Contract Services	9,905	11,515
Office Utilities	21,661	21,446
Office Supplies	52,591	38,359
Postage	15,921	15,876
Miscellaneous	-	-
Bad debt expense (recoveries)	4,190	5,993
Regulatory commission expenses	<u>4,301</u>	<u>4,296</u>
Total operating expense	<u>2,126,529</u>	<u>1,974,048</u>
Operating income before depreciation	1,047	235,612
Depreciation expense	<u>(354,248)</u>	<u>(344,483)</u>
OPERATING INCOME (LOSS)	(353,200)	(108,871)
Non-operating income (Expenses)		
Gain (Loss) on disposal of assets	-	-
Customer Tap Fees	-	-
DOT project flow through expense	-	-
DOT project flow through income	-	-
Interest income	10,587	10,841
Interest expense	<u>(28,698)</u>	<u>(35,000)</u>
Total Non-Operating Income (Expense)	<u>(18,111)</u>	<u>(24,159)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(371,311)	(133,030)
STATE CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>-</u>	<u>1,500</u>
NET INCOME (LOSS) AFTER CONTRIBUTIONS	(371,311)	(131,530)
NET POSITION, BEGINNING OF YEAR	<u>9,461,730</u>	<u>9,562,509</u>
Add: Customer Tap Fees	38,100	30,750
Add: Customer Contributions	-	-
NET POSITION, END OF YEAR	<u>\$ 9,128,520</u>	<u>\$ 9,461,730</u>

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

BATH COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
for the years ended December 31,

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 2,116,664	\$ 2,185,642
Payments to Suppliers	(1,365,163)	(1,506,822)
Payments to Employees	(395,503)	(388,402)
Other Receipts (Payments)	-	-
Net Cash (Used) Provided by Operating Activities	355,997	290,419
CASH FLOW FROM INVESTING ACTIVITIES		
Sinking Fund	(36,987)	(8,788)
Depreciation Fund	6,038	8,321
Interest Income	10,587	10,841
Net Cash (Used) Provided by Investing Activities	(20,362)	10,373
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds From Capital Debt	-	-
Principal Paid on Capital Debt	(45,509)	(927,775)
Purchases of Capital Assets	(259,825)	(115,937)
State Grants Received	-	1,500
Contributed Capital-Tap Fees	38,100	30,750
Interest Paid on Capital Debt	(28,698)	(35,000)
Net cash (Used) Provided by Financing Activities	(295,931)	(1,046,461)
NET INCREASE (DECREASE) IN CASH	39,704	(745,669)
Cash and Cash Equivalents - At beginning of year	1,289,296	2,034,966
CASH AND CASH EQUIVALENTS - AT END OF YEAR	\$ 1,328,999	\$ 1,289,296
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (353,200)	\$ (108,871)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	354,248	344,483
Change in Assets and Liabilities:		
Accounts Receivable, Net	(10,913)	(24,018)
Inventories	10,820	15,298
Prepaid Expense	(2,863)	(4,891)
Accounts Payable and Other Payables	346,173	67,902
Customer Deposits	5,248	4,250
Accrued Wages and Vacation	6,484	(3,734)
Net Cash Provided (Used) by Operating Activities	\$ 355,997	\$ 290,419

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

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES

The Bath County Water District was created and organized as a public body corporate in Bath County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Bath County Fiscal Court to operate a water distribution system. The District is regulated by the Kentucky Public Service Commission.

The Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Bath County Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations. The entities included in the financial statements are the general operations of the District.

Based on the foregoing criteria there are no other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources management focus. With the measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

Note 1: ORGANIZATION AND ACCOUNTING POLICIES

Basis of Accounting

The District maintains its accounting records on the accrual basis during the year. The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. 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.

Inventory

Inventory is maintained at lower of cost or market.

Utility Plant

Utility Plant is stated at original cost. The cost of repairs and maintenance is charged to the proper expense account as incurred. Property replacements are capitalized and retirements are charged to the proper plant account and depreciation provision.

