BOONE COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

For Years Ending December 31, 2021 and 2020

BOONE COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2021 and 2020

Table of Contents

BOONE COUNTY WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2021 and 2020

Mike Giordano, Chair

James Daugherty, Treasurer

Tim Alexander, Jr., Secretary

Charlie Cain

Jeffery Eger

Of Counsel

David Koenig, Esq.

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Boone County Water District

Opinion

We have audited the accompanying financial statements of the business-type activities of the Boone County Water District (District), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Boone County Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Boone County Water District as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Boone County Water District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Boone County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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

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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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Boone County Water District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boone County Water District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures 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 the 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
June 8, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2021. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The District saw an increase in net position during 2021. This was primarily due to capital contributions of transmission lines donated to the District by developers, the Kentucky Department of Transportation and the Boone County Fiscal Court.

USING THIS ANNUAL REPORT

The financial statements presented herein include all of the activities of the District accounted for within a single proprietary (enterprise) reporting entity. The financial statements include a statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, and notes to the financial statements. These statements show the condition of the District's finances and the sources of income and the funds expended.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's Net Position at December 31, 2021 and 2020.

Table 1 – Net Position

	2021	2020
Current Assets	$21,170,546	$19,944,946
Restricted Assets	354	354
Noncurrent Assets/Capital Assets	101,141,410	98,431,946
Deferred Outflow of Resources	1,095,868	1,299,290
Total Assets and Deferred Outflow of Resources	123,408,178	119,676,536
Current Liabilities	1,835,952	1,919,578
Liabilities from Restricted Assets	185,060	180,363
Long - Term Liabilities	7,700,937	8,718,595
Deferred Inflow of Resources	1,200,757	328,446
Total Liabilities and Deferred Inflow of Resources	10,922,706	11,146,982
Net Position:		
Net investment in Capital Assets	97,962,712	95,105,227
Restricted	(31,751)	(31,987)
Unrestricted	14,554,511	13,456,314
Total Net Position	$112,485,472	$108,529,554

Net Position (i.e., total assets net of total liabilities) is divided into three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted.

The majority of the net position of the District is included in the first category which consists of capital assets: land, buildings, transmission lines and equipment net of accumulated depreciation. This classification accounts for 87.09% of the total net position.

The second category, restricted, represents resources that are subject to restrictions on how they are to be expended.

The third category, unrestricted, may be used by the District to meet current obligations to creditors.

SUMMARY OF CHANGES IN NET POSITION

Revenues

Operating revenues increased $1,174,402 or (7.3%) from 2020 to 2021. This increase is due to an increase in metered water sales and penalties being charged on late payments. During 2020, the District was not allowed to charge penalties on customers who were not able to make payments on their accounts nor were they allowed to disconnect customers for non-payment of their accounts. These guidelines were put into place around April 2020 due to Covid-19 pandemic and were not lifted until the end of the year. At that point, the District allowed customers to set up payment plans if they had fallen behind on their payments and as long as payments are made, the customers will not be disconnected. Since the guidelines have been lifted, the District is back to charging penalties.

Water Purchased

The cost of water increased $289,110 or 2.7% from 2020 to 2021. This increase is due to an increase in water sales and suppliers of water passing on rate increases.

Operating & Maintenance Expenses

Operating and maintenance expenses increased $75,872 or 2.0% from 2020 to 2021. This increase is primarily due to increases in employee wages and employee pensions and benefits. The cost of health insurance was higher in 2021 than it had been in 2020. The District also saw an increase in retirement expense. This was due in part to the overall increase in wages but also an increase in the contribution percentage for the first six months over the 2020 contribution rate.

Depreciation

Depreciation expense for 2021 and 2020 was $2,989,428 and $2,868,264, respectively. This increase of $121,164 or 4.2% correlates to significant additions in fixed assets in 2021 and is consistent with the increase seen in depreciation expense in recent years.

Interest and Investment Income

Interest and Investment income decreased ($397,001) from 2020 to 2021. During 2015 the District moved cash reserves from low interest rate certificates of deposit to an investment portfolio with a higher rate of return. This portfolio consists of US Treasuries, US Agency debt, Municipal Bonds, Mutual Funds, and Money Market Funds. These investments, unlike certificates of deposit, carry with them the risk of loss. The amount of this unrealized (loss) or gain, ($123,415) and $33,628 at December 31, 2021 and 2020, respectively, has been included in investment income. Since the District plans to hold these investments to maturity, the management believes that these losses will never be incurred. See the table below for a breakdown of investment income for 2021 and 2020.

