

BULLOCK PEN WATER DISTRICT
FINANCIAL STATEMENTS

For the Years Ending December 31, 2021 and 2020

BULLOCK PEN WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2021 and 2020

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BULLOCK PEN WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2021 and 2020

Charles Given, Chair

Bobby Burgess, Vice-Chair

Rodger Bingham, Treasurer

William Wethington, Secretary

Andrea Walton, Commissioner

Of Counsel

Thomas R. Nienaber, Esq.

Administration

Brian Simpson, General Manager

Independent Auditor's Report

**To the Board of Commissioners
Bullock Pen Water District
Crittenden, Kentucky**

We have audited the accompanying financial statements of the business-type activities of the Bullock Pen 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 Bullock Pen 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 Bullock Pen 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 Bullock Pen 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 Bullock Pen 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 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 Bullock Pen 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 Bullock Pen 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 *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB* 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the *Schedules of Operations, Maintenance and Administrative Expenses* but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Certified Public Accountants
Erlanger, Kentucky
June 24, 2022

BULLOCK PEN WATER DISTRICT

1 Farrell Drive
Crittenden, Kentucky 41030

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 assets of the District exceeded its liabilities at the close of the most recent year by \$15,535,923 (net position). This was a increase of \$201,948 in comparison to the prior year's increase of \$146,416. During 2021, the District's operating revenues increased 2.8% or \$125,902 while operating expenses increased 7% or \$290,347.
- At the end of the current year, unrestricted net position was \$1,142,438.

USING THIS ANNUAL REPORT

The financial statements presented herein include all 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, statement of cash flows, notes to the financial statements and a supplemental schedule. These statements show the condition of the District's finances and the sources of income and the funds expended.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

Statements of Net Position and Revenues, Expenses and Changes in Net Position

In the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position, we report the District's activities.

- The District charges rates for water usage based on the water consumption of its customers to cover all or most of the cost of certain services the District provides.

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**

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Current assets | \$ 3,779,118 | \$ 3,799,575 |
| Restricted assets | 1,748,024 | 1,518,010 |
| Capital assets, net | 16,622,510 | 17,016,029 |
| Deferred outflows of resources - pension & OPEB contribution | 573,614 | 714,404 |
| Total Assets and Deferred Outflows of Resources | <u>22,723,266</u> | <u>23,048,018</u> |
| Current liabilities | 522,797 | 484,815 |
| Liabilities payable from restricted assets | 577,599 | 637,879 |
| Long-term liabilities | 5,430,645 | 6,395,236 |
| Deferred inflows of resources - pension & OPEB | 656,302 | 196,113 |
| Total Liabilities and Deferred Inflows of Resources | <u>7,187,343</u> | <u>7,714,043</u> |
| Net Position: | | |
| Net investment in capital assets | 13,321,775 | 13,291,166 |
| Restricted | 1,071,710 | 1,031,621 |
| Unrestricted | 1,142,438 | 1,011,188 |
| Total Net Position | <u>\$ 15,535,923</u> | <u>\$ 15,333,975</u> |

The District's net position for 2021 increased 1.3% or \$201,948 as compared to a .96% or \$146,416 increase in the previous year.

The largest portion of the District's net position (85.7%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

An additional portion of the District's net position (6.9%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position may be used to meet the District's ongoing obligations to customers and creditors.

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

The District's operating revenues increased by \$125,902 or 2.8%. Water sales increased slightly in conjunction with an overall increase in the number of bills that were sent out. There was also an increase in the management fee charged to the sewer district as a result of renegotiating the contract due to increased wages and supply costs. The largest increase was in forfeited discounts which had been suspended due to the Covid 19 pandemic but those guidelines were lifted and the District was once again able to bill customers for this item.

Operating Expenses

The District's operating expenses increased \$290,347 or 6.98%. There was a significant increase in water costs in the amount of \$341,296. This was due to some of the vendors passing on increased rates for water purchased. The District is looking into the possibility of producing more of their own water in order to try to avoid some of the mandatory increases in the future. Operation and maintenance expenses decreased by \$61,868 primarily due to a decrease in salary and benefits. This was due in large part to the District's previous manager retiring after many years of service and the restructuring of the management personnel and how they were compensated.

Net Effect On Change Of Pension and OPEB Expense

The District is required to report its proportionate share of the estimated unfunded pension and OPEB liability associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as a non-operating expense, \$68,894, is the result of booking the change in the liability and the related deferred inflows and outflows less any amortization of those inflows and outflows between June 30, 2020 and June 30, 2021. This expense decreased \$200,466 from the amount reported in 2020. See Note 9 to the financial statements for a more complete explanation of this unfunded liability and the related deferred inflows and outflows.

Capital Contributions

Capital contributions increased \$6,800 and surcharge collections increased \$2,952 during 2021. This is primarily due to a higher number of new customers tapping into the District's lines in 2021 than in the previous calendar year.

The following schedule compares the revenues and expenses for the current year and the previous year.