Depreciation

Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates on a straight-line basis determined by reference to Utility Standards Rates (NARUC). The provisions for depreciation in 2020 reflect those standard rates by asset class.

Unbilled Revenue

The District records revenue as billed to its customers on monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled.

Power Costs

The cost of power purchases for pumping water is charged to expense as used.

Income Tax Status

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statement include no provision for income taxes.

Cash Flows

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities, and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

Net Position

Net position represents the difference between assets and liabilities in the statement of net assets. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that is the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does have a deposit policy for custodial credit risk. As of December 31, 2020, \$0 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank \$0

NOTE 3: LONG-TERM DEBT

Revenue bonds in the principal amount of \$235,000 were authorized in 1970 and are held by the Economic Development Administration. A 1977 Bond Issue in the amount of \$130,000 was sold to the Farmers Home Administration, payable and secured by a pledge of the revenues of the District on parity as to security and source of payment with the 1970 Bonds held by EDA. A 1982 Bond Issue in the amount of \$106,000 was sold to the Farmers Home Administration as second lien bonds subject to the vested rights and priority of the 1970 and 1977 bonds. Bonds in the amount of \$375,000 were authorized in 1988 and issued February 14, 1989, as second lien bonds on parity as to security and source of payment with the 1982 bonds. Bonds in the amount of \$138,000 were authorized and issued May 26, 1989 as second lien bonds on parity as to security and source of payment with the second lien bonds of 1982 and 1988. Bonds in the amount of \$103,000 were authorized in 1991 and issued November 25, 1992 and bonds in the amount of \$280,000 were authorized in 1994 and issued October 20, 1994, as second lien bonds. Bonds in the amount of \$200,000 were authorized and issued January 22, 1999. Bonds in the amount of \$500,000 were authorized and issued June 29, 2004. The Bonds Issues of 1988, 1989, 1991, 1998 and 2004 were sold to the Farmers Home Administration. Bonds Series 2009 in the amount of \$259,000 were authorized and issued January 26, 2010.

BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For years Ended December 31, 2020 and 2019

Note 4: LONG-TERM DEBT (CONTINUED)

The Following is a summary of changes in long-term debt for the year ended December 31,2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Series 2004				
Loan Amount \$500,000				
Interest rate 4.375%	411,000		9,000	402,000
Bond Series 2009				
Loan Amount \$259,000				
Interest rate 2.375%	224,000	-	5,000	219,000
	635,000	-	14,000	621,000
Less: Current Maturities	14,000			14,000
Totals	621,000			607,000

The following is a schedule of long-term debt maturities

	<u>Principle</u>	<u>Interest</u>
2021	14,500	22,522
2022	15,000	21,976
2023	16,000	21,403
2024	16,500	20,802
2025	17,000	20,179
2026-2030	96,500	84,076
2031-2035	117,000	70,632
2036-2040	141,500	46,152
2041-2045	146,000	16,784
2046-2050	41,000	1,971
	<u>621,000</u>	<u>326,497</u>

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 5: RESERVES

The Bath County Water District is required to comply with the bond agreements of all bond issues as follows:

Sinking Fund

The District is required to set aside an amount into a special account known as the Bath County Water District Water System Revenue Bonds, Bond and Interest Sinking Fund. The amount to be so set aside and paid each month shall be not less than the following respective amounts:

- 1) A sum equal to one sixth (1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
- 2) A sum equal to one twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The required balance of the reserve at December 31, 2020 was \$32,000. The District had set aside \$43,014 into a restricted account. The District is properly reserved and is over by \$11,014 at December 31, 2020.

Depreciation Fund

The District is required to deposit into the Depreciation Fund account the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and used, upon appropriate certification to the bank, for the purpose of paying the cost of construction replacements, extensions, additions and/or improvements to the project. Whenever the balance in the Depreciation Fund shall equal \$219,400, the monthly payments may be discontinued, or by order of the governing body of the District, be diverted into the Sinking Fund Account. The District had set aside \$219,400 and \$219,400 at December 31, 2020 and 2019, respectively.