	2021	2020	Increase/Decrease
Interest and dividends	$ 67,766	$ 192,752	$ (124,986)
Realized gains on the sale of investments	20,950	176,852	(155,902)
Accrued income	1,716	(23,838)	25,554
Investment fees	(19,585)	(34,961)	15,376
Investment income	70,847	310,805	(239,958)
Unrealized loss/gain on investment	(123,415)	33,628	(157,043)
Reported interest and investment loss/income	$ (52,568)	$ 344,433	$ (397,001)

Capital Contributions

Capital contributions decreased $1,517,419 from 2020 to 2021. This was primarily due to an decrease in dedicated lines donated by contractors and developers and replacement lines donated by the Kentucky Department of Transportation and the Boone County Fiscal Court as part of road improvement projects.

Table 2 compares the revenues, expenses, and change in net position for 2021 and 2020.

Table 2 – Changes in Net Position

	2021	2020
Operating Revenues:		
Water Sales	$16,959,686	$15,853,283
Forfeited Discounts	160,586	63,761
Other Water Revenues	73,679	102,505
Total Operating Revenues	17,193,951	16,019,549
Operating Expenses:		
Water Purchased	11,012,893	10,723,783
Operating and Maintenance	3,842,986	3,767,114
Depreciation	2,989,428	2,868,264
Total Operating Expenses	17,845,307	17,359,161
Net Operating (Loss)	(651,356)	(1,339,612)
Non-Operating Income (Expenses):		
Interest Income	10,845	37,745
Investment (Loss) Income	(63,413)	306,688
Net effect of pension expense	(211,028)	(542,620)
Interest on Long-Term Debt	(113,746)	(120,617)
Amortization of Debt Expenses	-	(4,767)
Net Non-Operating Income (Expenses)	(377,342)	(323,571)
Net Loss	(1,028,698)	(1,663,183)
Capital Contributions	4,984,616	6,502,035
Change in Net Position	3,955,918	4,838,852
Net Position – Beginning	108,529,554	103,690,702
Net Position – Ending	$112,485,472	$108,529,554

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2021, the District had $101,141,410 invested in capital assets including land, buildings, water treatment, transmission and distribution system, equipment, and vehicles, as reflected in the following schedule. This represents a net increase (additions less retirements and depreciation) of $2,709,464 primarily from the addition of new lines donated by developers within the District and replacement lines donated by the Kentucky Department of Transportation and the Boone County Fiscal Court as part of road improvement projects.

Table 3 summarizes the District's capital assets at the end of 2021 as compared to 2020.

Table 3 – Capital Assets at Year End
(Net of Depreciation)

	2021	2020
Land	$ 256,633	$ 256,633
Construction in Progress	1,051,119	318,699
Transmission Lines	142,744,203	137,822,407
Automated Meter System	1,663,110	1,663,110
Rate Study	220,578	220,578
Furniture and Fixtures	175,143	163,409
Machinery & Equipment	1,435,404	1,403,286
Buildings	1,978,045	1,977,221
Subtotal	149,524,235	143,825,343
Accumulated Depreciation	(48,382,825)	(45,393,397)
Total Capital Assets	$101,141,410	$ 98,431,946

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2021 and 2020.

Table 4 – Outstanding Debt at Year End

	2021	2020
Capitalized Lease	$ 1,636,545	$ 1,705,391
Notes Payable-KIA	1,542,153	1,621,329
Total Debt	$ 3,178,698	$ 3,326,720

All of the required payments were made on the District's outstanding debt in 2021.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2022 projects operating revenues to increase 2.04% while operating expenses are expected to increase approximately 4.38%. The amount budgeted for operating revenues includes an increase in metered water sales and penalties. It is an estimate since consumption is directly related to weather conditions which are unpredictable. Operating expenses are expected to increase during 2022 primarily due to expected increases in water costs, an increase in employee wages and benefits, and an increase in the cost of material and supplies. The District expects the net loss from operations to increase approximately $55,180, so that the District's net position would decrease slightly from what it was at the end of 2021. This is to be expected since the increase in revenue is lower than the expected increase in expenses. However, this would be offset by any capital contributions that the District may receive in 2022.