Table 2
Changes in Net Position

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Operating revenues: | | |
| Water sales | \$ 4,302,012 | \$ 4,285,449 |
| Forfeited discounts | 84,087 | 13,730 |
| Miscellaneous services revenues | 32,055 | 19,164 |
| Management fee | 199,605 | 173,514 |
| Total operating revenues | <u>4,617,759</u> | <u>4,491,857</u> |
| Operating expenses: | | |
| Water purchased | 1,856,398 | 1,515,102 |
| Operation and maintenance expense | 1,976,517 | 2,038,385 |
| Depreciation | 614,835 | 603,916 |
| Total operating expenses | <u>4,447,750</u> | <u>4,157,403</u> |
| Net operating profit | <u>170,009</u> | <u>334,454</u> |
| Non-operating income (expenses) | | |
| Investment income | 13,821 | 18,842 |
| Gain (loss) disposal of assets | 425 | - |
| Net effect on change in pension expense | (68,894) | (269,360) |
| Interest on long-term debt | (99,376) | (113,651) |
| Amortization of bond premium | (831) | (911) |
| Net non-operating expenses | <u>(154,855)</u> | <u>(365,080)</u> |
| Income (loss) before capital contributions | 15,154 | (30,626) |
| Capital grants and contributions | 186,794 | 177,042 |
| Change in net position | <u>201,948</u> | <u>146,416</u> |
| Net position, January 1 | <u>15,333,975</u> | <u>15,187,559</u> |
| Net position, December 31 | <u>\$ 15,535,923</u> | <u>\$ 15,333,975</u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2021, the District had \$16,622,510 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 decrease (additions less retirements and depreciation) of \$393,519. This decrease is mainly due to the fact that depreciation expense of \$614,835 was more than the cost of new assets purchased during 2021.

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

**Table 3
Capital Assets at Year End**

| | 2021 | 2020 |
|---|---------------|---------------|
| Land | \$ 230,314 | \$ 200,283 |
| Buildings and improvements | 1,698,724 | 1,698,724 |
| Construction in progress | 72,499 | 42,934 |
| Other plant and miscellaneous equipment | 770,262 | 747,928 |
| Transportation equipment | 320,435 | 315,340 |
| Transportation and distribution system | 26,108,503 | 26,001,805 |
| Furniture and fixtures | 76,346 | 71,509 |
| Subtotal | 29,277,083 | 29,078,523 |
| Accumulated depreciation | (12,654,573) | (12,062,494) |
| Capital Assets, net | \$ 16,622,510 | \$ 17,016,029 |

Debt Outstanding

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

**Table 4
Outstanding Debt at Year End**

| | 2021 | 2020 |
|--------------------------|--------------|--------------|
| Bond payable obligations | \$ 419,000 | \$ 509,000 |
| Notes payable | 2,755,920 | 3,057,463 |
| Capitalized leases | 157,792 | 240,519 |
| Total | \$ 3,332,712 | \$ 3,806,982 |

At year-end, the District had \$3,332,712 in outstanding long-term debt compared to \$3,806,982 last year. This is a decrease of \$474,270 which is the amount of principal paid on the District's debt during 2021.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2022 projects a year very similar to 2021. Water revenues are projected to increase slightly over the 2021 year. Operation expenses are also expected to increase primarily due to increases in employee wages and benefits. The District did project that there would be an increase in the cost of supplies due to some indications of inflation at the time of working on the budget. The increase in operating income is expected to be offset by the increase in the operating expenses so that there may be a decrease in net position at the end of 2022 rather than an increase as happened in 2021.

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrative Office at 1 Farrell Drive, Crittenden, Kentucky 41030.

Brian Simpson

Brian Simpson, Superintendent
Bullock Pen Water District

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| BULLOCK PEN WATER DISTRICT STATEMENTS OF NET POSITION December 31, 2021 and 2020 |
|---|

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,635,312 | \$ 1,813,229 |
| Certificates of deposit | 214,225 | 1,122,011 |
| Accounts receivable | | |
| Customers, net of allowance | 621,805 | 625,260 |
| Other | 24,951 | 21,081 |
| Inventories | 242,750 | 178,178 |
| Prepays | 36,518 | 31,669 |
| Accrued interest receivable | 1,093 | 5,683 |
| Unamortized expenses | 2,464 | 2,464 |
| Total current assets | <u>3,779,118</u> | <u>3,799,575</u> |
| Restricted assets | | |
| Current reserve fund - USDA Rural Development | 152,687 | 152,425 |
| Debt payment account | 486,441 | 379,689 |
| Accounts receivable - surcharges | 10,574 | 10,493 |
| FSA account | 5,196 | 4,858 |
| Customer deposits | 327,456 | 267,647 |
| Maintenance and replacement reserve | 765,670 | 702,898 |
| Total restricted assets | <u>1,748,024</u> | <u>1,518,010</u> |
| Capital assets | | |
| Land, building, transmission system, equipment, and vehicles | 29,204,584 | 29,035,589 |
| Construction in progress | 72,499 | 42,934 |
| Total utility plant in service | 29,277,083 | 29,078,523 |
| Less: accumulated depreciation | <u>(12,654,573)</u> | <u>(12,062,494)</u> |
| Total capital assets, net of depreciation | <u>16,622,510</u> | <u>17,016,029</u> |
| Total assets | <u>22,149,652</u> | <u>22,333,614</u> |
| Deferred outflow of resources | | |
| Unamortized debt discounts | 3,856 | 4,687 |
| Unamortized tap-in expense | 30,617 | 32,250 |
| Deferred outflows related to pensions and OPEB | 539,141 | 677,467 |
| Total deferred outflow of resources | <u>573,614</u> | <u>714,404</u> |
| Total assets and deferred outflow of resources | <u>22,723,266</u> | <u>23,048,018</u> |

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

(Continued on Page 12)

