CARROLL COUNTY WATER DISTRICT NO. 1

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

At December 31, 2021 and 2020

CARROLL COUNTY WATER DISTRICT NO. 1
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORTS

Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Carroll County Water District No. 1
Ghent, Kentucky 41045

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Carroll County Water District No. 1 as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Carroll County Water District No. 1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carroll County Water District No. 1, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Carroll County Water District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Carroll County Water District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Carroll County Water District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Carroll County Water District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the Table of Contents on pages 3 through 8, and pages 38 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2022, on our consideration of the Carroll County Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Carroll County Water District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County Water District No. 1's internal control over financial reporting and compliance.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

August 2, 2022

CCWD
Carroll County Water District
205 Main Cross Street Ghent, Kentucky 41045 Phone: 502-347-9500 Fax: 502-347-9333

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Discussion and Analysis of Carroll County Water District #1 financial performance provides an overview of the District's financial activities for the fiscal year ending December 31, 2021. It should be read in conjunction with the District's financial statements and supplementary information.

Financial Statements Overview

This annual financial report consists of three major parts: required supplementary information, basic financial statements, and supplementary information. Included with the financial statement are notes that explain in more detail some of the information in the financial statements. Additional to these notes is a section of supplementary information in support of the information in the financial statements. The figure below illustrates how the annual financial report is arranged.

- Annual Financial Report
  - Required Supplementary Information
  - Basic Financial Statements
    - Balance Sheet (Statement of Net Position)
    - Income Statement (Statement of Revenues)
    - Statement of Cash Flows
    - Notes to Basic Financial Statements
  - Additional Information

The Balance Sheet or Statement of Net Position includes all of the District's assets and liabilities and provides a basis for evaluating the overall health and financial flexibility of the District.

The Income Statement or the Statement of Revenues, Expenses, and Changes in Fund Net Position accounts for all the current year's revenues and expenses. This statement is a ready reflection of the success of the District's operations over the past year and shows at a glance whether or not the District has recovered all of its costs through its water rates and other charges.

The Statement of Cash Flows' primary purpose is to provide information about the District's cash receipts, payments, and net changes in cash resulting from its operations, investing activities and financing activities and provides further information on the sources and uses of cash and the changes in the cash balances during the operating year.

Financial Highlights

- Total assets decreased by $116,391 to $12,367,003 in 2021. This decrease is explained by a reduction in capital assets.

- Operating Revenues increased by $171,275 or 9.8% to $1,927,615 in 2021 due to higher revenues from water sales and service charges collected in 2021 resulting from the COVID 19 pandemic impact in the prior year when government restrictions on penalties and disconnections were in effect.

- Operating Expenses were down $123,459 in 2021 when compared to 2020. This decrease is due largely to lower cost associated with distribution system maintenance, operating labor, reduction in depreciation expense, and retirement plan expense.

Financial Highlights (Continued)

- Net Income before Capital Contributions for 2021 as compared to the previous year was up $185,035. This is primarily due to higher operating income in 2021 when compared to the previous year.

Statement of Net Position

Capital additions during 2021 were $230,887. These additions plus other [net] increases to other asset categories were less than the depreciation expense of $382,250 for the year resulting in a $184,501 decrease in total assets when compared to the prior year.

	2021	**2020**	**2019**	**Difference 21-20**	**%**
Utility Plant (Cap. Assets)	$8,655,961	$8,840,462	$9,150,971	($184,501)	(2.1)
Current Assets	$1,573,807	$2,068,238	$2,091,417	($494,431)	(23.9)
Other Non-Current Assets	$2,137,235	$1,574,694	$1,434,354	$562,541	35.7
Total Assets	$12,367,003	$12,483,394	$12,676,742	($116,391)	(.65)

Deferred Outflows/Inflows of Resources

- This MD&A is the sixth to deal specifically with CERS retirement liability and the fourth for health insurance (OPEB) liability. The District must plan to be prepared to assume liability for the pension plan that historically has been a state responsibility. To this date, there is no clear path of how a SPGE is to absorb this liability as it is not allowed by KY PSC in its rate structure. These outflows and inflows are neither assets nor liabilities but represent allocations that may impact future pension and Other Post Employment Benefits (OPEB) expenses. Increases in Deferred Outflows and Inflows of Resources are attributable to differences in CERS's actual performance when compared to actuarial expectations.

	2021	**2020**	**2019**	**Difference 21-20**	**%**
Deferred Outflows	$399,183	$417,661	$402,859	($18,478)	(4.4)
Deferred Inflows	$412,124	$112,043	$163,144	$300,081	267

Liabilities

The reduction of $546,632 in total liabilities in 2021 vs. 2020 is attributable primarily to principal retirement, and the reduction of $248,856 in the net pension and OPEB liability.

Liabilities (Continued)

	2021	2020	2019	Difference 21-20	%
Long Term Liabilities	$6,497,964	$6,950,580	$6,989,440	($452,616)	(6.5)
Current & Accrued Liabilities	$374,682	$468,698	$444,809	($94,016)	(20)
Total Liabilities	$6,872,646	$7,419,278	$7,434,249	($546,632)	(7.4)

Total Net Position
Total Net Position increased by $111,682 reflecting the gain from operating income.

	2021	2020	2019	Difference 21-20	%
Total Net Position	$5,481,416	$5,369,734	$5,482,208	$111,682	2.1

Income Statement
Operating Revenues for 2021 were up $171,275 (9.8%) when compared to 2020 due to an increase in water sales and normal service charges collected after the governmental mandates associated with the COVID-19 pandemic were discontinued. Operating expenses for 2021 were down by $123,459 when compared to 2020 due to lower depreciation and retirement plan expense, and lower maintenance costs. Net Operating Revenue was up $294,734 when compared to 2020 due to higher sales and service charges as well as lower operating expenses. The Net Income for the year was up by $224,156, in 2021 compared to 2020.

	2021	2020	2019	Difference (21-20) (Unfavorable)	%
Operating Revenue	$1,927,615	$1,756,340	$1,811,514	$171,275	9.8
Operating Expense	$1,646,538	$1,769,997	$1,933,861	$123,459	(7.0)
Net Operating Revenue	$281,077	($13,657)	($122,347)	$294,734	2158
Non-Operating Expenses	($265,011)	($155,312)	($155,175)	($109,699)	(70.6)
Capital Contributions	$95,616	$56,495	$170,215	$39,121	69.3
Special Item		-		-	-
Net Income	$111,682	($112,474)	($107,307)	$224,156	199.3

Statement of Cash Flows

Cash from Operating Activities was up by 10.7% or $66,704 when compared to 2020. Customer receipts were up 8.7% for the year 2021 when compared to 2020. Cash from financing activities were down significantly for the year 2021 due to a reduction in the purchase of capital assets and costs associated with a new bond issue. These factors resulted in a net decrease in cash of 1.5% at the year's end.

	2021	2020	2019	Difference (21-20) (Unfavorable)	%
Cash from Operating Activities (Net)	$688,658	$621,954	$470,970	$66,704	10.7
Cash from Capital & Related Net Financing Activities	($719,033)	($541,159)	($356,758)	($177,874)	(32.9)
Cash from Investing Activities	$2,025	$3,708	($243,427)	($1,683)	(45.4)
Change in Cash	($28,350)	$84,503	($129,215)	($112,853)	(133.6)
Cash Balance, Beginning of Year	$1,863,691	$1,779,188	$1,908,403	$84,503	4.8
Cash Balance, End of Year	$1,835,341	$1,863,691	$1,779,188	($28,350)	(1.5)

Debt Administration

As of 2021 year's end, the District had outstanding Bond debt of $4,185,000 and Notes Payable of $543,401 for a total of $4,728,401 in Long Term Debt. In 2021, the District restructured existing debt to a lower interest rate for an economic gain of $524,236 over the life of the issue. The Debt Coverage Ratio for 2021 was 2.13, a level that is sufficient to pay debt for the upcoming year and make some capital improvements.

	2021	2020	2019	Difference (21-20)	%
Total Bonds Payable	$4,185,000	$4,690,500	$4,853,500	($505,500)	(10.8)
Note Payable	$543,401	$664,597	$783,239	($121,196)	(18.2)
Income Available for Debt Service	$733,030	$610,802	$652,401	$122,228	20.0
Total Debt Service	$343,434	$472,963	$471,203	($129,529)	(27.4)
Debt Coverage	2.13	1.29	1.38	0.84	39.4

