

**CORINTH WATER DISTRICT**  
**FINANCIAL STATEMENTS**

**For Years Ending December 31, 2021 and 2020**

**CORINTH WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**For Years Ending December 31, 2021 and 2020**

**Table of Contents**

	<b><u>Pages</u></b>
Board of Commissioners	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
Statements of Net Position	9-10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to the Financial Statements	13-28
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure - Non-Hazardous Plan	29
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure - Non-Hazardous Plan	30
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 <i>Government Auditing Standards</i>	31-32

**CORINTH WATER DISTRICT**  
**BOARD OF COMMISSIONERS**  
December 31, 2021 and 2020

**Chair**

Dan Field

**Treasurer**

Cherish Kennedy

**Secretary**

Ashley Lauderman

**Legal Counsel**

Pete Whaley, Attorney at Law

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Commissioners  
Corinth Water District  
Corinth, Kentucky**

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corinth Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the

aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen, & Co., Inc.**

Erlanger, Kentucky

July 11, 2022

**CORINTH WATER DISTRICT  
P.O. BOX 218  
CORINTH, KY 41010**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent year by \$923,471 (net position). Net position increased by \$7,837 from the prior year.
- At the end of the current year, unrestricted net position was (\$123,262), which is an decrease of \$121,077 from the prior year.

**USING THIS ANNUAL REPORT**

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

**Basis of Accounting**

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

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

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

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

**SUMMARY OF NET POSITION**

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

**Table 1  
Net Position**

	2021	2020
Current assets	\$ 196,282	\$ 146,784
Restricted assets	151,922	40,284
Capital assets	2,901,454	3,041,007
Deferred outflow of resources	153,323	62,930
Total assets and deferred outflow of resources	<u>3,402,981</u>	<u>3,291,005</u>
Current liabilities	46,851	49,869
Liabilities from restricted assets	4,376	4,074
Long-term liabilities	2,298,458	2,177,200
Deferred inflow of resources	129,825	144,228
Total liabilities and deferred inflow of resources	<u>2,479,510</u>	<u>2,375,371</u>
Net position:		
Invested in capital assets, net of related debt	894,811	1,119,690
Restricted	151,922	40,283
Unrestricted	<u>(123,262)</u>	<u>(244,339)</u>
Total net position	<u>\$ 923,471</u>	<u>\$ 915,634</u>

The District's net position for 2021 increased by \$7,837, or 0.86%, as compared to a \$399, or 0.0436% increase in the previous year. The 2021 increase is due to a higher operating income, a significantly lower pension obligation expense, and lower interest on long-term bond obligations during the year.

The largest portion of the District's net position (96.9%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

An additional portion of the District's net position 16.5% is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

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

## **SUMMARY OF CHANGES IN NET POSITION**

### Operating Revenues

Operating revenues increased \$18,559, or 2.41%. This was primarily because the summer of 2021 was warm and dry resulting in increased water sales.

### Operating Expenses

Operating expenses increased \$13,195 or 1.76%. The District experienced increases in bad debt expenses, contractual services, materials and supplies, and transportation expense during 2021. Purchased water costs actually decreased during the year.

### Net Effect of Change in Pension and OPEB Expense

This reduction in expense represents the amount that the District's proportionate share of the estimated unfunded pension and OPEB liability associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as a reduction of a non-operating expense, \$26,591, is the result of booking the change in the liability and the related deferred inflows and outflows less any amortization of those inflows and outflows between December 31, 2021 and December 31, 2020. See Note 6 to the financial statements for a more complete explanation of this unfunded liability and the related deferred inflows and outflows.

### Capital Contributions

Capital contributions decreased \$1,954 from 2020 to 2021.

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

**Table 2**  
**Changes in Net Position**

	2021	2020
Operating revenues:		
Water revenue	\$ 778,259	\$ 758,168
Forfeited discounts	1,789	4,938
Miscellaneous service revenues	7,260	5,643
Total operating revenues	787,308	768,749
Total operating expenses	759,993	746,799
Net operating (loss) income	27,315	21,950
Non-operating income (expense):		
Interest income	(72)	40
Net effect of change in pension and OPEB expense	26,591	42,069
Amortization of bond costs	(608)	-
Interest on long-term obligations	(65,589)	(86,214)
Net non-operating expense	(39,678)	(44,105)
Net (loss) gain	(12,363)	(22,155)
Capital contributions	20,200	22,554
Change in net position	7,837	399
Net position, January 1	915,634	915,235
Net position, December 31	\$ 923,471	\$ 915,634



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2021, the District had \$2,901,454 invested in capital assets including land, water lines, vehicles, and equipment, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of \$139,552 from the prior year. This decrease is due to the fact that depreciation expense of \$166,329 exceeded the cost of new assets purchased during 2021.