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| BULLOCK PEN WATER DISTRICT STATEMENTS OF NET POSITION (Continued from Page 11) December 31, 2021 and 2020 |
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| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 171,452 | 188,639 |
| Accrued and withheld liabilities | 351,345 | 296,176 |
| Total current liabilities | <u>522,797</u> | <u>484,815</u> |
| Current liabilities payable from restricted assets | | |
| Revenue bonds - current portion | 33,000 | 83,000 |
| Notes payable - current portion | 309,865 | 301,544 |
| Lease obligations - current portion | 85,103 | 82,724 |
| Customer deposits | 136,146 | 154,612 |
| Accrued interest payable | 13,485 | 15,999 |
| Total current liabilities payable from restricted assets | <u>577,599</u> | <u>637,879</u> |
| Long-term obligations | | |
| Bonds | 386,000 | 426,000 |
| Notes payable | 2,446,055 | 2,755,919 |
| Capital lease obligations | 72,689 | 157,795 |
| Net unfunded pension and OPEB liability | 2,525,901 | 3,055,522 |
| Total long-term obligations | <u>5,430,645</u> | <u>6,395,236</u> |
| Total liabilities | 6,531,041 | 7,517,930 |
| Deferred inflow of resources | | |
| Deferred inflows related to pensions and OPEB | <u>656,302</u> | <u>196,113</u> |
| Total liabilities and deferred inflow of resources | <u>7,187,343</u> | <u>7,714,043</u> |
| Net position | | |
| Net investment in capital assets | 13,321,775 | 13,291,166 |
| Restricted | 1,071,710 | 1,031,621 |
| Unrestricted | <u>1,142,438</u> | <u>1,011,188</u> |
| Total net position | <u>\$ 15,535,923</u> | <u>\$ 15,333,975</u> |

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

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| BULLOCK PEN WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Years Ending December 31, 2021 and 2020 |
|---|

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| Operating revenues | | |
| Water revenue | \$ 4,418,154 | \$ 4,318,343 |
| Management fees | 199,605 | 173,514 |
| Total operating revenues | <u>4,617,759</u> | <u>4,491,857</u> |
| Operating expenses | | |
| Water purchased | 1,856,398 | 1,515,102 |
| Operations, maintenance, and administrative expenses | 1,976,517 | 2,038,385 |
| Depreciation and amortization | 614,835 | 603,916 |
| Total operating expenses | <u>4,447,750</u> | <u>4,157,403</u> |
| Operating income | <u>170,009</u> | <u>334,454</u> |
| Non-operating income (expense) | | |
| Investment income | 13,821 | 18,842 |
| Gain on sale of capital assets | 425 | - |
| Net effect on change of pension and OPEB expense | (68,894) | (269,360) |
| Interest on long-term obligations | (99,376) | (113,651) |
| Amortization of bond discounts | (831) | (911) |
| Net non-operating expenses | <u>(154,855)</u> | <u>(365,080)</u> |
| Net gain (loss) | 15,154 | (30,626) |
| Capital contributions | <u>186,794</u> | <u>177,042</u> |
| Change in net position | 201,948 | 146,416 |
| Net position, January 1 | <u>15,333,975</u> | <u>15,187,559</u> |
| Net position, December 31 | <u><u>\$ 15,535,923</u></u> | <u><u>\$ 15,333,975</u></u> |

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

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| BULLOCK PEN WATER DISTRICT STATEMENTS OF CASH FLOWS For the Years Ending December 31, 2021 and 2020 |
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| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities | | |
| Received from customers | \$ 4,617,344 | \$ 4,447,666 |
| Paid to suppliers for goods and services | (2,618,041) | (2,195,850) |
| Paid to or on behalf of employees for services | <u>(1,246,313)</u> | <u>(1,270,008)</u> |
| Net change in cash for operating activities | <u>752,990</u> | <u>981,808</u> |
| Cash flows from investing activities | | |
| Acquisition and construction of capital assets | (219,682) | (235,158) |
| Interest on investments | 18,411 | 15,787 |
| Proceeds from sale of capital assets | <u>425</u> | <u>-</u> |
| Net change in cash for investing activities | <u>(200,846)</u> | <u>(219,371)</u> |
| Cash flows from capital and related financing activities | | |
| Contributed capital received | 186,794 | 177,042 |
| (Decrease) increase in customer deposits | (18,466) | (31,461) |
| Interest paid on long term debt | (101,890) | (115,877) |
| Principal paid on long term debt | (474,271) | (452,846) |
| Decrease (increase) in restricted assets | <u>(230,014)</u> | <u>305,325</u> |
| Net change in cash for capital and related financing activities | <u>(637,847)</u> | <u>(117,817)</u> |
| Change in cash and cash equivalents | (85,703) | 644,620 |
| Cash and cash equivalents-beginning of year | <u>2,935,240</u> | <u>2,290,620</u> |
| Cash and cash equivalents-end of year | <u><u>\$ 2,849,537</u></u> | <u><u>\$ 2,935,240</u></u> |
| Reconciliation of operating income to net cash provided by (used for) operating activities | | |
| Operating income | \$ 170,009 | \$ 334,454 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 614,835 | 603,916 |
| Change in operating assets and liabilities | | |
| (Increase) decrease in receivables | (415) | (44,191) |
| (Increase) decrease in inventories | (64,572) | (22,750) |
| (Increase) Decrease in prepaid assets | (4,849) | 3,592 |
| Decrease in accounts payable | (17,187) | 19,342 |
| Increase in other accrued liabilities | <u>55,169</u> | <u>87,445</u> |
| Net cash provided by operating activities | <u><u>\$ 752,990</u></u> | <u><u>\$ 981,808</u></u> |
| Supplemental information | | |
| Interest paid | <u><u>\$ 101,890</u></u> | <u><u>\$ 115,877</u></u> |
| Non-cash contribution to fixed assets | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

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| BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020 |
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NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Bullock Pen Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Boone, Kenton, Pendleton, and Gallatin Counties in Kentucky. The District was created by the Grant County Fiscal Court under the provisions of chapter 74 of the Kentucky Revised Statutes (KRS) in 1957.