Economic Outlook

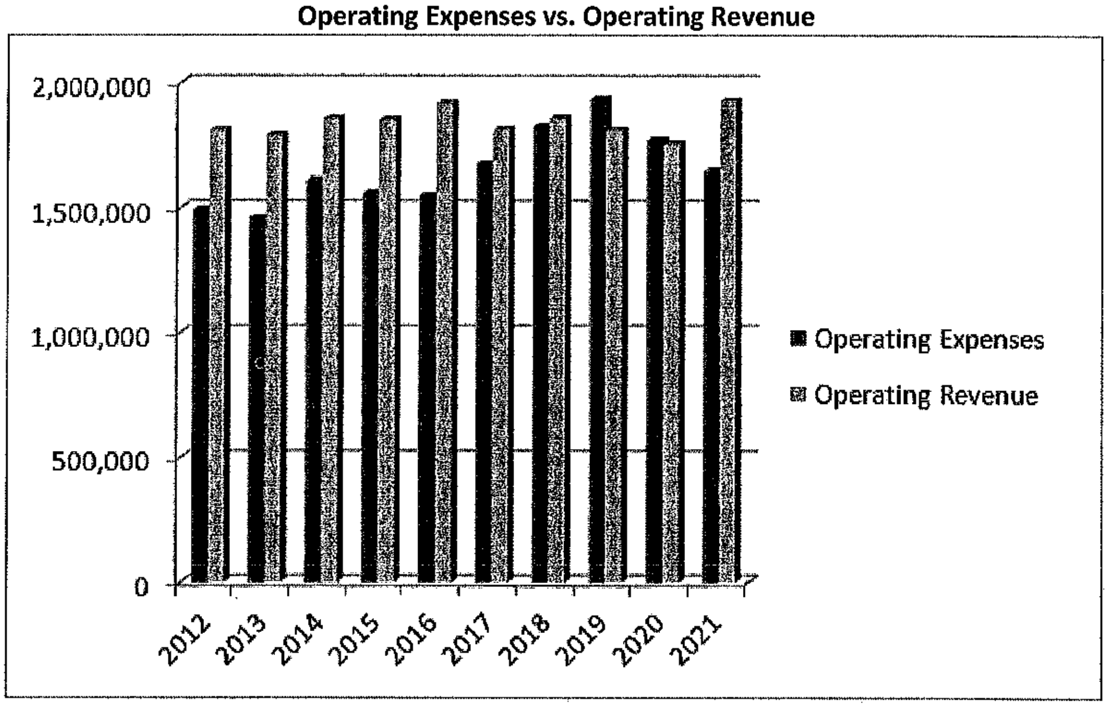
No major increases in sales revenues are expected. The two diagrams on the next page are offered to give a picture of the relative health of the Water District. The graph of the Operating Expenses including Depreciation versus Operating Revenue presents a view of monies remaining to cover debt after Operating Expenses have been paid. CCWD did not fully cover the Depreciation this year. CCWD is in the process with Kentucky Public Service Commission for a rate increase. You will note the numbers for 2021 reflect an increase level in Revenue versus Expenses as demonstrated throughout this MD&A. The graph titled Operating Ratio depicts Total Operating Expenses less Depreciation and Pension/OPEB calculated expense divided by Total Revenues and is a measure of overall efficiency of the District. Management feels that trends in this Operating Ratio reflect the health of the District. In the healthiest operations this ratio will remain constant or reduce over time. You will note that this ratio was slightly lower for 2021 when compared to the previous year. Management is forecasting that CCWD will have a rate increase approved within the year to compensate for inflation, retirement plan costs, unusual weather trends, and to address changes in staff requirements. The test period for rate study was based on year 2020. In the beginning of year 2022, inflation and cost of goods are soaring at record levels. In addition, regulatory agencies are changing regulations which increase workloads. It is anticipated that these conditions will cause rates to increase again in the near future.

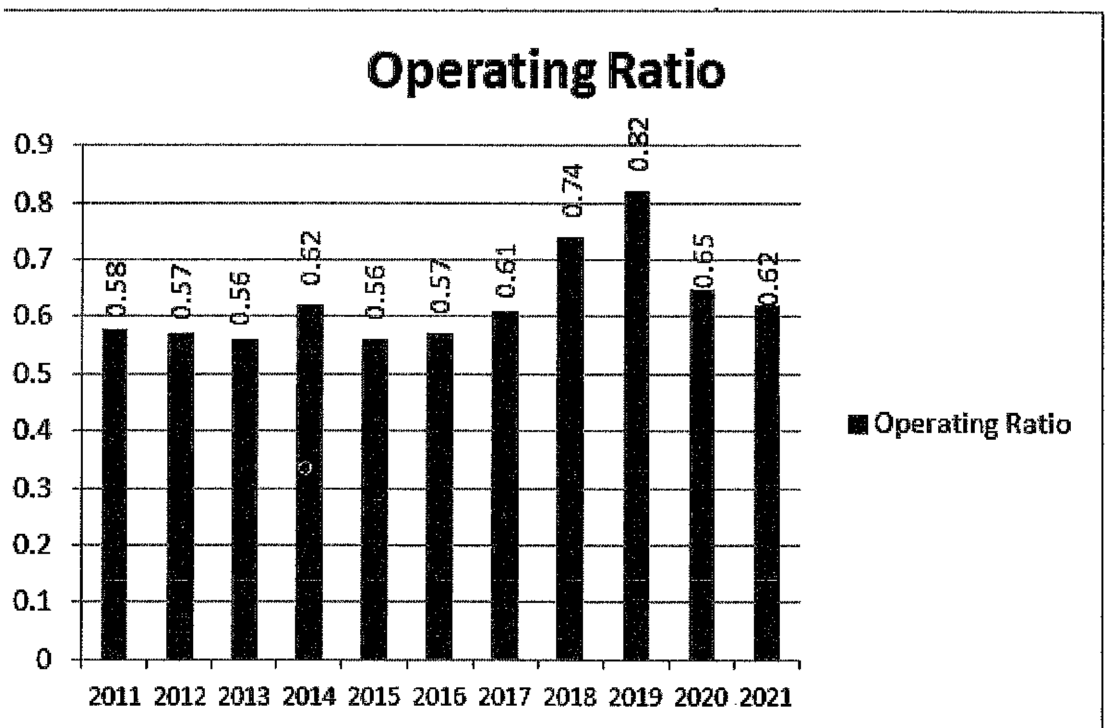
NOTE:

In 2018, within the state legislation session (HB 362), created a cap on the CERS employer's contribution maximum rate increase up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028. In July 2021, the employer contribution rate increased from 24.06% to 26.95%. Future pension and OPEB costs and the ultimate payment necessary to finance the District's share of those liabilities continue to be a high concern.

Contacting District Management

This financial report is designed to provide an easy to read general overview of the District's finances to its ratepayers, creditors, or public at large. It also provides accountability for the money received by the District. Questions concerning this report may be directed to the General Manager of the District at 205 Main Cross Street in Ghent, Kentucky 41045, phone 502-347-9500.


Operating Expenses vs. Operating Revenue
2,000,000
1,500,000
1,000,000
500,000
0
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Operating Expenses
Operating Revenue


Operating Ratio
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
0.58
0.57
0.56
0.62
0.56
0.57
0.61
0.74
0.82
0.65
0.62
2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
Operating Ratio

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets:		
Cash, Including Time Deposits	$ 1,031,165	$ 1,596,582
Accounts Receivable (Net)	169,769	158,709
Other Receivables	2,761	2,502
Inventory	326,070	267,085
Prepaid Expense	44,042	43,360
Total Current Assets	$ 1,573,807	$ 2,068,238
Noncurrent Assets:		
Restricted Assets:		
Cash, Including Time Deposits	$ 2,134,654	$ 1,571,765
Interest Receivable	2,481	2,829
Capital Assets (Net)	8,655,961	8,840,462
Deposits	100	100
Total Noncurrent Assets	$ 10,793,196	$ 10,415,156
Total Assets	$ 12,367,003	$ 12,483,394
DEFERRED OUTFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	$ 185,614	$ 216,998
Attributable to Employee OPEB Plan	213,569	200,663
Total Deferred Outflows of Resources	$ 399,183	$ 417,661
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 60,981	$ 34,596
Accrued Compensated Absences	45,088	44,807
Accrued Wages	3,841	11,526
Accrued Payroll Taxes/Employee Withholding	21,452	15,557
Utility Tax Payable	4,215	4,183
Sales Tax Payable	3,357	3,065
Current Liabilities Payable from Restricted Assets:		
Accrued Interest Payable	32,389	63,242
Revenue Bonds Payable	79,500	170,500
Notes Payable	123,859	121,222
Total Current Liabilities	$ 374,682	$ 468,698
Noncurrent Liabilities:		
Revenue Bonds Payable (Including Premium $335,245 for 2021 and $1,827 for 2020)	$ 4,440,745	$ 4,521,827
Notes Payable	419,542	543,375
Net Pension Liability	1,228,741	1,404,439
Net OPEB Liability	368,876	442,034
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	40,060	38,905
Total Noncurrent Liabilities	$ 6,497,964	$ 6,950,580
Total Liabilities	$ 6,872,646	$ 7,419,278
DEFERRED INFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	$ 223,655	$ 26,280
Attributable to Employee OPEB Plan	188,469	85,763
Total Deferred Inflows of Resources	$ 412,124	$ 112,043
NET POSITION		
Net Investment in Capital Assets	$ 3,592,315	$ 3,483,538
Restricted for Debt Service	2,064,686	1,472,447
Unrestricted	(175,585)	413,749
Total Net Position	$ 5,481,416	$ 5,369,734

See accompanying notes to the basic financial statements.