FINANCIAL CONTACT

This District's financial statements are designed to present users (citizens, customers, investors and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional information, contact the District Administrative Office at 2475 Burlington Pike, Burlington, KY 41005.

Harry Anness, General Manager
Boone County Water District

BOONE COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,186,420	$ 695,055
Investments	7,773,740	4,432,130
Reserve for depreciation, investment cash and equivalents and CDs	8,101,808	11,544,669
Accounts receivable		
Customers, net of allowance	2,653,535	2,542,593
Others	12,304	335,456
Assessments receivable	192,430	198,863
Inventories	209,337	164,777
Prepaids	40,972	31,403
Total Current Assets	21,170,546	19,944,946
Restricted Assets		
Debt service account	354	354
Total Restricted Assets	354	354
Capital Assets		
Land, building, transmission system, equipment, and vehicles	148,473,116	143,506,644
Construction in progress	1,051,119	318,699
Total utility plant in service	149,524,235	143,825,343
Less accumulated depreciation	(48,382,825)	(45,393,397)
Total Capital Assets, Net	101,141,410	98,431,946
TOTAL ASSETS	122,312,310	118,377,246
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions and OPEB	1,095,868	1,299,290
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,095,868	1,299,290
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	123,408,178	119,676,536

Continued on page 9

BOONE COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION - Continued
December 31, 2021 and 2020

	2021	2020
LIABILITIES		
Current Liabilities		
Accounts payable	1,021,882	1,147,392
Accrued payroll and taxes	364,519	341,540
Deferred revenue on tap ins	128,000	96,680
Customer deposits	321,551	333,966
Total Current Liabilities	1,835,952	1,919,578
Current Liabilities Payable From Restricted Assets		
KIA note payable	81,328	79,176
Capital lease payable	71,627	68,846
Accrued interest payable	32,105	32,341
Total Current Liabilities Payable From Restricted Assets	185,060	180,363
Long-Term Obligations		
KIA note payable - KRW	1,460,825	1,542,152
Capital lease - KRW	1,564,918	1,636,545
Net unfunded pension and OPEB liability	4,675,194	5,539,898
Total Long-Term Obligations	7,700,937	8,718,595
TOTAL LIABILITIES	9,721,949	10,818,536
DEFERRED INFLOW OF RESOURCES		
Deferred inflow related to pensions and OPEB	1,200,757	328,446
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	10,922,706	11,146,982
NET POSITION		
Net investment in capital assets	97,962,712	95,105,227
Restricted	(31,751)	(31,987)
Unrestricted	14,554,511	13,456,314
TOTAL NET POSITION	$ 112,485,472	$ 108,529,554

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

BOONE COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For Years Ending December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Water revenue	$ 16,959,686	$ 15,853,283
Forfeited discounts	160,586	63,761
Other water revenues	73,679	102,505
TOTAL OPERATING REVENUES	17,193,951	16,019,549
OPERATING EXPENSES		
Water purchased	11,012,893	10,723,783
Operation and maintenance expense	3,842,986	3,767,114
Depreciation	2,989,428	2,868,264
TOTAL OPERATING EXPENSES	17,845,307	17,359,161
OPERATING LOSS	(651,356)	(1,339,612)
NON-OPERATING INCOME (EXPENSE)		
Interest income	10,845	37,745
Investment (loss) income	(63,413)	306,688
Net effect of change in pension and OPEB expense	(211,028)	(542,620)
Interest on long-term obligations	(113,746)	(120,617)
Amortization of bond discounts	-	(4,767)
NET NON-OPERATING INCOME (EXPENSE)	(377,342)	(323,571)
NET LOSS	(1,028,698)	(1,663,183)
CAPITAL CONTRIBUTIONS	4,984,616	6,502,035
CHANGE IN NET POSITION	3,955,918	4,838,852
NET POSITION, JANUARY 1	108,529,554	103,690,702
NET POSITION, DECEMBER 31	$ 112,485,472	$ 108,529,554