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. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

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.

Cash Equivalents

For purposes of the balance sheets and the statements 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 to the Kentucky Department of Local Government website by 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. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
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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 asset under construction is ready for use, related costs are transferred to the asset account. The Construction in Progress account was \$72,499 and \$42,934 at December 31, 2021 and 2020, respectively.

Miscellaneous Deferred Charges

Bond premiums and discounts are deferred and amortized over the life of the bond. The District amortizes expenses related to tapping into the Northern Kentucky Water District. The District also amortizes costs associated with the preparation, filing, and completion of its rate case proceedings.

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 other contributions to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors.

During 2021 and 2020 these contributions consisted of the following:

| <u>Source</u> | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Tap in fees and construction costs paid by new customers | \$ 109,000 | \$ 102,200 |
| Surcharges - Phases 5, 6, 8, and 10 | 77,794 | 74,842 |
| Total income received in aid of construction | 186,794 | 177,042 |
| Waterlines and related infrastructure received without cost | - | - |
| Total capital contributions | <u>\$ 186,794</u> | <u>\$ 177,042</u> |

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, sales of fixed assets and interest income.

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| BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020 |
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NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits consist of checking accounts and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the statements of net position as “Cash and Cash Equivalents,” “Certificates of Deposit,” and “Restricted Assets”. The balances for “Cash and Cash Equivalents” were \$2,635,312 and \$1,813,229 at December 31, 2021 and 2020, respectively. The balances for “Certificates of Deposit” were \$214,225 and \$1,122,011 at December 31, 2021 and 2020, respectively. The balances for “Restricted Assets,” net of accounts receivable - surcharges were \$1,737,450 and \$1,507,517 at December 31, 2021 and 2020, respectively. The District has amounts on deposit with two banks in excess of FDIC insured amounts. The banks have pledged collateral agreements to cover such excess amounts. At December 31, 2021, all amounts held on deposit by the District were sufficiently collateralized.

Investments are reported at fair value which is determined using the selected basis. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair market value.

The District’s investments are categorized to give an indication of the level of risk assumed by the District at December 31, 2021. The categories are described as follows:

Category 1 – Insured and registered, with securities held by the entity or its agent in the entity’s name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the entity’s name;

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity’s name.

| At December, 31, 2021 | Category 1 | Category 2 | Category 3 | Fair Value/ Carrying Cost | Cost |
|---------------------------------|---------------------|-------------|------------------|------------------------------|---------------------|
| Operation and maintenance | \$ 2,854,733 | \$ - | \$ - | \$ 2,854,733 | \$ 2,854,733 |
| Customer deposits | 327,456 | - | - | 327,456 | 327,456 |
| Debt payment accounts | 434,818 | - | 51,623 | 486,441 | 486,441 |
| Current and replacement reserve | 918,357 | - | - | 918,357 | 918,357 |
| Total | <u>\$ 4,535,364</u> | <u>\$ -</u> | <u>\$ 51,623</u> | <u>\$ 4,586,987</u> | <u>\$ 4,586,987</u> |

NOTE 3 – RESTRICTED NET POSITION

Net position is comprised of 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 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 are attributable to the acquisition, construction and improvement of those assets. The restricted portion of net position consists of assets, net of related liabilities, 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, net of related liabilities, not included in the above categories.

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| BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020 |
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The following amounts are included in restricted net position at December 31, 2021 and 2020:

| | 2021 | 2020 |
|--------------------------------|---------------------|---------------------|
| Current reserve fund - USRDA | \$ 143,400 | \$ 143,400 |
| Debt payment account | 159,556 | 177,405 |
| Customer deposits - current | 155,312 | 154,612 |
| Account receivable - surcharge | 4,077 | 4,064 |
| Accrued interest payable | (7,775) | (9,600) |
| Portion of bonds payable | (33,000) | (83,000) |
| Maintenance and replacement | 650,140 | 644,740 |
| Total restricted net position | <u>\$ 1,071,710</u> | <u>\$ 1,031,621</u> |

NOTE 4 – 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. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. 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 | 10-50 years |
| Furniture and fixtures | 3-10 years |
| Machinery and equipment | 5-25 years |
| Transportation equipment | 3-13 years |
| Transmission lines and distribution systems | 50 years |

The capital asset balances at December 31, 2021 and 2020 are as follows:

| Asset Type | Balance at December 31, 2020 | Additions | Retirements | Balance at December 31, 2021 |
|--|------------------------------------|---------------------|-----------------|------------------------------------|
| Land | \$ 200,283 | \$ 30,031 | \$ - | \$ 230,314 |
| Buildings and improvements | 1,698,724 | - | - | 1,698,724 |
| Construction in progress | 42,934 | 29,565 | - | 72,499 |
| Distribution reservoirs and standpipes | 3,926,053 | - | - | 3,926,053 |
| Furniture and fixtures | 71,509 | 4,837 | - | 76,346 |
| Hydrants | 1,295,225 | - | - | 1,295,225 |
| Meter system and installation | 4,477,592 | 106,698 | - | 4,584,290 |
| Other plant equipment | 632,325 | 22,334 | - | 654,659 |
| Transmission mains | 16,302,935 | - | - | 16,302,935 |
| Transportation equipment | 315,340 | 26,218 | (21,123) | 320,435 |
| Water treatment equipment | 115,603 | - | - | 115,603 |
| Subtotal | <u>29,078,523</u> | <u>219,683</u> | <u>(21,123)</u> | <u>29,277,083</u> |
| Accumulated depreciation | (12,062,494) | (613,202) | 21,123 | (12,654,573) |
| Capital Assets, net | <u>\$ 17,016,029</u> | <u>\$ (393,519)</u> | <u>\$ -</u> | <u>\$ 16,622,510</u> |