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues:		
Charges for Services:		
Water Charges (Net)	$ 1,803,747	$ 1,690,847
Bulk Water Charges	1,810	1,359
Total Charges for Services	$ 1,805,557	$ 1,692,206
Other Charges and Miscellaneous:		
Billing Service Charges	$ 36,987	$ 8,550
Reconnect and Disconnect Charges	62,870	33,775
Miscellaneous	22,201	21,809
Total Other Charges and Miscellaneous	$ 122,058	$ 64,134
Total Operating Revenues	$ 1,927,615	$ 1,756,340
Operating Expenses:		
Accounting and Collecting Labor	$ 98,252	$ 97,558
Administrative Per Diem	15,750	16,050
Administrative Salaries	118,856	119,761
Depreciation Expense	382,250	443,605
Employee Benefits	75,004	71,731
Employee Licenses	-	1,875
Insurance	37,989	35,803
Maintenance of Mains/Distribution System	90,259	67,524
Office Supplies and Expense	70,467	51,084
Operating Labor	219,117	260,697
Other Interest Expense	175	141
Other Post Employment Benefits (OPEB) attributable to GASB 75	16,642	38,798
Payroll Taxes	40,148	38,214
Professional Services	31,855	17,855
Purchased Power	172,563	164,482
Purchased Water	7,240	4,910
Regulatory Fees	3,558	3,663
Repairs & Maintenance	10,228	10,115
Retirement Plan and OPEB Contributions	130,922	115,494
Retirement Plan Expense attributable to GASB 68	53,061	142,056
Transportation Expense	32,252	22,980
Uniforms	11,486	10,094
Utilities & Telephone	15,397	16,206
Water Treatment Expense	13,067	19,301
Total Operating Expenses	$ 1,646,538	$ 1,769,997
Operating Income	$ 281,077	$ (13,657)
Nonoperating Revenue (Expense):		
Investment Income	$ 27,758	$ 30,901
Interest Expense	(167,349)	(187,913)
Bond Issuance Costs	(93,326)	-
Gain (Loss) on Sale/Abandonment of Fixed Assets	(32,094)	1,700
Total Nonoperating Revenue (Expense)	$ (265,011)	$ (155,312)
Net Income (Loss) Before Contributions	$ 16,066	$ (168,969)
Capital Contributions	95,616	56,495
Change in Net Position	$ 111,682	$ (112,474)
Net Position - Beginning	5,369,734	5,482,208
Net Position - End of Year	$ 5,481,416	$ 5,369,734

See accompanying notes to the basic financial statements.

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 1,918,034	$1,763,594
Payments to Suppliers	(130,781)	(75,011)
Payments to Employees	(459,379)	(487,562)
Other Receipts (Payments)	(639,216)	(579,067)
Net Cash Provided (Used) by Operating Activities	$ 688,658	$ 621,954
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	$ 84,877	$ 51,215
Purchase of Capital Assets (including Work in Process)	(230,887)	(133,096)
Proceeds New Bond Issue	2,880,000	-
Proceeds Bond Premium	343,318	-
Bond Issuance Costs	(93,326)	-
Principal Paid on Capital Debt	(3,506,696)	(281,642)
Interest Paid on Capital Debt	(208,102)	(190,302)
Proceeds Build America Bonds Interest Reimbursement	10,739	10,966
Proceeds Sale of Capital Assets	1,044	1,700
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (719,033)	$ (541,159)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	$ (25,822)	$ (27,061)
Interest Received	27,847	30,769
Net Cash Provided (Used) by Investing Activities	$ 2,025	$ 3,708
Net Increase (Decrease) in Cash and Cash Equivalents	$ (28,350)	$ 84,503
Balances-Beginning of the Year	1,863,691	1,779,188
Balances-End of the Year	$ 1,835,341	$1,863,691

	Balances Per December 31, 2021 Statement of Net Position	Balances Per December 31, 2021 Statement of Cash Flows
Cash	$ 472,667	$ 472,667
Time Deposits	558,498	-
Restricted Cash	1,362,674	1,362,674
Restricted Time Deposits	771,980	-
Total Cash and Cash Equivalents, End of Year	$ 3,165,819	$ 1,835,341

	Balances Per December 31, 2020 Statement of Net Position	Balances Per December 31, 2020 Statement of Cash Flows
Cash	$ 1,049,116	$ 1,049,116
Time Deposits	547,466	-
Restricted Cash	814,575	814,575
Restricted Time Deposits	757,190	-
Total Cash and Cash Equivalents, End of Year	$ 3,168,347	$ 1,863,691

CARROLL COUNTY WATER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 281,077	$ (13,657)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	382,250	443,605
Pension Expense	53,061	142,056
OPEB Expense	16,642	38,798
Change in Assets and Liabilities:		
Receivables, Net	(11,060)	603
Inventories	(58,985)	(7,461)
Prepaid Expenses	(682)	(4,293)
Accounts Payable	26,385	9,177
Accrued Wages	(7,685)	3,870
Utility Tax Payable	32	82
Sales Tax Payable	292	363
Accrued Payroll Taxes & Employee Benefits	5,895	(29)
Customer Meter Deposits Payable	1,155	6,206
Accrued Compensated Absences	281	2,634
Net Cash Provided by Operating Activities	$ 688,658	$ 621,954

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At December 31, 2021, Carroll County Water District No. 1 had no non-cash transactions outstanding associated with capital, investing and financing activities.

At December 31, 2020, Carroll County Water District No. 1 had no non-cash transactions outstanding associated with capital, investing and financing activities.

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Description of entity: Carroll County Water District No. 1 is a rural water company serving approximately 3,000 customers in Carroll, Owen and Gallatin Counties, Kentucky of which 169 are considered commercial and 40 are industrial users, or large users. The District is regulated by the Public Service Commission of the Commonwealth of Kentucky. The water district was formed under the laws of Carroll County through its fiscal court in 1960 and began operations in 1965.

In evaluating how to define Carroll County Water District No. 1 for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

A summary of the District's significant accounting policies follows:

Basis of presentation and accounting: As stated in Kentucky Revised Statutes (KRS) 278.015, "any water district shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission." In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction, and may prescribe the manner in which such accounts shall be kept. The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds 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 (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. 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 plus deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted; and unrestricted components.

Revenues and expenses: Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

The District adheres to the use restrictions established by bond agreements when expenses are incurred for which both restricted and unrestricted net position is available. The District has no policy defining which resources (restricted or unrestricted) to use first. Restricted amounts are considered to have been spent when an expense is incurred for the purpose of such classifications.

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory: Inventories are stated at latest cost.

Property and equipment: Property and equipment purchased or constructed is stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. During 2021, the lives of categories of assets were changed to correspond more closely to lives recommended by the National Association of Regulatory Utility Commissioners (NARUC) guidelines. In most cases this extended the useful life of the asset. The range of estimated useful lives by type of asset is as follows:

- Structures & Improvements	10-37.5 years
- Distribution System	10-62.5 years
- Wells	20-30 years
- Machinery & Equipment	5-22.5 years

Debt Issuance Costs: Such costs are expensed as incurred.

Compensated Absences: See Note 9 for the District's policy on vacation and sick pay.

Pension: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Post Employment Benefits Other Than Pensions: For purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employee's Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred Outflows of Resources and Deferred Inflows of Resources are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.

Income Taxes: The Carroll County Water District No. 1 is not subject to income taxes.

Contributed capital: Under the Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* the District recognizes capital contributions as revenues in the statement of revenues, expenses and changes in fund net position. Tap on fees of $84,877 and $45,529 were received by the District for the years ended December 31, 2021, and 2020, respectively. Capital contributions of $10,739 and $10,966 Build America Bonds interest reimbursements were received by the District during the years ended December 31, 2021, and 2020.

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: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net position not included in the above categories.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows: For the purpose of the Statement of Cash Flows, Carroll County Water District No. 1 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 – DEBT RESTRICTIONS AND COVENANTS

The Bond and Interest Sinking Account was to be established with the District's original bond issue. Under the bond resolution which established this account, it was provided that a minimum balance be maintained in this account as security to the bondholders. In order to attain the minimum balance, the monthly transfer to be made into the account for the outstanding bond issues is as follows:

	one sixth (1/6) of the next semiannual interest payment
+	one twelfth (1/12) of next annual principal payment
=	monthly transfer

Transfers sufficient to meet the total obligation outstanding on all issues were made timely during the years ended December 31, 2021 and 2020.

Under the bond resolution of the original 1965 bonds (now redeemed), a Depreciation Account was to be established to provide funds for extraordinary repairs and extensions to the system, and to make up any deficiency in the Bond and Interest Sinking Fund Account. Under the provisions of the 1994 Bond Resolution, an adjustment was required to be made in the Depreciation Fund requirements upon the issuance of any bonds on a parity with the Series 1994 bonds. Therefore, with the issuance of subsequent bonds, additional transfer requirements were established as follows:

Series	Transfer Due	Accumulation Required
1999 A & B	$2,090/month	$250,800
2005 A & B	525/month	63,000
2010	510/month	61,200
Total		$375,000

The 1994, 1997 A & B, and 1999 Series A & B issues were refunded with the issuance of the 2012B Bond Issue. The issue of 2012 ratified and confirmed the transfers required above to continue in force.

When the required balance of $375,000 is attained, the monthly transfers may be discontinued, but are subject to resumption if the depreciation account is depleted below the required balance. The Depreciation Account is to be maintained as long as any of the bonds are outstanding.

Under the District's debt agreement with the Kentucky Infrastructure Authority (KIA) a R&M Reserve is to be funded. $7,500 is to be transferred annually into the reserve until a balance of $75,000 is obtained.

A separate reserve has not been established for the Kentucky Infrastructure Authority reserve. However, the District has funded reserve accounts sufficient to fund the maximum accumulation mandated in the 1999 bond agreement plus the KIA's required balance at December 31, 2021 and 2020. The District continued to transfer the monthly amounts required under the Series 2005 A and B bond agreement, and the additional $510 payment required by the 2010 Series bond agreement during 2021 and 2020.

After the required monthly transfers to the respective bond and interest account and depreciation account, a transfer of one-twelfth (1/12) of the annual budgeted expenditures for the District is to be transferred to an operation and maintenance account for making expenditures for the District. Sixty days following year end, all remaining funds in the revenue account in excess of two (2) months operating budget requirements are to be transferred to the depreciation account.

At December 31, 2020 an additional transfer of $95,064 was required and was transferred in 2021. An additional transfer of $637,000 was made in 2021.

NOTE 3 – CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities, including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2021 and 2020, in accordance with the District's policy, $786,470 and $891,630 respectively, of the District's deposits were covered by federal depository insurance and $2,395,819 and $2,290,802 respectively, were collateralized by securities held by the pledging financial institution's agent in the District's name. Thus the District had no deposits that were exposed to custodial credit risk.