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

**Table 3**  
**Capital Assets at Year End**

	2021	2020
Land	\$ 21,200	\$ 21,200
Buildings and improvements	105,885	105,885
Lines and equipment	6,468,788	6,442,012
Office furniture and fixtures	24,048	24,048
Transportation equipment	51,573	51,573
Subtotal	6,671,494	6,644,718
Accumulated depreciation	(3,770,040)	(3,603,711)
Total capital assets	<u>\$ 2,901,454</u>	<u>\$ 3,041,007</u>

The District currently has no construction in progress.

### Debt Outstanding

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

**Table 4**  
**Outstanding Debt at Year End**

	2021	2020
Bonds payable	\$ 2,000,000	\$ 1,910,600
Note payable	6,643	10,717
Total outstanding debt	<u>\$ 2,006,643</u>	<u>\$ 1,921,317</u>

At year-end, the District had \$2,006,643 in outstanding debt compared to \$1,921,317 the previous year. This is an increase of \$85,326.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Our budget for 2022 projects operating gains to increase approximately \$5,000 from the amount reported for 2021. Operating revenue is projected to increase slightly while operating expenses related to employee wages and benefits and purchased water costs are projected to increase significantly resulting in a lower operating gain.

## **FINANCIAL CONTACT**

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administrative office at Thomas Lane, Corinth, Kentucky 41010.

*Tara Wright*

Tara Wright, Manager  
Corinth Water District

<b>CORINTH WATER DISTRICT</b> <b>STATEMENTS OF NET POSITION</b> <b>December 31, 2021 and 2020</b>
---

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 70,291	\$ 8,593
Accounts receivable - customers, net of allowance	111,626	120,664
Inventories	12,195	16,066
Prepaid insurance	2,170	1,461
Total current assets	<u>196,282</u>	<u>146,784</u>
Restricted assets		
Reserve funds	60,600	24,370
Sinking funds	91,322	15,914
Total restricted assets	<u>151,922</u>	<u>40,284</u>
Capital assets		
Land	21,200	21,200
Buildings and improvements	105,885	105,885
Lines and equipment	6,468,788	6,442,012
Office furniture and fixtures	24,048	24,048
Transportation equipment	51,573	51,573
Total utility plant in service	6,671,494	6,644,718
Less accumulated depreciation	(3,770,040)	(3,603,711)
Total capital assets, net of depreciation	<u>2,901,454</u>	<u>3,041,007</u>
<b>Total assets</b>	3,249,658	3,228,075
<b>Deferred outflow of resources</b>		
Bond Costs	41,971	-
Deferred outflows related to pensions and OPEB	111,352	62,930
<b>Total assets and deferred outflow of resources</b>	<u>3,402,981</u>	<u>3,291,005</u>

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

(Continued on page 10)

<b>CORINTH WATER DISTRICT</b> <b>STATEMENTS OF NET POSITION (continued from page 9)</b> <b>December 31, 2021 and 2020</b>
---

	<u>2021</u>	<u>2020</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - general	31,476	37,244
Customer deposits	5,760	3,920
Withheld and accrued liabilities	9,615	8,705
Total current liabilities	<u>46,851</u>	<u>49,869</u>
Current liabilities payable from restricted assets		
Note payable - Huntington bank	4,376	4,074
Total current liabilities payable from restricted assets	<u>4,376</u>	<u>4,074</u>
Long-term liabilities		
Note payable - Huntington Bank	2,267	6,643
Bonds payable - USDA - Water Revenue Bonds	-	1,910,600
Bonds payable - KY Bond Corp.	2,000,000	-
Net unfunded pension and OPEB liability	296,191	259,957
Total long-term liabilities	<u>2,298,458</u>	<u>2,177,200</u>
<b>Total liabilities</b>	2,349,685	2,231,143
<b>Deferred inflow of resources</b>		
Deferred inflow related to pensions and OPEB	129,825	144,228
<b>Total liabilities and deferred inflow of resources</b>	<u>2,479,510</u>	<u>2,375,371</u>
<b>Net position</b>		
Invested in capital assets, net of related debt	894,811	1,119,690
Restricted	151,922	40,283
Unrestricted	(123,262)	(244,339)
<b>Total net position</b>	<u>\$ 923,471</u>	<u>\$ 915,634</u>

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

<b>CORINTH WATER DISTRICT</b> <b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b> <b>For Years Ending December 31, 2021 and 2020</b>
---