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| BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020 |
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NOTE 5 – BONDED INDEBTEDNESS

Water Works System Revenue Bonds, U.S. Department of Agriculture 1982

On August 6, 1982, the District sold \$125,000 of revenue bonds for the purpose of financing the costs of major water system facilities. All bonds mature on January 1st of each year beginning in 1984 and ending in 2022. Interest is payable on January 1st and July 1st of each year and principal is due in annual installments on January 1st through 2022. Final payment was made in 2021.

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2001C - Refinancing

On July 31, 2002, the District sold \$574,000 of revenue bonds for the purpose of refinancing existing obligations. All bonds mature on February 1st of each year beginning in 2003 and ending in 2021. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2021. Final payment was made in 2021.

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2005B - Phase 8

On October 19, 2005, the District sold \$514,000 of revenue bonds for the purpose of funding its Phase 8 waterline extension project. All bonds mature on February 1st of each year beginning in 2007 and ending in 2031. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2031. The remaining debt service is as follows:

| Year | Interest Rates | Principal Amount | Interest Amount | Total Debt Service |
|-----------|----------------|------------------|-----------------|--------------------|
| 2022 | 4.29% | \$ 21,000 | \$ 11,485 | \$ 32,485 |
| 2023 | 4.34% | 22,000 | 10,557 | 32,557 |
| 2024 | 4.34% | 23,000 | 9,581 | 32,581 |
| 2025 | 4.39% | 25,000 | 8,533 | 33,533 |
| 2026 | 4.44% | 26,000 | 7,407 | 33,407 |
| 2027-2031 | 4.465-4.590% | 151,000 | 17,777 | 168,777 |
| Totals | | \$ 268,000 | \$ 65,340 | \$ 333,340 |

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2005B - Phase 10

On October 19, 2005, the District sold \$290,000 of revenue bonds for the purpose of funding its Phase 10 waterline extension project. All bonds mature on February 1st of each year beginning in 2007 and ending in 2031. Interest is payable on February 1st and August 1st of each year and principal is due in annual installments on February 1st through 2031. The remaining debt service is as follows:

| Year | Interest Rates | Principal Amount | Interest Amount | Total Debt Service |
|-----------|----------------|------------------|-----------------|--------------------|
| 2022 | 4.29% | \$ 12,000 | \$ 6,466 | \$ 18,466 |
| 2023 | 4.34% | 12,000 | 5,949 | 17,949 |
| 2024 | 4.34% | 14,000 | 5,384 | 19,384 |
| 2025 | 4.39% | 14,000 | 4,773 | 18,773 |
| 2026 | 4.44% | 15,000 | 4,133 | 19,133 |
| 2027-2031 | 4.465-4.590% | 84,000 | 9,924 | 93,924 |
| Totals | | \$ 151,000 | \$ 36,629 | \$ 187,629 |

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
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NOTE 6 – NOTES PAYABLE

Kentucky Infrastructure Authority - Drinking Water Supply Project 2002

On February 1, 2002, the District signed a note from the Kentucky Infrastructure Authority for \$350,367 to fund waterline replacement and extension projects. Water system revenues serve as collateral for this loan. The note carries an interest rate of 3.80% and matures on December 1, 2022. The remaining debt service is as follows:

| <u>Year</u> | <u>Interest Rates</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total Debt Service</u> |
|-------------|-----------------------|-------------------------|------------------------|---------------------------|
| 2022 | 3.80% | \$ 24,469 | \$ 699 | \$ 25,169 |
| Totals | | <u>\$ 24,469</u> | <u>\$ 699</u> | <u>\$ 25,169</u> |

Kentucky Infrastructure Authority - Drinking Water Supply Project 2003

On November 1, 2003, the District signed a note from the Kentucky Infrastructure Authority for \$1,210,604 to fund waterline extension projects and the Mt. Zion water tank installation. Water system revenues serve as collateral for this loan. The note carries an interest rate of 3.0% and matures on June 1, 2024. The remaining debt service is as follows:

| <u>Year</u> | <u>Interest Rates</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total Debt Service</u> |
|-------------|-----------------------|-------------------------|------------------------|---------------------------|
| 2022 | 3.00% | \$ 75,857 | \$ 5,254 | \$ 81,111 |
| 2023 | 3.00% | 78,150 | 2,961 | 81,111 |
| 2024 | 3.00% | 39,956 | 600 | 40,556 |
| Totals | | <u>\$ 193,963</u> | <u>\$ 8,815</u> | <u>\$ 202,778</u> |