At December 31, 2021 and 2020, the District's deposits were as follows:

December 31, 2021

Type of Deposit	Total Bank Balance	Total Carrying Value
Demand Deposits	$ 1,851,811	$ 1,835,241
Time/Savings Deposits	1,330,478	1,330,478
Total Deposits	$ 3,182,289	$ 3,165,719

December 31, 2020

Type of Deposit	Total Bank Balance	Total Carrying Value
Demand Deposits	$ 1,877,775	$ 1,863,590
Time/Savings Deposits	1,304,657	1,304,657
Total Deposits	$ 3,182,432	$ 3,168,247

Reconciliation to Statement of Net Position:

	December 31, 2021	December 31, 2020
Unrestricted Cash	$ 1,031,165	$ 1,596,582
Restricted Cash, Including Time Deposits	2,134,654	1,571,765
Less: Cash on Hand	(100)	(100)
	$ 3,165,719	$ 3,168,247

NOTE 4 – RESTRICTED ASSETS

Restricted assets consists of the following:

	December 31, 2021	December 31, 2020
Restricted Cash and Time Deposits		
Bond and Interest Sinking Account	$ 278,064	$ 382,091
Depreciation Reserve Account	1,816,530	1,150,769
Customer Deposits	40,060	38,905
Total	$ 2,134,654	$ 1,571,765
Interest Receivable - Depreciation Reserve Accounts	$ 2,481	$ 2,829

NOTE 5 – CUSTOMER ACCOUNTS RECEIVABLE

Customer Accounts Receivable has been netted with an Allowance for Bad Debts of $4,835 and $9,777 at December 31, 2021 and 2020, respectively. The amount provided for bad debts represents the portion of the total amounts for which collection is unlikely, based on historical collection data.

NOTE 6 – CUSTOMER DEPOSITS/ESCROW

Customer deposits are collected upon installation of water service. This amount is to be refunded to the customer upon discontinuation of service (after the customer's bill has been paid in full) or one year pending a satisfactory payment record. Deposits received from customers are held in an interest bearing account (which is included in the financial statements as restricted cash). Records are maintained which detail the accrued interest on each customer's deposit based on the current market rate. Accrued interest is paid annually and when the deposit is refunded.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020, was as follows:

	Balance at January 1, 2021	Additions	Disposals	Balance at December 31, 2021
Land & Land Rights	$ 311,460	$ -	$ -	$ 311,460
Structures & Improvements	346,602	36,287	-	382,889
Distribution System	15,329,910	163,287	(261,388)	15,231,809
Wells	539,913	-	-	539,913
Machinery & Equipment	843,537	31,313	-	874,850
Totals at Historical Cost	$ 17,371,422	$ 230,887	$ (261,388)	$ 17,340,921
Less: Accumulated Depreciation				
Structures & Improvements	$ 178,698	$ 9,867	$ -	$ 188,565
Distribution System	7,420,980	306,749	(228,250)	7,499,479
Wells	350,798	17,180	-	367,978
Machinery & Equipment	580,484	48,454	-	628,938
Total Accumulated Depreciation	$ 8,530,960	$ 382,250	$ (228,250)	$ 8,684,960
Capital Assets, Net	$ 8,840,462	$ (151,363)	$ (33,138)	$ 8,655,961

	Balance at January 1, 2020	Additions	Disposals	Balance at December 31, 2020
Land & Land Rights	$ 311,460	$ -	$ -	$ 311,460
Structures & Improvements	325,927	21,865	(1,190)	346,602
Distribution System	15,257,164	72,746	-	15,329,910
Wells	539,913	-	-	539,913
Machinery & Equipment	823,552	38,485	(18,500)	843,537
Totals at Historical Cost	$ 17,258,016	$ 133,096	$ (19,690)	$ 17,371,422
Less: Accumulated Depreciation				
Structures & Improvements	$ 172,136	$ 7,752	$ (1,190)	$ 178,698
Distribution System	7,059,640	361,340	-	7,420,980
Wells	335,422	15,376	-	350,798
Machinery & Equipment	539,847	59,137	(18,500)	580,484
Total Accumulated Depreciation	$ 8,107,045	$ 443,605	$ (19,690)	$ 8,530,960
Capital Assets, Net	$ 9,150,971	$ (310,509)	$ -	$ 8,840,462

NOTE 7 – CAPITAL ASSETS (Continued)

Included under the District's Plant Assets at December 31, 2021 and 2020, respectively, were $1,942,037 and $2,073,933 of fully depreciated assets. Land and land rights and construction in process are capital assets not being depreciated.

As described in Note 1, the lives of certain assets were adjusted to more closely correspond to NARUC guidelines which resulted in extending useful lives in most cases. Depreciation expense aggregated $382,250 and $443,605 in 2021 and 2020, respectively.

NOTE 8 – LONG-TERM DEBT

Notes Payable:

The Carroll County Water District No. 1 entered into interlocal agreements under which it was the subrecipient of loan proceeds from the Kentucky Infrastructure Authority funding the Focus on Core Mission and Infrastructure Project and the Carroll County Interconnect Project. The City of Carrollton f/b/o Carrollton Utilities was the recipient of the loan proceeds. It (Carrollton Utilities) was also the entity overseeing the engineering and construction contracts, and other general costs associated with the projects. Carroll County Water District No. 1, under interlocal agreements with the City of Carrollton/Carrollton Utilities, agreed to pay Carrollton Utilities for the portion of the debt associated with improvements made to its distribution system. The District chose to repay the total debt associated with the Focus on Core Mission and Infrastructure Project in December, 2016.

On November 30, 2017, the Public Service Commission approved the refinancing of the District's Kentucky Infrastructure Authority Loan to lower the interest rate charged from 3% to 2.25%. The principal balance and payment schedule remained unchanged. The refinancing will save the District $25,371 over the life of the loan. The net present value of the interest savings is $23,396.

As of December 31, 2021 and 2020, the long-term debt payable consisted of the following:

Notes Payable:

	December 31, 2021	December 31, 2020
Kentucky Infrastructure Authority represents a 20 year loan, original principal of $1,908,662, secured by water revenues. Interest was charged at 3% per annum until November 30, 2017 when the interest rate was reduced to 2.25%. Payments are made semi-annually. Final maturity is December 1, 2024.	$ 358,375	$ 472,586
Carrollton Utilities (Carroll County Interconnect Project) represents a 30 year loan as stipulated in an interlocal agreement. Interest is charged at .75% per annum. In addition, a loan servicing fee of .25% of the annual outstanding loan balance is payable as a part of each interest payment. The original principal balance was $301,721 before the note was reduced by 25% principal forgiveness of $75,430. Semi-annual payments with final maturity December 1, 2045.	185,026	192,011
Total Notes Payable	$ 543,401	$ 664,597
Current Portion	$ 123,859	$ 121,222
Noncurrent Portion	419,542	543,375
Total Notes Payable	$ 543,401	$ 664,597

Upon the occurrence of an event of default, the Kentucky Infrastructure Authority shall be entitled to the appointment of a receiver of the System and all receipts therefrom. The Kentucky Infrastructure Authority may pursue any available remedy to enforce payment obligations or to remedy any event of default. In the event that the District defaults, the defaulting party also agrees to pay the fees of such attorneys and other expenses incurred by the Kentucky Infrastructure Authority.

NOTE 8 – LONG-TERM DEBT (Continued)

Bonds Payable:

	December 31, 2021	December 31, 2020
RECD Revenue Bonds of 2005 Series A, original issue amount of $592,000, secured by water revenues. Interest is charged at the rate of 4.375% per annum. Refinanced October 19, 2021.	$ -	$ 472,000
RECD Revenue Bonds of 2005 Series B, original issue amount of $319,000, secured by water revenues. Interest is charged at the rate of 4.125% per annum. Final maturity is September 1, 2044.	246,000	252,500
RECD Revenue Bonds of 2010, (Build America Bonds – Direct Payment), original issue amount of $1,246,000, secured by water revenues. Interest is charged at the rate of 3% per annum. Final maturity is September 1, 2049.	1,059,000	1,081,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program) Series 2012 (B), original issue (District Share) $3,785,000, secured by water revenues. Interest is charged at the rates of 2.2% - 4.2% per annum. Refinanced October 19, 2021.	-	2,885,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2021 D, original issue amount of $2,880,000, secured by water revenues. Interest is charged at the rates of 2.75% - 5.2% per annum. Final maturity is August 1, 2042.	2,880,000	-
Total Bonds Payable	$ 4,185,000	$ 4,690,500
Bonds Payable:		
Current Portion	$ 79,500	$ 170,500
Noncurrent Portion	4,105,500	4,520,000
Total Bonds Payable	$ 4,185,000	$ 4,690,500
Accrued Compensated Absences:		
Current Portion	$ 45,088	$ 44,807
Noncurrent Portion	-	-
Total Accrued Compensated Absences	$ 45,088	$ 44,807

If there is any default in the payment of the principal of or interest on any of the bonds, then upon the filing of suit by any holder of said bonds, any court having jurisdiction of the action may appoint a receiver to administer the system on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of current expenses, and to apply the revenues in conformity with the bond resolution and the provisions of the statute laws of Kentucky.

Bonds Payable – U.S. Department of Agriculture – Rural Development, Series 2010

On November 11, 2010, the Carroll County Water District No. 1 issued $1,246,000 Taxable Waterworks Revenue Bonds, Series 2010 with an interest rate of 3%. The proceeds were used to finance the 2007 water system improvement project. The first interest payment was due March 1, 2011. The first principal payment was due September 1, 2012. The final payment will be due September 1, 2049. These bonds are taxable Build America Bonds. As such, the District will receive annual federal credit payments toward the debt service of approximately 35% of each interest payment due. The credit will amount to $319,024 over the life of the issue.