	<u>2021</u>	<u>2020</u>
<b>Operating revenues</b>		
Water revenue	\$ 778,259	\$ 758,168
Forfeited discounts	1,789	4,938
Miscellaneous service revenues	<u>7,260</u>	<u>5,643</u>
<b>Total operating revenues</b>	<u>787,308</u>	<u>768,749</u>
<b>Operating expenses</b>		
Salaries and wages - employees	101,250	103,334
Salaries and wages - officer and directors	13,946	13,946
Employee benefits	25,187	25,363
Retirement benefits	22,682	22,073
Payroll taxes	8,800	9,008
Bad debt expenses	13,748	9,565
Contractual services	69,186	58,951
Depreciation expenses	166,329	165,494
Education/training	1,549	150
Insurance expenses	9,158	9,704
Materials and supplies	36,191	33,773
Miscellaneous expenses	1,878	2,664
Purchased power	5,987	5,329
Purchased water	266,698	278,138
Taxes other than income taxes	1,509	1,524
Transportation expenses	<u>15,895</u>	<u>7,783</u>
<b>Total operating expenses</b>	<u>759,993</u>	<u>746,799</u>
<b>Operating income</b>	<u>27,315</u>	<u>21,950</u>
<b>Non-operating income (expense)</b>		
Interest income	(72)	40
Net effect of change in pension and OPEB expense	26,591	42,069
Amortization of bond cost	(608)	-
Interest on long-term obligations	<u>(65,589)</u>	<u>(86,214)</u>
<b>Net non-operating expense</b>	<u>(39,678)</u>	<u>(44,105)</u>
<b>Net loss</b>	(12,363)	(22,155)
<b>Capital contributions</b>	<u>20,200</u>	<u>22,554</u>
<b>Change in net position</b>	7,837	399
<b>Net position, January 1</b>	<u>915,634</u>	<u>915,235</u>
<b>Net position, December 31</b>	<u>\$ 923,471</u>	<u>\$ 915,634</u>

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

<b>CORINTH WATER DISTRICT</b> <b>STATEMENTS OF CASH FLOWS</b> <b>For Years Ending December 31, 2021 and 2020</b>
--

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Received from customers	\$ 796,346	\$ 734,537
Paid to suppliers for goods and services	(422,565)	(407,744)
Paid to or on behalf of employees for services	(170,955)	(173,606)
	<u>202,826</u>	<u>153,187</u>
<b>Net change in cash for operating activities</b>		
<b>Cash flows from investing activities</b>		
Interest on investments	(72)	40
Expenditures for construction and equipment	(26,776)	(34,234)
Change in restricted cash	(111,638)	(5,717)
Contributions in aid of construction	20,200	22,554
	<u>(118,286)</u>	<u>(17,357)</u>
<b>Net change in cash for investing activities</b>		
<b>Cash flows from capital and related financing activities</b>		
Interest on long-term debt	(65,589)	(86,214)
Proceeds from loan	1,977,421	-
Payments on long-term debt	(1,934,674)	(56,790)
	<u>(22,842)</u>	<u>(143,004)</u>
<b>Net change in cash for capital and related financing activities</b>		
<b>Change in cash and cash equivalents</b>	61,698	(7,174)
<b>Cash and cash equivalents-beginning of year</b>	<u>8,593</u>	<u>15,767</u>
<b>Cash and cash equivalents-end of year</b>	<u>\$ 70,291</u>	<u>\$ 8,593</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 27,315	\$ 21,950
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	166,329	165,494
Change in operating assets and liabilities		
Decrease in receivables	9,038	(34,212)
Decrease (increase) in inventories	3,871	(4,374)
Decrease in prepaid assets	(709)	1,722
(Decrease) increase in accounts payable	(5,768)	3,529
(Decrease) increase in withheld and accrued liabilities	910	118
Decrease in customer deposits	1,840	(1,040)
	<u>\$ 202,826</u>	<u>\$ 153,187</u>
<b>Net cash provided by operating activities</b>		
<b>Supplemental information</b>		
Interest paid	<u>\$ (65,589)</u>	<u>\$ (86,214)</u>

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

**CORINTH WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES**

Corinth Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Pendleton, and Harrison Counties in Kentucky. The District was created by the Grant County Court on January 11, 1965 under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”).

Regulatory Requirements

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

Basis of Accounting

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

All activities of the District are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into “invested in capital assets, net of related liabilities”; “restricted”; and “unrestricted” components.

Allowance for Bad Debts

The District uses the allowance method to account for bad debts. The balances of the allowance for bad debts were \$10,550 and \$5,600 at December 31, 2021 and 2020, respectively.

Cash Equivalents

For purposes of the balance sheets and statements of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgets

In accordance with Kentucky Revised Statutes 65A, the District is required to upload a balanced budget on the Kentucky Department of Local Government’s website prior to January 15. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end.