Kentucky Infrastructure Authority – Drinking Water Supply Project 2010

During 2009, the District executed a drawdown loan with the Kentucky Infrastructure Authority for \$2,192,700 to finance the Phase 6 waterline extension project. The final draw on this loan was taken on February 15, 2011. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 3.0% and matures on December 1, 2030. The remaining debt service is as follows:

| <u>Year</u> | <u>Interest Rates</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total Debt Service</u> |
|-------------|-----------------------|-------------------------|------------------------|---------------------------|
| 2022 | 3.00% | \$ 112,970 | \$ 33,621 | \$ 146,591 |
| 2023 | 3.00% | 116,385 | 30,206 | 146,591 |
| 2024 | 3.00% | 119,903 | 26,688 | 146,591 |
| 2025 | 3.00% | 123,527 | 23,064 | 146,591 |
| 2026 | 3.00% | 127,260 | 19,331 | 146,591 |
| 2027-2030 | 3.00% | 548,685 | 37,681 | 586,366 |
| Totals | | <u>\$ 1,148,730</u> | <u>\$ 170,591</u> | <u>\$ 1,319,321</u> |

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| BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020 |
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Kentucky Infrastructure Authority – Drinking Water State Revolving Loan Fund 2012

During 2012, the District executed a drawdown loan with the Kentucky Infrastructure Authority for \$1,796,300 to finance the Phase 12 500,000 gallon water tower storage tank. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 2.0% and matures on June 1, 2034. The final draw on this loan was deposited on October 23, 2014. The remaining debt service is as follows:

| <u>Year</u> | <u>Interest Rates</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total Debt Service</u> |
|-------------|-----------------------|-------------------------|------------------------|---------------------------|
| 2022 | 2.00% | \$ 85,745 | \$ 23,670 | \$ 109,415 |
| 2023 | 2.00% | 87,468 | 21,947 | 109,415 |
| 2024 | 2.00% | 89,226 | 20,189 | 109,415 |
| 2025 | 2.00% | 91,020 | 18,395 | 109,415 |
| 2026 | 2.00% | 92,849 | 16,566 | 109,415 |
| 2026-2031 | 2.00% | 493,003 | 54,072 | 547,075 |
| 2032-2034 | 2.00% | 265,519 | 8,018 | 273,537 |
| Totals | | <u>\$ 1,204,830</u> | <u>\$ 162,857</u> | <u>\$ 1,367,687</u> |

Kentucky Infrastructure Authority - Drinking Water State Revolving Loan Fund 2015

On September 10, 2015, the District executed a drawdown loan with the Kentucky Infrastructure Authority in order to finance its Phase 14 looped lines. Water system revenues serve as collateral for this loan. The loan carries an interest rate of 1.75% and matures on June 1, 2036. The final draw on this loan was deposited on August 25, 2016. The remaining debt service is as follows:

| <u>Year</u> | <u>Interest Rates</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total Debt Service</u> |
|-------------|-----------------------|-------------------------|------------------------|---------------------------|
| 2022 | 1.75% | \$ 10,823 | \$ 3,172 | \$ 13,995 |
| 2023 | 1.75% | 11,013 | 2,982 | 13,995 |
| 2024 | 1.75% | 11,207 | 2,788 | 13,995 |
| 2025 | 1.75% | 11,404 | 2,591 | 13,995 |
| 2026 | 1.75% | 11,605 | 2,390 | 13,995 |
| 2027-2031 | 1.75% | 61,154 | 8,820 | 69,974 |
| 2032-2036 | 1.75% | 66,721 | 3,251 | 69,972 |
| Totals | | <u>\$ 183,927</u> | <u>\$ 25,994</u> | <u>\$ 209,921</u> |

NOTE 7 – CAPITAL LEASES

BB&T - 2013

On October 29, 2013, the District signed a capital lease agreement with BB&T for \$769,465, which served to relinquish the District’s obligations on its December 28, 1978 bond debt through the U.S. Department of Agriculture and its May 15, 2002 Series 2001C – Surcharge and Series 2001C – Phase V bond debt through the Kentucky Rural Water Finance Corporation. The interest rate is fixed at 2.80%. Principal and interest payments are due on the twenty-ninth day of each month beginning November 29, 2013 and ending October 29, 2023.

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| BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020 |
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Future minimum lease payments are as follows:

| Year | Interest Rate | Principal Amount | Interest Amount | Total Lease Payment |
|--------|---------------|-------------------|-----------------|---------------------|
| 2022 | 2.80% | \$ 85,103 | \$ 3,379 | \$ 88,482 |
| 2023 | 2.80% | 72,689 | 1,045 | 73,734 |
| Totals | | <u>\$ 157,792</u> | <u>\$ 4,424</u> | <u>\$ 162,216</u> |

NOTE 8 – INDEBTEDNESS SUMMARY

The changes in long-term indebtedness for 2021 are as follows:

| Debt Instrument | Balance at December 31, 2020 | Additions | Retirements | Balance at December 31, 2021 |
|---|------------------------------|-------------|---------------------|------------------------------|
| USDA revenue bonds of 1982 | \$ 14,000 | \$ - | \$ (14,000) | \$ - |
| KRW series 2001C bonds - Refinancing | 43,000 | - | (43,000) | - |
| KRW series 2005B bonds - Phase 8 | 289,000 | - | (21,000) | 268,000 |
| KRW series 2005B bonds - Phase 10 | 163,000 | - | (12,000) | 151,000 |
| Note payable - KIA 2002 | 48,034 | - | (23,565) | 24,469 |
| Note payable - KIA 2003 | 267,595 | - | (73,631) | 193,964 |
| Construction loan - KIA | 1,258,386 | - | (109,656) | 1,148,730 |
| Construction loan -Phase 12 - KIA | 1,288,885 | - | (84,055) | 1,204,830 |
| Note payable - KIA 2015 | 194,563 | - | (10,636) | 183,927 |
| Capital lease - BB&T | 240,519 | - | (82,727) | 157,792 |
| Subtotal | 3,806,982 | <u>\$ -</u> | <u>\$ (474,270)</u> | 3,332,712 |
| Less: current portion of long-term debt | (467,268) | | | (427,968) |
| Total Long-Term Indebtedness | <u>\$ 3,339,714</u> | | | <u>\$ 2,904,744</u> |

NOTE 9 - 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 Statute ("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.