NOTE 8 – LONG-TERM DEBT (Continued)

Bonds Payable – Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds Series 2021 D

On October 19, 2021, the Carroll County Water District #1 issued $2,880,000 Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2021 D, to defease $460,000 of its 2005 A Rural Development bonds and $2,755,000 of its Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012 B bonds outstanding as of that date. The defeased Rural Development Bonds had an interest rate of 4.375%. The defeased Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds Series 2012 B bonds had interest rates from 3.2% to 4.2%. The 2021 D bonds were issued at 2.75% to 5.2%. As a result of the defeasement, the District reduced its total debt service requirements by $610,602, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $524,236. Final maturity on the 2021 D issue is August 1, 2042. Underwriting expenses and other costs of issuance were $93,326. A reoffering premium was received in the amount of $343,318. The premium will be amortized as a reduction of interest expense over the life of the new issue. Amortization for the year ended December 31, 2021 was $8,073. The unamortized premium balance was $335,245.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the years ended December 31, 2021 and 2020.

December 31, 2021

	Balance at January 1, 2021	Additions	Retirements	Balance at December 31, 2021	Current Portion
Notes Payable	$ 664,597	$ -	$ 121,196	$ 543,401	$ 123,859
Bonds Payable	4,690,500	2,880,000	3,385,500	4,185,000	79,500
Accrued Compensated Absences	44,807	28,197	27,916	45,088	45,088
Total Long-term Debt	$ 5,399,904	$ 2,908,197	$ 3,534,612	$ 4,773,489	$ 248,447

December 31, 2020

	Balance at January 1, 2020	Additions	Retirements	Balance at December 31, 2020	Current Portion
Notes Payable	$ 783,239	$ -	$ 118,642	$ 664,597	$ 121,222
Bonds Payable	4,853,500	-	163,000	4,690,500	170,500
Accrued Compensated Absences	42,173	27,119	24,485	44,807	44,807
Total Long-term Debt	$ 5,678,912	$ 27,119	$ 306,127	$ 5,399,904	$ 336,529

The annual requirements for all long-term debt outstanding at December 31, 2021, are as follows:

Due	Notes Payable	Notes Payable Interest	Service Fee	Bonds	Bonds Interest	Trustee Fee	Federal Credit Interest Payment	Total Principal, Interest, Trustee Fee & Servicing Fee
2022	$ 123,859	$ 8,784	$ 1,117	$ 79,500	$ 118,604	$ 450	$ 11,120	$ 343,434
2023	126,555	6,089	864	165,000	139,628	450	10,878	449,464
2024	129,311	3,333	606	176,000	131,870	450	10,637	452,207
2025	7,224	1,214	405	182,500	123,553	450	10,385	325,731
2026	7,278	1,160	387	194,000	114,936	450	10,122	328,333
2027-31	37,218	4,970	1,657	1,099,000	431,462	2,250	46,306	1,622,863
2032-36	38,637	3,550	1,183	1,217,000	227,838	2,250	38,138	1,528,596
2037-41	40,110	2,076	692	606,500	83,930	2,250	28,382	763,940
2042-46	33,209	563	187	298,500	33,152	900	16,727	383,238
2047-49	-	-	-	167,000	6,801	-	3,219	177,020
	$ 543,401	$ 31,739	$ 7,098	$ 4,185,000	$ 1,411,774	$ 9,900	$ 185,914	$ 6,374,826

NOTE 8 – LONG-TERM DEBT (Continued)

Changes in Long-term Debt (Continued)

The annual requirements for all long-term debt outstanding at December 31, 2020, are as follows:

Due	Notes Payable	Notes Payable Interest	Service Fee	Bonds	Bonds Interest	Trustee Fee	Federal Credit Interest Payment	Total Principal, Interest, Trustee Fee & Servicing Fee
2021	$ 121,222	$ 11,421	$ 1,364	$ 170,500	$ 156,655	$ 450	$ 11,351	$ 472,963
2022	123,859	8,784	1,117	171,500	151,272	450	11,120	468,102
2023	126,555	6,089	864	178,000	145,727	450	10,878	468,563
2024	129,311	3,333	606	184,000	140,020	450	10,637	468,357
2025	7,224	1,214	405	191,500	134,071	450	10,385	345,249
2026-30	36,940	5,247	1,749	1,060,500	568,222	2,250	47,776	1,722,684
2031-35	38,349	3,838	1,279	1,226,000	358,365	2,250	39,891	1,669,972
2036-40	39,812	2,376	792	876,500	141,164	1,800	30,472	1,092,916
2041-45	41,325	857	286	412,000	47,107	-	19,226	520,801
2046-49	-	-	-	220,000	11,091	-	5,529	236,620
	$ 664,597	$ 43,159	$ 8,462	$ 4,690,500	$ 1,853,694	$ 8,550	$ 197,265	$ 7,466,227

NOTE 9 – COMPENSATED ABSENCES

Employees receive one half sick day per month for sick time. A maximum of six months sick leave may be accumulated and credited to service time at retirement. Upon termination of employment, no portion of accrued sick leave is payable. Vacation days accumulate as follows:

Full Years of Continuous Service	Earned Vacation
First (Incoming) Year	40 hours
One (1) to Five (5) Years	80 hours
Six Years	88 hours
Each Service Year Until Fifteen	+8 hours/year
Fifteen (15) Years and Over	160 hours

Unused vacation may be carried into the next calendar year not to exceed thirty (30) working days (240 hours). Vacation in excess of 30 days will be forfeited unless bought back by the District.

The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

Sick leave accumulated but not accrued at December 31, 2021 and 2020 was $71,124 and $62,849, respectively. At December 31, 2021 and 2020, a liability for accrued vacation due was recorded in the amount of $45,088 and $44,807, respectively.

NOTE 10 – FUND EQUITY – RESTRICTED / UNRESTRICTED NET POSITION

Restricted for Debt Service:

	December 31, 2021	December 31, 2020
RECD Revenue Bonds of 2005 Series A and B, 2010 Series; Kentucky Rural Water Refunding Revenue Bonds, Series 2012 B and Kentucky Infrastructure Authority Note Payable		
Cash	$ 2,094,594	$ 1,532,860
Add: Accrued Interest Receivable	2,481	2,829
Less: Accrued Interest Payable	(32,389)	(63,242)
Total Restricted for Debt Service	$ 2,064,686	$ 1,472,447

NOTE 10 – FUND EQUITY – RESTRICTED / UNRESTRICTED NET POSITION

Unrestricted net position was reduced by $69,703 and $180,854 for the years ended June 30, 2021 and 2020, respectively, as a result of the transactions recorded by the District to reflect its proportionate share of the County Employees Retirement System's Net Pension Liability and Net OPEB Liability. The accounts affected were as follows:

	2021	2020
Increase (Decrease) in Deferred Outflows of Resources	$ (18,478)	$ 14,802
(Increase) Decrease in Deferred Inflows of Resources	(300,081)	49,172
(Increase) Decrease in Net Pension Liability	175,698	(111,836)
(Increase) Decrease in Net OPEB Liability	73,158	(132,992)
Net Decrease in Unrestricted Net Position	$ (69,703)	$ (180,854)

NOTE 11 – INTEREST EXPENSE

Interest expense incurred for the years ended December 31, 2021 and 2020 was $167,524 and $188,054, respectively.

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN)

The Carroll County Water District No. 1 participates in the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees administered by the Kentucky Public Pension Authority (KPPA). Under revised Statute Section 78.732 and 61.645, the KPPA oversee s the administration and operation of the personnel and accounting systems for the CERS, which is administered by the CERS board.

The responsibility for the general administration and operation of CERS is vested in its Board of Trustees. The CERS Board of Trustees consist of 9 members. Six trustees are appointed by the governor and three are elected by CERS members and retired members. Of the six appointed trustees, three must have investment experience and three must have retirement experience as defined by statute. All appointments by the governor are subject to Senate confirmation.

The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS's pension and insurance funds. Additionally, the Kentucky Public Pensions Authority issues publicly available financial reports that include the Schedules of Employer Allocations and Pension amounts by Employer, and the Schedules of Employer Allocations and OPEB Amounts, by Employer. The most recent financial reports, may be obtained on-line as follows:

- Kentucky Retirement Systems Audit Report – 2021
https://kyret.ky.gov/Publications/Books/2021%20Annual%20Report.pdf

- KRS Schedules of Employer Allocations & Pension Amount by Employer for the Fiscal Year Ended June 30, 2021
https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2021%20GASB%2068%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf

- KRS Schedules of Employer Allocations & OPEB Amounts by Employer for the Fiscal Year Ended June 30, 2021
https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2021%20GASB%2075%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf

- Kentucky CERS GASB 68 Accounting & Financial Reporting for Pensions as of June 30, 2021 (Actuarial Report)
https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2021%20GASB%2068%20Actuary%20Report%20CERS.pdf

- Kentucky CERS GASB 75 Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions as of June 30, 2021 (Actuarial Report)
https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2021%20GASB%2075%20Actuary%20Report%20CERS.pdf

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Basis of Accounting – CERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

Method Used to Value Investments/Investment Objectives – Investments of the plan are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes KRS' gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded net of investment fees.

The investment objectives of the portfolios are to produce results that exceed the stated goals over both short-term and long-term periods.