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

BOONE COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
For Years Ending December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	$ 17,412,594	$ 15,628,404
Paid to suppliers for goods and services	(13,595,237)	(13,192,246)
Paid to or on behalf of employees for services	(1,398,397)	(1,401,940)
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	2,418,960	1,034,218
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and sales of investments	(3,396,437)	3,819,582
Interest on investments	10,845	61,583
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	(3,385,592)	3,881,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(148,022)	(343,254)
Transfers to reserve for depreciation, cash and certificates of deposit	3,406,739	(3,743,543)
Interest paid on long-term debt	(113,510)	(122,906)
Acquisition and construction of fixed assets	(1,111,441)	(1,850,106)
Contributed capital received	424,231	1,172,420
Decrease (increase) in restricted funds		
Debt service account	-	69,813
Debt service reserve account	-	33,200
NET CHANGE IN CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	2,457,997	(4,784,376)
CHANGE IN CASH AND CASH EQUIVALENTS	1,491,365	131,007
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	695,055	564,048
CASH AND CASH EQUIVALENTS-END OF YEAR	$ 2,186,420	$ 695,055
RECONCILIATION OF OPERATING INCOME TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES		
Operating loss	$ (651,356)	$ (1,339,612)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,989,428	2,868,264
Change in operating assets and liabilities		
Decrease (increase) in receivables	218,643	(391,145)
Decrease (increase) in inventories	(44,560)	29,502
Decrease (increase) in prepaid assets	(9,569)	(135)
Increase (decrease) in accounts payable	(125,510)	(62,878)
Increase (decrease) in accrued payroll and taxes	22,979	(82,344)
Increase (decrease) in deferred revenue on tap ins	31,320	(125)
Increase (decrease) in customer deposits	(12,415)	12,691
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,418,960	$ 1,034,218
Non-Cash Capital and Related Financing Activities:		
Capital assets (transmission mains, hydrants, etc.) contributed to the District	$ 4,560,384	$ 5,329,615
Supplemental Information		
Interest paid	$ (113,510)	$ (122,906)

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

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Boone County Water District (District) is a water utility, which provides service to residential and commercial customers in Boone County, Kentucky. The District was created by the Boone County Court under the provisions of chapter 74 of the Kentucky Revised Statutes ("KRS").

Regulatory Requirements
The District is subject to the regulatory authority of the Kentucky Public Service Commission ("PSC") pursuant to KRS 278.040.

Basis of Accounting
The District's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, 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 measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets net of total liabilities) are segregated into "invested in capital assets, net of related liabilities"; "restricted"; and "unrestricted" components.

Assessments Receivable
Assessments that the District has levied on property owners for the extension of water service to their property are recorded as a receivable at the time of the final public hearing.

Allowance for Bad Debts
The District maintained an allowance for bad debts of $30,500 and $30,500 at 2021 and 2020, respectively.

Cash Equivalents
For purposes of the statement of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgets
In accordance with Kentucky Revised Statute 65A, the District is required to upload a balanced budget on the Kentucky Department of Local Government's website prior to January 15. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

Distribution System, Building, and Equipment

Property, plant, transmission lines and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the “Non-Operating Income (Expense)” portion of results of operations.

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use at year end are held as “Construction in Progress.” When the related asset is ready for use, related costs are transferred to the related asset account.

Capital Contributions

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District’s income statement. These contributions represent customer tap-in fees and assessments charged to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors. These amounts have been reduced by rebates paid to the contractor for 50 feet of line each time that a new customer taps into the contributed line.

Income Tax Status

The District is exempt from federal and state income taxes since it is a governmental entity. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-Operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sale of fixed assets and interest income.

NOTE 2 – DEPOSITS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the Statement of Net Position as “Cash and Cash Equivalents” and “Restricted Assets”. The balances for Cash and Cash Equivalents were $10,288,228 and $12,239,724 at December 31, 2021 and 2020, respectively. The balances for Restricted Assets were $354 and $354 at December 31, 2021 and 2020, respectively.