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
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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 |
| | <u>242,356</u> | <u>146,990</u> |
| Number of participating employers | | <u>1,122</u> |

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 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 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 of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
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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 \$193,219 of which \$153,285 was for the pension fund and \$39,934 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 \$1,942,702 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 0.03047% of the total CERS non-hazardous duty employees. For the year ended December 31, 2021, the District recognized pension expense of \$53,165 in addition to its \$153,285 pension contribution.

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
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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 | \$ 22,308 | \$ (18,855) |
| Net difference between projected actual earnings on plan investments | - | (258,929) |
| Changes of assumptions | 26,073 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 29,870 | (2,318) |
| Contributions subsequent to the measurement date | 80,661 | - |
| | <u>\$ 158,912</u> | <u>\$ (280,102)</u> |

The District's contributions subsequent to the measurement date of \$80,661 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 | \$ 105,089 |
| 2023 | 74,823 |
| 2024 | 30,303 |
| 2025 | 23,357 |
| 2026 | - |
| Thereafter | - |
| | <u>\$ 233,572</u> |

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.

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
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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.

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| BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020 |
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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 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 | Current Rate | 1% Increase |
| | 5.25% | 6.25% | 7.25% |
| Non-hazardous | \$ 2,491,607 | \$ 1,942,702 | \$ 1,488,495 |
| Total | \$ 2,491,607 | \$ 1,942,702 | \$ 1,488,495 |

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
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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:

| | <u>Required Contribution</u> |
|--------|------------------------------|
| 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 \$18,726 in addition to its \$39,934 OPEB contribution.

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
|---|

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 \$583,199 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 0.03046%.

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 | \$ 91,708 | \$(174,124) |
| Net difference between projected actual earnings on plan investments | - | (91,234) |
| Changes of assumptions | 154,617 | (542) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 7,134 | (5,553) |
| Contributions subsequent to the measurement date | 22,023 | - |
| | <u>\$ 275,482</u> | <u>\$(271,453)</u> |

The District's contributions subsequent to the measurement date, \$22,023 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

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| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
|---|

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 | \$ 15,378 |
| 2023 | 1,516 |
| 2024 | (343) |
| 2025 | (34,545) |
| 2026 | - |
| Thereafter | - |
| | <u>\$ (17,994)</u> |

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 |
| 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 |

BULLOCK PEN WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021 and 2020

Phase-in provision

a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.

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:

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|---|
| <p>BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020</p> |
|---|

| | 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 | \$ 800,728 | \$ 583,199 | \$ 404,680 |
| Total | \$ 800,728 | \$ 583,199 | \$ 404,680 |

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 | | |
|-----------------------------------|---|--------------|----------------|
| | 1.00% Decrease | Current Rate | 1.00% Increase |
| Healthcare cost trend rate | | | |
| Net OPEB liability, non-hazardous | \$ 419,834 | \$ 583,199 | \$ 780,383 |
| Total | \$ 419,834 | \$ 583,199 | \$ 780,383 |

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 10 – KENTUCKY PUBLIC EMPLOYEES DEFERRED COMPENSATION AUTHORITY

During 1999, the District approved employee participation in a deferred compensation plan administered by the Kentucky Public Employees’ Deferred Compensation Authority (Authority). The Authority is authorized under KRS 18A.230-18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school, and university employees and employees of local political subdivisions that have elected to participate. The District has elected to participate in Plan II, authorized under Section 401(k) of the United States Internal Revenue Code. The plan is funded 100% by payroll deductions from those employees who have elected to participate. The District makes the payroll deduction and then forwards the funds to the Authority.

NOTE 11 – RELATED PARTY TRANSACTIONS

The staff of the Bullock Pen Water District operates the Grant County Sewer District as well. The District receives a management fee from the Grant County Sewer District for these services. This fee was \$199,605 and \$173,514 in 2021 and 2020, respectively. The District has \$24,439 and \$19,665 in accounts receivable from Grant County Sanitary Sewer District at December 31, 2021 and 2020, respectively. The Chairman of the Board of Commissioners and two other commissioners of the District serve on the boards of both the Bullock Pen Water District and the Grant County Sewer District.

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| BULLOCK PEN WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2021 and 2020 |
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NOTE 12 – ECONOMIC DEPENDENCY/CREDIT RISK

Bullock Pen Water District is a government agency operating with one office in Crittenden, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Grant, Boone, Kenton, Pendleton, and Gallatin Counties in Kentucky.

NOTE 13 – CONCENTRATIONS

The District has agreements to purchase water from the cities of Walton and Williamstown, Kentucky, the Northern Kentucky Water District, and the Boone County Water District.

NOTE 14 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – FY 2021
Statement No. 89 – *Accounting for Interest Cost in Construction Projects* – FY 2021
Statement No. 90 – *Majority Equity Interests* – FY 2021

The implementation of these standards had no significant effect on the District.

NOTE 15 – 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
Statement No. 98 – *The Annual Comprehensive Financial Report* – FY 2022
Statement No. 99 – *Omnibus 2022* – FY 2023

NOTE 16 – 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 17 – SUBSEQUENT EVENTS

Management has considered subsequent events through June 24, 2022, which represents the date financial statements were available to be issued. The District did not have any events subsequent to December 31, 2021 through June 24, 2022 to disclose.