- Shorter-Term (5 years and less): The returns of the particular asset classes of the managed funds, measured on an annual basis, should exceed the return achieved by a policy benchmark portfolio of comparable unmanaged market indices.
- Medium-Term (5 to 20 years): The returns of the particular asset classes of the managed funds, measured on a rolling 5 to 20 year basis should exceed the returns achieved by a policy benchmark portfolio composed of comparable unmanaged market indices and perform above the median of an appropriate peer universe, if there is one.
- Longer-Term: The total assets of the KRS should achieve a return of 6.25% for CERS pension and insurance plans. This is measured for 20 years and beyond and should exceed the actuarially required rate of return as well as the return achieved by its total fund benchmark.

Target Asset Allocation – Pension and Insurance as of June 30, 2021 and 2020:

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long-term inflation assumption is 2.3% per annum.

	Target Asset Allocation		Long-Term Expected Rate of Return	
	2021	2020	2021	2020
Combined Equity	53.50%	52.50%	5.70%-9.70%	3.90%-5.25%
Combined Fixed Income	15.00%	13.50%	2.80%	-0.25%
Private Equity	10.00%	10.00%	0.00%	6.65%
Real Return	10.00%	15.00%	4.55%	3.95%
Real Estate	10.00%	5.00%	5.40%	5.30%
Opportunistic	0.00%	3.00%	0.00%	2.25%
Cash	1.50%	1.00%	-0.60%	-0.75%
	100.00%	100.00%	5.00%	3.96%

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

- The investment portfolio for the Pension Funds reported a net return of 25.00% for the fiscal year 2021 compared to 1.15% return for fiscal year 2020. The investment portfolio for the Insurance Fund reported a net return of 24.95% for the fiscal year, which was higher than fiscal year 2020 net return of 0.48%. The investment return was above the 6.25% assumed rate of return.

PENSION PLAN DESCRIPTION – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in non-hazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS along with hazardous duty positions of each participating county, city, or school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments were provided annually equal to the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or 25 years of 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

Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings for Tier 1 and Tier 2. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after earning a minimum months of service credit (120 months for Tier 2 and 180 months for Tier 3).

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in a lump sum. The beneficiary of a deceased active member is eligible for a monthly benefit if the member was (1) eligible for retirement at the time of death or, (2) under the age of 65 for non-hazardous members with at least 60 months of service credit and currently working for a participating agency at the time of death, or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump-sum payment of the member's contributions and any accumulated interest.

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

Contributions – Local government participating employers are required to contribute at an actuarially determined rate per Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. Under House Bill 352, the 2020 General Assembly only passed a one year budget (for the fiscal year ended June 30, 2021 due to the COVID-19 pandemic crisis. For the fiscal years ended June 30, 2021 and 2020 participating non-hazardous employers contributed 24.06% of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years ended June 30, 2021 and 2020 were 26.95% and 27.28%, respectively. Administrative costs of KRS are financed through employer contributions and investment earnings.

House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

Non-hazardous employer contributions for the year ended June 30, 2021 and 2020, of 24.06% were allocated 19.30% to CERS's pension fund and 4.76% to CERS OPEB (health insurance) fund, respectively.

For the fiscal years ended June 30, 2021 and 2020, membership consisted of:

Tier 1:

Plan members who began participating prior to September 1, 2008, are required to contribute 5% non-hazardous, of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2:

Plan members who began participating on, or after, September 1, 2008 and before January 1, 2014, are required to contribute a total of 6% non-hazardous, of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contributions are deposited to the member's account. One percent of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%.

If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3:

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. These members are classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5%, of their annual creditable compensation and an additional 1% to the health insurance fund which is not credited to the member's account and is not refundable. Tier 3 member accounts are also credited with an employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the systems' GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30th of the previous year (Upside Sharing Interest). It is possible that one system in KPPA may get an Upside Sharing Interest, while another may not.

The one percent of pay member contributions for Tier 1 and Tier 2 members to a 401(h) subaccount are considered an OPEB asset.

Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (Pension Plan)

Per the Kentucky Retirement System's 2021 Comprehensive Annual Financial Report, the actuarially determined contribution rates effective for fiscal year 2021 were calculated as of June 30, 2019.

Based on the June 30, 2019, actuarial vlauation report (as amended by SB249, passed during the 2020 legislative session), the actuarial methods and assumptions used to calculate the required contributions are below:

Item	CERS June 30, 2021 Non-Hazardous	CERS June 30, 2020 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2019	June 30, 2018
Actuarial Cost Method:	Entry Age Normal	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.	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	Level Percent of Pay
Amortization Period:	30 Years, closed period at June 30, 2019. Gains/Losses incurring after 2019 will be amortized over separate closed 20 year amortization bases.	25 Years, Closed
Payroll Growth Rate:	2.00%	2.00%
Investment Return:	6.25%	6.25%
Inflation:	2.30%	2.30%
Salary Increases:	3.30% to 10.30%, varies by service	3.30% to 11.55%, varies by service
Mortality:	System-specific mortaility 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.	RP-200 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females). For healthy retired members and beneficiaries, the mortality table used is the RP Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 combined disabled mortality table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018	N/A

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Actuarial Methods and Assumptions Used in Calculation of the Actuarially Determined Total Pension Liability and Net Pension Liability

The Board of Trustees, in consultation with the actuary, set the actuarial assumptions and methods in the actuarial valuation. In general, the assumptions used in the June 30, 2021 actuarial valuations were adopted for first use in the June 30, 2019 valuation and are based on an experience study conducted with experience through June 30,2018. There were no changes in actuarial assumptions or methods since the prior valuation. The net pension liability as of June 30, 2021, is based on the June 30, 2020 actuarial valuation rolled forward to June 30, 2021. The total pension liability, net pension liability and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date to the measurement date at June 30, 2021, using generally accepted actuarial principles.

The net position liability as of June 30, 2020, was based on the June 30, 2019 actuarial valuation rolled forward. The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the measurement date at June 30, 2020, using generally accepted actuarial principles.

The actuarial assumptions are:

	June 30, 2021 and 2020
Inflation	2.30%
Salary Increases	3.30% - 10.30% varies by service
Investment Rate of Return	6.25%

The mortality table(s) used in the determination of the total pension liability as of June 30, 2021 and 2020 were as follows.

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

Discount Rate

The single discount rate of 6.25% for CERS was based on the expected return on pension investments. The projection of cash flows used to determine the single discount rate assumes that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy established in statute, as last amended by House Bill 362 (passed in 2018).

The discount rate does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KPPA Comprehensive Annual Financial Report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension

At December 31, 2021 and 2020 the District reported a liability of $1,228,741 and $1,404,439, respectively for its proportionate share of the net pension liability. The net pension liability for CERS was measured as of June 30, 2021, and 2020 and was based on the actual liability of the employees and former employees relative to the total liability of the system as determined by an actuarial valuation as of those dates. 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 employers, actuarially determined. At June 30, 2021, and 2020 the District's proportion was 0.019272% and 0.018311% percent, respectively, which is an increase of 0.000961 and a decrease of 0.000068% for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension **(Continued)**

The District's total payroll for the calendar year ended December 31, 2021 was $527,883. Contributions to the CERS were based on $512,133 (covered payroll). The total employer pension contributions for the calendar year ended December 31, 2021 were $103,826.

The District's total payroll for the calendar year ended December 31, 2020 was $502,549. Contributions to the CERS were based on $480,024 (covered payroll). The total employer pension contributions for the calendar year ended December 31, 2020 were $92,645.

All contributions were made as required.

The District's contribution for the County Employees' Retirement System's year(s) ended June 30, 2021, and 2020 was 0.019272 and 0.018311 percent, respectively, of the System's total contribution requirements for all employers.

For the years ended December 31, 2021, and December 31, 2020, the District recognized pension expense of $156,887 and $234,701, respectively. At December 31, 2021 and 2020 the District reported deferred outflows of resources and deferred inflows of resources related to CERS pensions from the following sources:

	December 31, 2021		December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 14,110	$ 11,926	$ 35,022	$ -
Change in Assumptions	16,491	-	54,841	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	50,924	291	18,654	547
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	47,667	211,438	60,878	25,733
District Contributions Made Subsequent to the NPL Measurement Date	56,422	-	47,603	-
Total	$ 185,614	$ 223,655	$ 216,998	$ 26,280

$56,422 and $47,603 reported as deferred outflows of resources related to pensions arising from District contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in the years ended December 31, 2022 and 2021, respectively. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on pension plan investments will be netted and amortized over five years and recognized in pension expense. Amounts reported as deferred outflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in pension expense over the expected remaining service lives of all employees. Total amortization to be recognized in pension expense is presented below as follows:

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension* (Continued)**

Year Ended December 31, 2021:		Increase (Decrease) to Pension Expense
	2022	$ 8,044
	2023	(16,012)
	2024	(35,210)
	2025	(51,285)
		$ (94,463)

Year Ended December 31, 2020:		Increase (Decrease) to Pension Expense
	2021	$ 72,074
	2022	39,959
	2023	16,967
	2024	14,115
		$ 143,115

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of CERS [as reported in its publicly available financial statements for the years ended June 30, 2021 and 2020, calculated using the discount rates of 6.25% and 6.25% for the years ended June 30, 2021 and 2020, respectively, as well as what CERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2021	1% Decrease [5.25%]	Current Discount [6.25%]	1% Increase [7.25%]
Net Pension Liability	$ 8,177,245,927	$ 6,375,784,388	$ 4,885,117,245
District's Proportionate Share	1,575,919	1,228,741	941,460

As of June 30, 2020	1% Decrease [5.25%]	Current Discount [6.25%]	1% Increase [7.25%]
Net Pension Liability	$ 9,458,676,903	$ 7,669,917,211	$ 6,188,756,202
District's Proportionate Share	1,731,978	1,404,439	1,133,223

The discount rate determination does not use a municipal bond rate.