The District's General Bond Resolution dated October 13, 1992 permits investment of monies in each fund, consistent with the contemplated use of such monies, in investment obligations defined as follows:

a) Direct obligations of or obligations guaranteed by the United States of America;

b) Obligations issued by any of the following agencies: Federal Home Loan Bank System; Export-Import Banks; Government National Mortgage Association; Farmers Home Administration; Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association; and any other Federal Agency to the extent that such obligations are backed by the full faith and credit of the United States (other than provided in (a) hereof);

c) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public housing authorities, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

d) U.S. Dollar denominated deposit accounts fully insured to the holder (up to the $250,000 maximum coverage) by the Federal Deposit Insurance Corporation in commercial banks, and to the extent not so insured (amounts in excess of $250,000 maximum coverage), collateralized by obligations described in (a) or (b) above, having at all times a quoted market value at least equal to such uninsured amount plus accrued and undisbursed interest;

e) General obligations to the Commonwealth of Kentucky;

f) A pool or fund made up entirely of U.S. Government obligations or obligations guaranteed both as to principal and interest by the U.S. Government ; or

g) Repurchase agreements for U.S. Government Obligations, secured in the same manner as is provided in (d) above for other deposits.

NOTE 3 – INVESTMENTS

Investment obligations are deemed to be part of the fund or account for which they were purchased. Income, interest, gains and losses on an investment obligation are credited or charged to the fund or account for which such an investment obligation was purchased. In the case of the Debt Service Reserve, as long as the aggregate debt service reserve requirement is being maintained, excess income from that fund is to be transferred to the Water Reserve Fund.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements are as follows at December 31, 2021:

		Fair Value Measurements Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	$ 1,888,896	$ 1,888,896	$ -	$ -
U.S. agencies (FNMA, etc.)	1,660,556	1,660,556	-	-
Total debt securities	3,549,452	3,549,452	-	-
Equity securities:				
Mutual funds	4,224,289	4,224,289	-	-
Total equity securities	4,224,289	4,224,289	-	-
Subtotal investments	7,773,741	7,773,741	-	-
Cash and Cash Equivalents				
Money market funds	1,994,682	1,994,682	-	-
Total investments	$ 9,768,423	$ 9,768,423	$ -	$ -

Investments' fair value measurements are as follows at December 31, 2020:

		Fair Value Measurements Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. treasuries	$ 609,306	$ 609,306	$ -	$ -
U.S. agencies (FNMA, etc.)	486,294	486,294	-	-
Total debt securities	1,095,600	1,095,600	-	-
Equity securities:				
Mutual funds	3,336,530	3,336,530	-	-
Total equity securities	3,336,530	3,336,530	-	-
Subtotal investments	4,432,130	4,432,130	-	-
Cash and Cash Equivalents				
Money market funds	5,401,422	5,401,422	-	-
Total investments	$ 9,833,552	$ 9,833,552	$ -	$ -

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

In accordance with GASB 40, the District had $0 in bond sinking funds held in investments in federally backed US Treasury Obligations rated AAA/Aaa at December 31, 2021 and 2020, respectively. The market risk on these investments is negligible.

NOTE 4 – RESTRICTED PORTION OF NET POSITION

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted portion of net position. Invested in capital assets, net of related debt consists of all capital assets net of accumulated depreciation and reduced by outstanding debts, that is attributable to the acquisition, construction and improvement of those assets. The restricted portion of net position consists of assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. The unrestricted portion of net position consists of all other assets not included in the above categories.

Included in restricted portion of net position at December 31,

	2021	2020
Debt Service Account	$ 354	$ 354
Subtotal - Restricted Assets	354	354
Less: non-capital payables to be paid from restricted assets: accrued interest payable	(32,105)	(32,341)
Total Restricted Portion of Net Position	$ (31,751)	$ (31,987)

NOTE 5 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method as detailed in Note 1. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	5-10 years
Automated meter system	50 years
Transmission lines	50 years
Rate Study	4 years

Asset Type	Balance at December 31, 2020	Additions	Retirements	Balance at December 31, 2021
Land	$ 256,633	$ -	$ -	$ 256,633
Transmission lines	137,822,407	4,921,796	-	142,744,203
Automated meter system	1,663,110	-	-	1,663,110
Buildings	1,977,221	825	-	1,978,046
Machinery and equipment	1,403,286	32,117	-	1,435,403
Furniture and fixtures	163,409	11,734	-	175,143
Rate study	220,578	-	-	220,578
Construction in progress	318,699	732,420	-	1,051,119
Subtotal	143,825,343	5,698,892	-	149,524,235
Accumulated depreciation	(45,393,397)	(2,989,428)	-	(48,382,825)
Fixed Assets, net	$ 98,431,946	$ 2,709,464	$ -	$ 101,141,410