NOTE 6: SEWER COLLECTIONS

The District began collecting sewer payments for the Morehead Utility Plant Board, Bath County Sewer District and City of Owingsville. The accounts receivable reflected on the balance sheet represent monies receivable for water and sewer service. The MUPB payable, BCSD payable, and OUPB payable are the amount of monies in the receivable, which are due to the MUPB, BCSD, and OUPB. The balance at December 31, 2020 and 2019 was \$55,701 and \$47,455, respectively.

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

7. RETIREMENT PLAN

The Bath County Water District 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 Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems 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, 2020, 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 actual 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, 2020, participating employers contributed 24.06%, 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 8. Plan members contributed 16.22% to the pension trust through June 30th and 19.30%, thereafter for non-hazardous job classifications for the year ended December 31, 2020. Administrative costs of Kentucky Retirement System 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 5.00% 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 actuarial valuation. The employer contributes a set of 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, 2020, the District contributed \$83,415 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.

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

7. RETIREMENT PLAN (CONTINUED)

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 of 65 years old and 4 years 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 hires date multiplied by the average of the highest 5 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 children will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for non-service-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At December 31, 2020, the District reported a liability of \$1,044,489 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and was rolled forward using generally accepted actuarial procedures. The District 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, 2020, the District's proportion was .0136 percent, which was a decrease of .00038 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized pension expense of \$147,215. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

7. RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 26,046	\$ -
Changes of Assumptions	40,786	-
Net difference between projected and actual earnings on Plan Investments	26,137	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,153	
District contributions subsequent to the measurement date	33,663	45,527
Total	\$ 129,785	\$ 45,527

The \$33,663 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, 2020. 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,	
2021	\$ 16,345
2022	\$ 12,061
2023	\$ 11,693
2024	\$ 10,497

Actuarial Assumptions- The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, average, including inflation
Investment rate of return	6.25%, 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 2013-2018, projected with the ultimate rates from MP- 2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4- year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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 ranged 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:

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

7. RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long –Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.25%

Discount Rate- The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate- The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 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 (5.25 percent) or 1- percentage- point higher (7.25 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	\$1,288,083
Current discount rate	6.25%	\$1,044,489
1% increase	7.25%	\$ 842,785

Payable to the Pension Plan- The district reported a payable of \$10,311 as of December 31, 2020, 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.

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description- As more fully described in Note 7, 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 7, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2020, the employer's contribution was 5.26% through June 30th and 4.76% 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 bases adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended December 31, 2020, the District contributed \$16,604, 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
annually	Tier 1	Participation date Insurance Eligibility Benefit	Before September 1, 2008 but after July 1, 2003 15 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

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At December 31, 2020, the District reported a liability for its proportionate share of the net OPEB liability of \$328,737. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2020 was .013614 percent, which was an decrease of .00038 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized OPEB expense of \$39,788. At December 31, 2020, 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	\$ 54,925	\$ 54,968
Changes of Assumptions	57,181	348
Net difference between projected and actual earnings on Plan Investments	10,926	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,613	-
District contributions subsequent to the measurement date	4,700	24,120
Total	<u>\$ 131,345</u>	<u>\$ 79,436</u>

The \$4,700 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, 2021. This includes an adjustment of \$8,068 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,	
2021	\$	13,286
2022	\$	16,520
2023	\$	10,335
2024	\$	8,980
2025	\$	(1,911)

Actuarial Assumptions- The total OPEB liability in the June 30, 2020, actuarial validation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

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

Non-hazardous

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS Non-Hazardous and Hazardous, and 0.0% for KERS Non-Hazardous and Hazardous
Salary increases	3.30% to 10.30%, varies by service for CERS Non-Hazardous; 3.55% To 19.05%, varies by service for CERS Hazardous; 3.30% to 15.30%, Varies by service for KERS Non-Hazardous; and, 3.55% to 20.05%, Varies by service for KERS Hazardous
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 2.9% at January 1, 2022, and increasing to 6.30% in 2023 then gradually decreasing to an ultimate trend rate of 4.05% 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- 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 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP- 2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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:

BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Asset Class	Target Allocation	Long –Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.25%

Discount Rate- the discount rate used to measure the total OPEB liability was 5.34% 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 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2020, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13% as reported in Fidelity Index's "20-Year Municipal GO AA Index". As of June 30, 2020, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index". 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 to Changes in the Discount Rate- The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage- point lower or 1- percentage- point higher than the current rate:

	Discount rate	Proportionate share of net OPEB liability
1% decrease	4.34%	\$422,330
Current discount rate	5.34%	\$328,737
1% increase	6.34%	\$251,865

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

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

Sensitivity of the District's Proportionate Share of the NET OPEB Liability to Changes in the Healthcare Cost Trend Rate- The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability
1% decrease	\$254,524
Current trend rate	\$328,737
1% increase	\$418,795

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

NOTE 9: 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 employee health and accident coverage

BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 10: FIXED ASSETS

Capital asset activity for the fiscal year ended December 31, 2020 was as follows:

Business-Type Activities	Balance Jan. 1, 2020	Additions	Deductions	Balance Dec. 31, 2020
Cost:				
Land	\$ 35,350			\$ 35,350
Plant in Service	16,050,528	243,122		16,293,650
Other Depreciable Assets	889,098	16,703	223	905,578
Construction in Progress	-	-	-	-
Totals at historical cost	16,974,974	259,825	223	17,234,578
Less accumulated depreciation:				
Land & Land Rights				-
Plant in Service	5,986,419	341,817		6,328,236
Other Depreciable Assets	837,794	12,431		850,225
Total accumulated Depreciation	6,824,212	354,248	-	7,178,460
Business-Type Activities Capital Assets - Net	\$ 10,150,764	\$ (94,423)	\$ 223	\$ 10,056,118

Capital asset activity for the fiscal year ended December 31, 2019 was as follows:

Business-Type Activities	Balance Jan. 1, 2019	Additions	Deductions	Balance Dec. 31, 2019
Cost:				
Land	\$ 35,350			\$ 35,350
Plant in Service	15,947,686	102,842		16,050,528
Other Depreciable Assets	876,003	13,095		889,098
Construction in Progress	-	-	-	-
Totals at historical cost	16,859,038	115,937	-	16,974,974
Less accumulated depreciation:				
Land & Land Rights				
Plant in Service	5,688,222	298,197		5,986,419
Other Depreciable Assets	791,508	46,286		837,794
Total accumulated Depreciation	6,479,729	344,483	-	6,824,212
Business-Type Activities Capital Assets - Net	\$ 10,379,310	\$ (228,546)	\$ -	\$ 10,150,764

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 11: CONTINGENCIES

The District had elected to be recognized as a reimbursing employer for state unemployment compensation purposes. Accordingly, the District will become liable for direct payment of unemployment benefits as they become due.

NOTE 12: COVID-19 PANDEMIC

During 2020 and 2021, various restrictions were placed on utilities in the state of Kentucky in response to the COVID-19 pandemic. These restrictions included the cessation of utility shutoffs and the charging of penalties due to nonpayment of bills. As a result of these orders and the impact of COVID-19 on the District's customers, there has been an increase in delinquent billings as of December 31, 2020. The District is working to establish payment plans with customers who have delinquent bills in an attempt to ensure continuous service and the collection of past due balances. The district has increased the allowance for doubtful account of \$11,528 as of December 31, 2020, as an estimate of the total amount of accounts receivable that will not be collectible.

REQUIRED SUPPLEMENTAL INFORMATION

**BATH COUNTY WATER DISTRICT
SUPPLEMENTAL INFORMATION REQUIRED BY RURAL DEVELOPMENT
December 31, 2020**

Schedule of Insurance in Force

<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
General Liability	\$ 6,000,000	7/1/2021
Property - Building & Contents	15,000,000.00	7/1/2021
Equipment & Vehicles	140,000.00	7/1/2021
Treasurer and Commissioners	400,000.00	7/1/2021
Workers Compensation	Statutory	7/1/2021

Aged Accounts Receivable

A detailed schedule of aged accounts receivable is prepared on a monthly basis. At December 31, 2020, accounts receivable were aged as follows:

	<u>Number Of Accounts</u>	<u>Amount</u>
Current	3,902	\$ 189,172
Over 30 Days	407	11,930
Over 60 Days	144	4,646
Over 90 Days	221	22,895
Total	<u>4,674</u>	<u>\$ 228,644</u>

During 2020, the District carried a reserve for possible uncollected accounts of \$11,529. Accounts in arrears have been collected or are covered by deposits.