Payable to the Pension Plan

At December 31, 2021 and 2020, the District reported a payable of $13,831 and $10,110 for the outstanding amount of contributions required tor the years then ended. The amount represents the employee withholding and employer match for the last month of the years then ended.

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

OPEB PLAN

Insurance (OPEB) Plan Description – The Kentucky Public Pension Authority's Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. A portion of the insurance premiums are withheld from benefit payments for members including those of the CERS Non-Hazardous system.

Contributions

Members participating prior to July 1, 2003, pay a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be $10 for each year of earned service increased by the CPI prior to July 1, 2009 and by 1.5% annually from July 1, 2009.

The amount of benefit paid by the Insurance Fund for members participating prior to July 1, 2003, are as follows:

Portion Paid by Insurance Fund

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19+ years	75.00%
10-14+ years	50.00%
4-9+ years	25.00%
Less than 4 years	0.00%

For the fiscal years ended June 30, 2021 and 2020, plan members who began on, or after, September 1, 2008 (classified in the Tier 2 or Tier 3 structure of benefits) were required to contribute 1% of their annual creditable compensation to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E), which is considered an OPEB asset.

If a member terminates employment the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Participating employers are required to contribute at an actuarially determined rate as described previously.

Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (OPEB)

Per the Schedule of Employer Allocations and OPEB Amounts by Employer for Kentucky Retirement Systems, *Reports for Postemployment Benefits* prepared as of June 30, 2021 and 2020, the actuarially determined contribution rates effective for fiscal year ending June 30, 2021 and 2020 are calculated based on the actuarial methods and assumptions as follows:

Item	CERS June 30, 2021 Non-Hazardous	CERS June 30, 2020 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2019	June 30, 2018
Experience Study	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013
Actuarial Cost Method:	Entry Age Normal	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.	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	Level Percent of Pay
Amortization Period:	30-Year, closed period at June 30, 2019. Gains/Losses incurring after 2019, will be amortized over separate 20 year amortization bases.	25 Years, Closed
Payroll Growth Rate:	2.00%	2.00%
Investment Return:	6.25%	6.25%
Inflation:	2.30%	2.30%
Salary Increases:	3.30% to 10.30%, varies by service	3.30% to 11.55%, 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.	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
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.	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 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.	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 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.	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and Net OPEB Liability

The assumed increase in future health care costs, or trend assumptions was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. There were no other material assumption changes.

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

For financial reporting the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

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

The actuarial methods and assumptions used to determine the Total OPEB Liability and Net OPEB Liability are as follows:

Item	CERS June 30, 2021 Non-Hazardous	CERS June 30, 2020 Non-Hazardous
Inflation	2.30%	2.30%
Payroll Growth Rate	2.00%	2.00%
Salary Increases	3.30%-10.3% varies by service	3.05% average
Investment Rate of Return	6.25%	6.25%
Healthcare Trend Rates		
Pre-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality		
Pre-retirement	PUB-2010 General Mortality Table projected with th ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 General Mortality Table projected with th ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.	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.
Post-retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, prrojected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, prrojected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Discount Rate

The Insurance Plan single discount rate of 5.20% was used to measure the total OPEB liability as of June 30, 2021. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92% as reported in Fidelity Index's "20-year Municipal GO AA Index", as of June 30, 2021. The discount rate of 5.34% was used to measure the total OPEB liability as of June 30, 2020 and was based on the expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-year Municipal GO AA Index" as of June 30, 2020.

Implicit Employer Subsidy for non-Medicare retirees:

The fully-insured premiums KPPA pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

The cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Kentucky Public Pension Authority's CAFR.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan

At December 31, 2021 and 2020 the District reported a liability of $368,876 and $442,034, respectively.

The District's total payroll for the calendar year ended December 31, 2021 was $527,883. Contributions were based on $512,133 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended December 31, 2021 were $27,096.

The District's total payroll for the calendar year ended December 31, 2020 was $502,549. Contributions were based on $480,024 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended December 31, 2020 were $22,849.

All contributions were made as required.

The allocation of the employers' proportionate share of the Net OPEB Liability and OPEB expense was determined using the employer's actual contributions for the fiscal year ending June 30, 2021.

The District's contribution for the County Employee's Retirement System's (Insurance Plan) for the years ended June 30, 2021 and 2020 was 0.019268 percent and 0.018306 percent, respectively, of the System's total contribution requirements for all employers.

The implicit employer subsidy for the non-Medicare eligible retirees for the years ended June 30, 2021 and 2020 was $10,848 and $9,199, respectively.

For the years ended December 31, 2021 and 2020, the District recognized expense of $43,738 and $61,647, respectively. At December 31, 2021 and 2020 the District reported deferred outflows of resources and deferred inflows of resources related to CERS OPEB from the following sources:

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan **(Continued)**

	December 31, 2021		December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 58,006	$ 110,134	$ 73,855	$ 73,912
Change in Assumptions	97,796	343	76,888	468
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	23,777	1,701	14,468	2,363
Difference Between Projected and Actual Investment Earnings on Insurance Plan Investments	18,585	76,291	23,712	9,020
District Contributions Made Subsequent to the Net OPEB Measurement Date	15,405	-	11,740	-
Total	$ 213,569	$ 188,469	$ 200,663	$ 85,763

$15,405 and $11,740 reported as deferred outflows of resources related to OPEB arising from District contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the years ended December 31, 2022 and 2021 respectively. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on OPEB plan investments will be netted and amortized over five years and recognized in OPEB expense. Amounts reported as deferred outflows of resources and deferred inflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in OPEB expense over the expected remaining service lives of all employees. Total amortization to be recognized in OPEB expense is presented below as follows:

Year Ended December 31, 2021:		**Increase (Decrease) to OPEB Expense**
	2022	$ 16,235
	2023	7,453
	2024	4,274
	2025	(18,267)
		$ 9,695

Year Ended December 31, 2020:		**Increase (Decrease) to OPEB Expense**
	2021	$ 27,684
	2022	32,032
	2023	23,695
	2024	20,566
	2025	(817)
		$ 103,160

NOTE 12 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Payable to the OPEB Health Insurance Plan

At December 31, 2021 and 2020, the District reported a payable of $3,776 and $2,493, respectively for the outstanding amount of contributions required for the years then ended. This amount represents the employee withholding and employer match for the last month of the years then ended.

Sensitivity of the District's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability to Changes in the Discount Rate and Healthcare Trend Rate

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2021, calculated using the single discount rate of 5.20% as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2021	1% Decrease [4.20%]	Current Discount [5.20%]	1% Increase [6.20%]
Net OPEB Liability	$ 2,628,525,378	$ 1,914,449,967	$ 1,328,432,699
District's Proportionate Share	506,464	368,876	255,962

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2021, calculated using the healthcare cost trend rate for the year ended June 30, 2021 as well as what CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2021	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 1,378,176,465	$ 1,914,449,967	$ 2,561,740,477
District's Proportionate Share	265,547	368,876	493,596

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the single discount rate of 5.34% as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2020	1% Decrease [4.34%]	Current Discount [5.34%]	1% Increase [6.34%]
Net OPEB Liability	$ 3,102,175,364	$ 2,414,695,884	$ 1,850,046,176
District's Proportionate Share	567,884	442,034	338,669

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the healthcare cost trend rate for the year ended June 30, 2020 as well as what CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2020	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 1,869,578,166	$ 2,414,695,884	$ 3,076,209,120
District's Proportionate Share	342,245	442,034	563,131

NOTE 13 – ECONOMIC DEPENDENCY

Carroll County Water District No. 1 provides water services to residential, commercial and industrial customers. It should be noted that 15.0% and 13.5% of total water revenue was received from two industries, North American Stainless and Nucor Steel, for the years ended December 31, 2021 and 2020.

NOTE 14 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risks is covered through premiums paid to Kentucky Association of Counties All Lines Fund. The District is also subject to the risks associated with employee injury. These risks are covered through premiums paid to the Kentucky Association of Counties, Workers' Compensation Self-insurance Fund. Such coverage is retrospectively rated and premiums may be adjusted based on experience.

NOTE 15 – BAD DEBT EXPENSE

Water revenue charges have been netted with an estimated bad debt expense of $10,256 and $22,772 at December 31, 2021 and 2020, respectively.

NOTE 16 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Carroll County Water District No. 1, has entered into a water resale agreement with Kentucky American Water Company to supply Kentucky American Water Company's customers in the area of Wheatley, Kentucky. Under this agreement, as amended September 15, 2013, Carroll County Water District No. 1 will sell its water to the Kentucky American Water Company at a price of $183.50 plus $2.26 / 1000 gallons monthly. The agreement is for a term of 20 years with automatic one-year extensions unless terminated by either party upon one year's written notice. Rates may be modified by providing 120 days notice or by action of the Public Service Commission.

The District has entered into a 99 year lease with the City of Ghent for the use of one of the City's buildings. The District paid the City $15,000 for the lease. The prepayment is being amortized over the life of the lease.

During the 2018 Kentucky Legislature Session, House Bill 362 passed which caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period July 1, 2018 to June 30, 2028. During the 2020 regular session, Senate Bill 249 froze the CERS employer rate phase-in for one year in response to the COVID-19 epidemic. The CERS Employer rate beginning July 1, 2021 and 2020 have been set at 26.95% and 24.06% respectively.