BULLOCK PEN WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - 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 | 0.03047% | 0.03030% | 0.02962% | 0.02981% | 0.02981% | 0.029140% | 0.000286% | | | |
| Proportionate share of the net pension liability (asset) | \$ 1,942,702 | \$ 2,324,062 | \$ 2,083,117 | \$ 1,831,050 | \$ 1,744,695 | \$ 1,434,946 | \$ 1,230,260 | | | |
| Covered payroll in year of measurement (July - June) | \$ 774,035 | \$ 780,408 | \$ 747,119 | \$ 745,154 | \$ 725,718 | \$ 695,170 | \$ 657,389 | | | |
| Share of the net pension liability (asset) as a percentage of its covered payroll | 250.98% | 297.80% | 278.82% | 245.73% | 240.41% | 206.42% | 187.14% | | | |
| Plan fiduciary net position as a percentage of total pension liability | 57.33% | 47.81% | 50.45% | 53.54% | 55.50% | 59.97% | 66.80% | | | |

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 | \$ 153,285 | \$ 152,767 | \$ 135,077 | \$ 115,310 | \$ 101,240 | \$ 82,800 | \$ 85,431 | \$ 89,218 | | |
| Actual contribution | \$ 153,285 | \$ 152,767 | \$ 135,077 | \$ 115,310 | \$ 101,240 | \$ 82,800 | \$ 85,431 | \$ 89,218 | | |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | | |
| Covered payroll in District's fiscal year (Jan. - Dec.) | \$ 757,304 | \$ 791,539 | \$ 759,365 | \$ 751,353 | \$ 738,397 | \$ 702,547 | \$ 681,485 | \$ 658,224 | | |
| Contributions as a percentage of covered payroll | 20.24% | 19.30% | 17.79% | 15.35% | 13.71% | 11.79% | 12.54% | 13.55% | | |

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 9 in the Notes to the Financial Statements.

BULLOCK PEN WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - 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 OPEB liability | 0.030460% | 0.030293% | 0.029610% | 0.030060% | | | | | | |
| Proportionate share of the net OPEB liability (asset) | \$ 583,199 | \$ 731,460 | \$ 498,044 | \$ 533,780 | | | | | | |
| Covered payroll in year of measurement (July - June) | \$ 774,035 | \$ 780,408 | \$ 747,119 | \$ 745,154 | | | | | | |
| Share of the net OPEB liability (asset) as a percentage of its covered payroll | 75.35% | 93.73% | 66.66% | 71.63% | | | | | | |
| Plan fiduciary net position as a percentage of total OPEB 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 | \$ 39,934 | \$ 37,677 | \$ 38,010 | \$ 37,410 | \$ 36,647 | | | | | |
| Actual contribution | \$ (39,934) | \$ (37,677) | \$ (38,010) | \$ (37,410) | (36,647) | | | | | |
| Contribution deficiency (excess) | - | - | - | - | \$ - | | | | | |
| Covered payroll in District's fiscal year (Jan. - Dec.) | \$ 757,304 | \$ 791,539 | \$ 759,365 | \$ 751,353 | \$ 738,397 | | | | | |
| Contributions as a percentage of covered payroll | 5.27% | 4.76% | 5.01% | 4.98% | 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 OPEB 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 9 in the Notes to the Financial Statements.

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| BULLOCK PEN WATER DISTRICT SCHEDULES OF OPERATIONS, MAINTENANCE AND ADMINISTRATIVE EXPENSES For the Years Ending December 31, 2021 and 2020 |
|--|

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Operations, maintenance and administrative expenses | | |
| Salaries and wages - employees | \$ 798,177 | \$ 836,158 |
| Employee pension and benefits | 490,105 | 508,095 |
| Advertising | 187 | 644 |
| Bad debt expense | 31,755 | 23,157 |
| Chemicals | 51,886 | 52,700 |
| Commissioners' fees | 13,200 | 13,200 |
| Contractual services - accounting | 49,262 | 51,329 |
| Contractual services - engineering | 7,508 | 11,408 |
| Contractual services - legal | 28,226 | 16,565 |
| Contractual services - management | 1,541 | 2,155 |
| Contractual services - water test | 9,599 | 20,181 |
| Contractual services - other | 91,588 | 109,260 |
| Insurance - general liability | 22,097 | 19,194 |
| Insurance - other | 2,413 | 1,884 |
| Insurance - vehicle | 7,514 | 7,799 |
| Insurance - workers' compensation | 8,551 | 8,716 |
| Materials and supplies | 171,076 | 180,751 |
| Miscellaneous | 6,275 | 1,022 |
| Payroll taxes | 60,404 | 63,173 |
| Purchased power | 90,546 | 81,049 |
| Rental of property and equipment | 1,780 | 2,779 |
| Transportation | 23,843 | 18,930 |
| Utility regulatory assessment | 8,984 | 8,236 |
| | <u>8,984</u> | <u>8,236</u> |
| Total operations, maintenance and administrative expenses | <u>\$ 1,976,517</u> | <u>\$ 2,038,385</u> |

**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
Bullock Pen Water District
Crittenden, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Bullock Pen 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 Bullock Pen Water District's basic financial statements, and have issued our report thereon dated June 24, 2022.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Bullock Pen 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 Bullock Pen Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bullock Pen 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 any deficiencies in internal control that we consider significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bullock Pen Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. Noncompliance 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*.

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 24, 2022