NOTE 6 – LONG TERM DEBT

The following is a summary of the District's debt:

Debt type	Balance at December 31 2020	Additions	Principal Payments	Balance at December 31 2021	Current Portion
KIA Loan	$ 1,621,329	$ -	$ (79,176)	$ 1,542,153	$ 81,328
BCFC Capital Lease	1,705,391	-	(68,846)	1,636,545	71,627
Totals	$ 3,326,720	$ -	$ (148,022)	$ 3,178,698	$ 152,955

Revenue Refunding Bonds, Series 2011

In October 2011, the District sold $1,480,000 of revenue refunding bonds in order to redeem the Water Revenue Bonds, 2001 Series A. The bonds matured on or after October 1, 2020 at a redemption price of 100%. Interest was payable April 1st and October 1st of each year. Maturing bond principal was due October 1st of each year. District infrastructure assets served as collateral for this debt. This bond was paid in full on October 1, 2020.

Capital Lease – Boone County Fiscal Court

The District established a capital lease related to its acquisition of Rural Water lines from the Boone County Fiscal Court, effective during the year ended 2009. This capital lease carries an interest rate of 2.00% and expires on August 1, 2037. District infrastructure assets serve as collateral for this debt.

Remaining debt service requirements on this capital lease are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	2.00%	$ 71,627	$ 64,753	$ 136,380
2023	2.00%	74,521	61,859	136,380
2024	2.00%	77,532	58,848	136,380
2025	2.00%	80,664	55,716	136,380
2026	2.00%	83,923	52,457	136,380
2027-2031	2.00%	473,294	208,606	681,900
2032-2036	2.00%	576,945	104,955	681,900
2037	2.00%	198,039	5,961	204,000
Totals		$ 1,636,545	$ 613,155	$ 2,249,700

Note Payable – Kentucky Infrastructure Authority

The District established a note payable related to its acquisition of Rural Water lines from the Boone County Fiscal Court, effective during the year ended 2009. This note payable carries an interest rate of 2.70% and matures on June 1, 2037. District infrastructure assets serve as collateral for this debt.

Remaining debt service requirements on this note payable are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	2.70%	$ 81,329	$ 44,136	$ 125,465
2023	2.70%	83,539	41,762	125,301
2024	2.70%	85,810	39,323	125,133
2025	2.70%	88,142	36,818	124,960
2026	2.70%	90,538	34,245	124,783
2027-2031	2.70%	490,972	130,106	621,078
2032-2036	2.70%	561,428	54,432	615,860
2037	2.70%	60,395	876	61,271
Totals		$ 1,542,153	$ 381,698	$ 1,923,851

Defeased District Revenue Bonds

In October 2011, the District placed $1,741,250 from the 2011 Series Bond proceeds in trust to be used solely for satisfying scheduled payments of both principal and interest of the 2001 Series Bonds. In November 2004, the District irrevocably placed $1,924,562 from the 2004 Series Bond proceeds in trust to be used solely for satisfying scheduled payments of both principal and interest of the 1993 Series A Bonds. This bond was paid in full October 1, 2020.

Miscellaneous Deferred Charges

The discount on the 2001 Series Bonds is recorded as a deferred charge and is being amortized over the life of the bond issues and the defeased bond loss associated with the 1993 Series A Bonds is being amortized over fifteen years. These revenue bonds are considered extinguished as of October 1, 2020 and do not appear as liabilities on the accompanying Statements of Net position as of December 31, 2020.

NOTE 7 – COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description – District employees are covered by CERS (County Employees' Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue ("KRS") Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on ***Non-Hazardous*** duty and ***Hazardous*** duty covered-employee classifications. The District has only Non-Hazardous employees.