NOTE 17 – CHANGE IN PRESENTATION

In prior audits, the expense attributable to pension plan and other post employment benefits (OPEB) were split between retirement expense and other post employment retirement benefits, and included both employer contributions and the effects of the transactions arising from GASB 68 and 75 in reporting the district's share of the County Employee's Retirement System's net pension liability and net OPEB liability. In this report the expense to the District has been classified under the categories of retirements plan and OPEB contributions, retirement plan expense attributable to GASB 68, and other post employment benefits (OPEB) expense attributable to GASB 75 reporting.

NOTE 18 – CORONAVIRUS

In March, 2020 significant steps were taken by federal and state governments to limit the effect of the COVID-19 virus. The effect of executive governmental orders to discontinue the collection of penalties and enforcement of cutoff policies during the periods included herein are reflected in this report. With the increase in the Delta variant of COVID-19, Kentucky extended the State of Emergency until January, 2022. Impacts that future decisions may have on the financial position of the District is unknown at this time.

NOTE 19 – SUBSEQUENT EVENTS

The District has been awarded a Cleaner Water Program (CWP) Grant in the amount of $190,435 through the Kentucky Infrastructure Authority. These funds are provided through the American Rescue Plan Act of 2021, Corona Virus State Recovery Fund and must be obligated by December 31, 2026. Management has considered subsequent events through the date of this report August 2, 2022, for disclosure. No events were identified that would have impacted the financial statements for the year ended December 31, 2021.

CARROLL COUNTY WATER DISTRICT NO. 1

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset) %	0.019272%	0.018311%	0.018379%	0.017972%	0.016683%	0.016485%	0.01638%	0.016490%
District's proportionate share of the net pension liability (asset)	$ 1,228,741	$ 1,404,439	$ 1,292,603	$ 1,094,550	$ 976,507	$ 811,645	$ 704,435	$535,000
District's covered payroll (calendar year)	$ 512,133	$ 480,024	$ 471,269	$ 447,333	$422,380	$ 400,856	$ 394,012	$382,520
District's proportionate share of the net pension liability (asset) as a percentage of its of its covered payroll	239.93%	292.58%	274.28%	244.68%	231.19%	202.48%	178.79%	139.86%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.3%	55.5%	59.97%	66.80%

Calculations of the District's proportion of the net pension liability (%) and proportionate share of the net pension liability ($) are based on reports of the Kentucky Retirement Systems', County Employees Retirement Systems' Schedule of Employer Allocations and Pension Amounts by Employer for the fiscal years ended June 30, shown.

District payroll is reported for its' covered calendar years ending December 31, 2014 through 2021.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become totally and permanently disabled in the line of duty or as a result of a duty related disability.

	2021	2020	2019	2018	2017	2016	2015	2014
Inflation	2.30%	2.30%	2.30%	2.30%	2.30%	3.25%	3.25%	3.50%
Salary Increases	3.30%-10.30%	3.30%-10.30%	3.30%-10.30%	3.05%	3.05%	4.00%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%	6.25%	7.50%	7.50%	7.75%

The mortality table(s) used in the determination of the total pension liability as of June 30, 2019 - 2021 were as follows. The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazadous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retireed members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

In previous years the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The assumed rates of retirement, withdrawal, and disability were based on an actuarial valuation performed as of June 30, 2019.

See accompanying notes to the basic financial statements

CARROLL COUNTY WATER DISTRICT NO. 1

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (PENSION)
COUNTY EMPLOYEES RETIREMENT SYSTEM

For Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contributions	$ 103,826	$ 92,645	$ 81,039	$ 68,732	$ 59,317	$ 54,235	$ 51,276
Contributions in relation to the contractually required contributions	103,826	92,645	81,039	68,732	59,317	54,235	51,276
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll (calendar year)	$ 512,133	$ 480,024	$ 471,269	$ 447,333	$ 422,380	$ 400,856	$ 394,012
Contributions as a percentage of covered payroll	20.27%	19.30%	17.19%	15.36%	14.04%	13.52%	13.01%

The District's contributions above include only contributions to the County Employees Retirement System Pension Fund. GASB 68 requires the District to present the above information for the CERS pension for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

See accompanying notes to the basic financial statements

CARROLL COUNTY WATER DISTRICT NO. 1

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
Years Ended December 31

	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability (asset) %	0.019268%	0.018306%	0.018374%	0.017972%	0.016683%
District's proportionate share of the net OPEB liability (asset)	$ 368,876	$ 442,034	$ 309,042	$ 319,089	$ 335,385
District's covered payroll (Calendar Year)	$ 512,133	$ 480,024	$ 471,269	$ 447,333	$ 422,380
District's proportionate share of the net OPEB liability (asset) as a percentage of its of its covered payroll	72.03%	92.08%	65.58%	71.33%	79.40%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.4%

Calculations of the District's proportion of the net OPEB liability (%) and proportionate share of the net OPEB liability ($) are based on reports of the Kentucky Retirement Systems', County Employees Retirement Systems' Schedule of Employer Allocations and OPEB Amounts by Employer for the fiscal years ended June 30, shown.

GASB 75 requires the District to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

District covered payroll is reported for its calendar year.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Actuarial Methods and Assumptions for Determining Net OPEB Liability:

	2021	2020	2019	2018	2017
Payroll Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Salary Increases	3.30%-10.30 varies by service	3.30%-10.30% varies by service	3.30%-10.30% varies by service	3.05% Average	3.05% Average
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%	6.25%
Inflation	2.30%	2.3%	2.3%	2.3%	2.3%
Healthcare Trend Rates: Pre-65	Initial trend at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Trend Rates: Post-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality: Pre-Retirement	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
Post-Retirement	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.	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.	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.	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).
Post-Retirement (disabled)	PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability.	PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability.	PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability.	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

See accompanying notes to the basic financial statements

CARROLL COUNTY WATER DISTRICT NO. 1

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (OPEB)
COUNTY EMPLOYEES RETIREMENT SYSTEM

Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contributions	$ 27,096	$ 22,849	$ 26,270	$ 22,310	$ 20,112	$ 17,604	$ 17,092
Contributions in relation to the contractually required contributions	27,096	22,849	26,270	22,310	20,112	17,604	17,092
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll (calendar year)	$ 512,133	$ 480,024	$ 471,269	$ 447,333	$ 422,380	$ 400,856	$ 394,012
Contributions as a percentage of covered payroll	5.29%	4.76%	5.57%	4.98%	4.76%	4.39%	4.33%

The District's contributions above include only the contributions to the County Employees Retirement System Insurance Fund.

GASB 75 requires the District to present the above information for the CERS OPEB Plan for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

See accompanying notes to the basic financial statements

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

To the Commissioners of the
Carroll County Water District No. 1
Ghent, KY 41045

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 Carroll County Water District No. 1 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Carroll County Water District No. 1's basic financial statements and have issued our report thereon dated August 2, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Items 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County Water District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Carroll County Water District No. 1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Carroll County Water District No. 1's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Carroll County Water District No. 1's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS P.S.C
Certified Public Accountants
Carrollton, Kentucky

August 2, 2022

CARROLL COUNTY WATER DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Carroll County Water District No. 1 were prepared in accordance with GAAP.

2. Two material weaknesses in internal control related to the audit of the financial statements are reported in the 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.* Items 2021-001 and 2021-002 were reported as material weaknesses.

3. No instances of noncompliance material to the financial statements of Carroll County Water District No. 1 which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2021-001 SIZE OF ENTITY, CROSS-TRAINING AND CHECKING PROCEDURES

CONDITION:

District personnel have implemented sound oversight procedures over cash reconciliations and the monthly billing and expense disbursement processes. However, instances were observed where certain adjustments capitalizing assets, and adjusting liability accounts to actual in the District's general ledger were not made. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2020 as Item 2020-001.

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow timely preparation of financial data consistent with management assertions.

CAUSE:

Cost of system improvements were not capitalized in all cases. Some accruals were not adjusted to reflect actual year end balances. The Kentucky Public Pension Authority's Audit of the County Employees Retirement System by Employer for its year ended June 30, 2021 was not available timely for accurate reporting.

EFFECT:

This limitation may affect the ability to timely record, process, summarize and report financial data.

RECOMMENDATION:

Management should consider financial statement implications when posting to the general ledger to ensure accurate balances. The District may want to adopt a capitalization threshold.

VIEWS of RESPONSIBLE OFFICIALS:

We concur with the recommendation. Management has enhanced and will further advance the monthly review and checking procedures associated with its financial information. Management has provided training in the past to improve internal improvements. Management is also seeking a trustworthy source to assist on a monthly basis to create assurances and provide expertise in the area in an efficient manner

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

2021-002 FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES

CONDITION:

District financial statements, including the required disclosures, are prepared as part of the annual audit. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2020 as 2020-002.

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

CAUSE:

The draft financial statements and disclosures are prepared during the audit process. Recommended adjusting entries are approved and entered into the District's general ledger.

EFFECT:

Management engaged the auditor to assist with the preparation of the draft financial statements, including the related notes.

RECOMMENDATION:

District management should continue to enhance its knowledge of reporting requirements in providing oversight of this service.

VIEWS of RESPONSIBLE OFFICIALS:

As in the past, the outsourcing of this service is a result of management's cost benefit decision to avoid incurring internal resource costs. We concur with the recommendation and will continue to improve our overall accounting knowledge in performing our oversight responsibilities. We are aware of our responsibilities for the financial statements. Management is continuing in the efforts to make improvements within bookkeeping procedures. It also realizes that the Governmental Accounting Standards Board (GASB) continues to change its generally accepted accounting principles (GAAP) for the state and local governments. Therefore, management will be seeking a trustworthy source to obtain additional assistance in this matter.

COMPLIANCE AND OTHER MATTERS

NONE