The District had a total of 4,005 customers at December 31, 2020. Of these customers, 3,899 were residential and 85 were commercial.

BATH COUNTY WATER DISTRICT

**REQUIRED SUPPLEMENTARY SCHEDULE OF PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Last Five Fiscal Years**

	2020	2019	2018	2017	2016
District's proportion of the net pension liability	.013999%	0.015417%	0.01493%	0.013465%	0.01337%
District's proportionate share of the net pension liability (asset)	\$1,044,489	\$ 938,942	\$ 873,899	\$662,950	\$ 574,740
District's covered employee payroll	\$346,695	\$ 352,281	\$ 391,510	\$ 392,984	\$336,805
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	301.27%	266.53%	223.21%	168.69%	170.64%
Plan fiduciary net position as a percentage of the total pension liability	873.97%	1007.70%	1094.23%	1492.97%	1686.06%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the current fiscal year.

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

The measurement date of the net pension liability is one year preceding the fiscal year of the District.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's fiscal year payroll, reported on the Schedule of Contributions.

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

**BATH COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS- PENSION
Last Six Fiscal Years**

	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 55,331	\$ 55,331	\$ 50,708	\$ 38,254	\$ 39,911	\$ 58,502
Contributions relative to contractually required employer contribution	55,331	55,331	50,708	38,254	39,911	58,502
Contribution deficiency (excess)	\$	\$.	\$.	\$.	\$	\$
District's covered employee payroll	\$ 346,695	\$ 352,281	\$ 391,510	\$ 392,984	\$ 3336,805	\$ 327,905
Employer contributions as a percentage of covered-employee payroll	15.96%	15.70%	12.95%	9.73%	11.84%	17.84%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year

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

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

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

**BATH COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Three Fiscal Years**

	2020	2019	2018
District's proportion of the net OPEB liability	.013995%	0.015417%	0.01493%
District's proportionate share of the net OPEB liability (asset)	\$ 235,390	\$ 300,144	\$ 235,424
District's covered employee payroll	\$ 346,695	\$ 391,510	\$ 392,984
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	67.90%	76.77%	59.90%
Plan fiduciary net position as a percentage of the total pension liability	3878.04%	3185.97%	unavailable

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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

The measurement date of the net OPEB liability is one year preceding the fiscal year of the District.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the Company's fiscal year payroll, reported on the Schedule of Contributions.

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

**BATH COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - OPEB
Last Six Fiscal Years**

	2020	2019	2018	2017	2016
Contractually required employer contribution	\$ 16,604	\$ 17,960	\$ 17,194	\$ 17,092	\$ 16,884
Contributions relative to contractually required employer contribution	16,604	17,960	17,194	17,092	16,884
Contribution deficiency (excess)	\$ -	\$	\$	\$	\$
District's covered employee payroll	\$ 346,695	\$ 352,281	\$ 391,510	\$ 392,984	\$ 336,805
Employer contributions as a percentage of covered-employee payroll	4.79%	5.09%	4.39%	4.3%	5.01%

	2015
Contractually required employer contribution	\$ 16,978
Contributions relative to contractually required employer contribution	16,978
Contribution deficiency (excess)	\$ -
District's covered employee payroll	\$ 327,905
Employer contributions as a percentage of covered-employee payroll	5.10%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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

The District's covered payroll reported above is payroll for the District's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

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

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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

To the Board of Commissioners
Bath County Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards, applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Bath County Water District as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Bath County Water District, Kentucky's basic financial statements and have issued our report thereon dated May 25, 2021.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

May 25, 2021