Membership in CERS consisted of the following at June 30, 2021:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	81,250	80,745
Inactive Plan Members	95,692	29,208
Retired Members	65,414	37,037
	242,356	146,990
Number of participating employers		1,122

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of 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
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation rate	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 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 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 of 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 or 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 or 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.

Contributions – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

Contributions

The District contributed 24.06% of covered-employee's compensation (from January – June 2021) of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, and contributed 26.95% of covered-employee's compensation (from July – December 2021), of which 21.17% was for the pension fund and 5.78% was for the health insurance fund.

The District made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of $356,341, of which $282,724 was for the pension fund and $73,617 was for the health insurance fund.

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

At December 31, 2021, the District reported a liability of $3,595,751 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 the June 30, 2021 measurement year, the District 's non-hazardous employer allocation proportion was 0.0564% of the total CERS non-hazardous duty employees. For the year ended December 31, 2021, the District recognized pension expense of $161,814 in addition to its $282,724 pension contribution.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	$ 41,290	$ (34,899)
Net difference between projected actual earnings on plan investments	-	(479,254)
Changes of assumptions	48,259	-
Changes in proportion and differences between contributions and proportionate share of contributions	121,868	-
Contributions subsequent to the measurement date	147,311	-
	$ 358,728	$ (514,153)

The District's contributions subsequent to the measurement date of $147,311 will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	$ 25,199
2023	(72,663)
2024	(105,194)
2025	(150,078)
	$ (302,736)

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay

Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 30, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log- normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
	100.00%	

Sensitivity of the 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:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	$ 4,611,721	$ 3,595,751	$ 2,755,060
Total	$ 4,611,721	$ 3,595,751	$ 2,755,060

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was $12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was $12.99 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees. The District contributed 4.76% of covered-employee's compensation (from January – June 2021) and contributed 5.78% of covered-employee's compensation (from July – December 2021) for the health insurance fund. These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2021, the District recognized OPEB expense of $49,214 in addition to its $73,617 OPEB contribution.

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

At December 31, 2021, the District reported a liability of $1,079,443 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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 governmental entities, actuarially determined. At the June 30, 2021 measurement year, the District's proportion of the total non-hazardous plan was 0.05638%.

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	$ 169,743	$(322,286)
Net difference between projected actual earnings on plan investments	-	(168,863)
Changes of assumptions	286,181	(1,004)
Changes in proportion and differences between contributions and proportionate share of contributions	47,120	(574)
Contributions subsequent to the measurement date	40,220	-
	$ 543,264	$(492,727)

The District's contributions subsequent to the measurement date, $40,220 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	$ 42,183
2023	16,496
2024	10,317
2025	(58,679)
	$ 10,317

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	
Investment rate of return	6.25%, net of OPEB plan expense, including inflation,
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates (Pre-65):	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare trend rates (Post-65):	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.20%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.20% for the non-hazardous plan, as well as what the 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.20%	5.20%	6.20%
Net OPEB liability, Non-Haz	$ 1,482,068	$ 1,079,443	$ 749,023
Total	$ 1,482,068	$ 1,079,443	$ 749,023

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were 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		
Healthcare cost trend rate	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, Non-Haz	$ 777,071	$ 1,079,443	$ 1,444,412
Total	$ 777,071	$ 1,079,443	$ 1,444,412

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE 8 – RELATED PARTY TRANSACTIONS

The District purchases water from the joint Boone-Florence Water Commission (Commission). Two of the District's board members also serve as commissioners on the Boone-Florence Water Commission. The Commission is the District's sole source of wholesale water. The Commission was created in a joint venture with the City of Florence, Kentucky to purchase water from the City of Cincinnati, Ohio. During 2021 and 2020, the District purchased $11,012,893 and $10,723,783, respectively. During 2021 and 2020, the District leased office space to the Commission at a cost of $6,000 per year. The District also provided maintenance services to the Water Commission lines and towers and was reimbursed $21,636 and $56,788 for those services during 2021 and 2020, respectively.

NOTE 9 – ECONOMIC DEPENDENCY/CREDIT RISK

Boone County Water District is a government agency operating with one office in Burlington, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Boone County, Kentucky.

NOTE 10 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities*

Statement No. 89 – *Accounting for Interest Cost in Construction Projects*

Statement No. 90 – *Majority Equity Interests*

NOTE 11 – FUTURE ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

Statement No. 91 – *Conduit Debt Obligations* – FY 2023

Statement No. 92 – *Omnibus 2020* – FY 2022

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2022

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE 12 – COVID-19 GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization announced a global health emergency, later classified as a global pandemic, as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. The District's Management and Board continue to actively monitor the impact of the global pandemic on its financial condition, liquidity, operations, suppliers, and industry.

NOTE 13 – ANNEXATION OF MARYDALE PROPERTY

In November 2021, the City of Florence annexed the "Marydale" property, formerly a parcel in unincorporated Boone County. This property has had District water infrastructure in place for almost 25 years. The City of Florence and the District have agreed to sell this water infrastructure to the City in exchange for $225,000. The City of Florence will then tie this infrastructure its' existing water lines. The District expects to recognize a significant gain on disposal of assets from this sale in fiscal year 2022.

NOTE 14 – SUBSEQUENT EVENTS

Management has considered subsequent events through June 8, 2022, which represents the date the financial statements were available to be issued. The District did not have any events subsequent to December 31, 2021 through June 8, 2022 to disclose.

BOONE COUNTY WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.05640%	0.05494%	0.05336%	0.05267%	0.05077%	0.05000%	0.05102%			
Proportionate share of the net pension liability (asset)	$ 3,595,751	$ 4,213,699	$ 3,752,792	$ 3,207,520	$ 2,971,900	$ 2,461,715	$ 2,193,686			
Covered employee payroll in year of measurement	$ 1,442,153	$ 1,409,158	$ 1,345,944	$ 1,305,317	$ 1,143,696	$ 1,179,827	$ 1,151,543			
Share of the net pension liability (asset) as a percentage of its covered employee payroll	249.33%	299.02%	278.82%	245.73%	259.85%	208.65%	190.50%			
Plan fiduciary net position as a percentage of total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%			

Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 282,724	$ 284,296	$ 247,340	$ 205,408	$ 179,614	$ 142,047	$ 150,428	$ 158,222		
Actual contribution	282,724	284,296	247,340	205,408	179,614	142,047	150,428	158,222		
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Covered employee payroll	$ 1,397,470	$ 1,437,819	$ 1,393,882	$ 1,335,691	$ 1,238,229	$ 1,143,696	$ 1,179,827	$ 1,151,543		
Contributions as a percentage of covered employee payroll	20.23%	19.77%	17.79%	15.38%	14.51%	12.42%	12.75%	13.74%		

Notes to Required Supplementary Information
for the Year Ended December 31, 2021

The net pension liability as of December 31, 2021, is based on the June 30, 2021, actuarial valuation. The changes to the elements of the pension expense, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 7 in the Notes to the Financial Statements.

BOONE COUNTY WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.05638%	0.05492%	0.05335%	0.052660%						
Proportionate share of the net pension liability (asset)	$ 1,079,443	$ 1,326,199	$ 897,239	$ 935,039						
Covered employee payroll in year of measurement	$ 1,442,153	$ 1,409,158	$ 1,345,944	$ 1,305,317						
Share of the net pension liability (asset) as a percentage of its covered employee payroll	74.85%	94.11%	66.66%	71.63%						
Plan fiduciary net position as a percentage of total pension liability	62.91%	51.67%	60.44%	57.62%						

Schedule of the District's OPEB Fund Contributions
County Employees' Retirement System (CERS)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 73,617	$ 70,116	$ 69,593	$ 66,640	$ 61,453					
Actual contribution	73,617	$ 70,116	69,593	66,640	61,453					
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
Covered employee payroll	$ 1,397,470	$ 1,437,819	$ 1,393,882	$ 1,335,691	$ 1,238,229					
Contributions as a percentage of covered employee payroll	5.27%	4.88%	4.99%	4.99%	4.96%					

Notes to Required Supplementary Information
for the Year Ended December 31, 2021

The net OPEB liability as of December 31, 2021, is based on the June 30, 2021, actuarial valuation. The changes to the elements of the pension expense, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 7 in the Notes to the Financial Statements.

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
Boone 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 Boone County Water District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements which collectively comprise Boone County Water District's basic financial statements and have issued our report thereon dated June 8, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boone County Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.*

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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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
June 8, 2022