**CORINTH WATER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2021 and 2020**

Inventories

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

Distribution System, Building, and Equipment

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

Capital Contributions

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District’s income statement. These contributions represent customer tap-in fees and other contributions to recover the costs of extensions of the distribution system. During 2021 and 2020 these contributions consisted of the following:

Source	2021	2020
Tap in fees and construction costs paid by new customers	\$ 20,200	\$ 22,554
Total capital contributions received in aid of construction	<u>\$ 20,200</u>	<u>\$ 22,554</u>

Purchased Water Costs

The District is dependent on the City of Williamstown as its sole supplier of water. On September 1, 2004, the District signed an agreement with the City of Williamstown to extend this water service agreement for the next 42 years.

Income Tax Status

The District is exempt from federal and state income taxes since it is a political subdivision of the Grant County Court. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

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

Operating Revenues and Non-Operating Revenues

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Deposits consist of checking and savings accounts and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the statements of net position as “Cash and Cash Equivalents” and “Restricted Assets”. The balances for “Cash and Cash, Equivalents”



<p><b>CORINTH WATER DISTRICT</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>December 31, 2021 and 2020</b></p>
---

were \$70,291 and \$8,593 at December 31, 2021 and 2020, respectively. The balances for “Restricted Assets” were \$151,922 and \$40,284 at December 31, 2021 and 2020, respectively.

The District’s investment policy allows investments only in the form of savings accounts and certificates of deposit at local banks in Grant County, Kentucky. The District holds funds at Forcht Bank. The FDIC insures bank deposits for amounts up to \$250,000 per banking institution. Thus, all of the \$222,213 in District funds are insured. In accordance with GASB 40, there is no market risk on these savings account investments.

**NOTE 3 – RESTRICTED NET POSITION**

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

The following amounts are included in restricted net position at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Reserve fund	\$ 60,600	\$ 24,370
Sinking fund	91,322	15,914
Total Restricted Net Position	<u>\$ 151,922</u>	<u>\$ 40,284</u>

**NOTE 4 – UTILITY PLANT IN SERVICE**

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

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

Buildings and improvements	10-40 years
Furniture and fixtures	5-20 years
Machinery and equipment	3-10 years
Transportation equipment	5 years
Transmission lines and distribution systems	10-40 years

**CORINTH WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

Asset Type	Balance at December 31, 2020	Additions	Retirements	Balance at December 31, 2021
Land	\$ 21,200	\$ -	\$ -	\$ 21,200
Buildings and improvements	105,885	-	-	105,885
Distribution reservoirs and pipes	409,285	-	-	409,285
Furniture and fixtures	24,048	-	-	24,048
Hydrants	122,814	-	-	122,814
Meter system and installation	981,228	24,445	-	1,005,673
Supply mains	13,191	-	-	13,191
Tools and equipment	20,841	2,331	-	23,172
Transmission mains	4,894,654	-	-	4,894,654
Transportation equipment	51,573	-	-	51,573
Subtotal	6,644,718	26,776	-	6,671,494
Accumulated depreciation	(3,603,711)	(166,329)	-	(3,770,040)
Capital assets, net	\$ 3,041,007	\$ (139,553)	\$ -	\$ 2,901,454

**NOTE 5 – LONG TERM DEBT**

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

Debt Instrument	Balance at December 31, 2020	Additions	Retirements	Balance at December 31, 2021
USDA Rural Development FHA Bonds-97/98	\$ 351,000	\$ -	\$ (351,000)	\$ -
USDA Rural Development FHA Bonds-2002	364,600	-	(364,600)	-
USDA Rural Development FHA Bonds-2005	1,195,000	-	(1,195,000)	-
Huntington Bank Loan	10,717	-	(4,074)	6,643
KY Bond Corporation	-	2,020,000	(20,000)	2,000,000
Subtotal	1,921,317	\$ 2,020,000	\$ (1,934,674)	2,006,643
Less: current portion of long-term debt	(4,074)			(78,126)
Total Long-Term Indebtedness	\$ 1,917,243			\$ 1,928,517

**WATER REVENUE BONDS, SERIES 1998**

On November 5, 1998, the District issued a water revenue bond in the amount of \$526,000. The interest rate is 4.75% per year. Interest is payable semi-annually on the first day of January and July of each year. Collateral includes water lines, meters and pumping equipment of the District. The first payments were due January 1, 2001 and mature through 2038. The remaining balance of the loan was refunded by the proceeds from the Kentucky Bond Corporation bond issued on July 23, 2021. See note below.

**WATER REVENUE BONDS, SERIES 2002**

On October 25, 2002, the District issued water revenue bonds in the amount of \$485,000. The interest rate is 4.625% per year. Interest is payable semi-annually on the first day of January and July of each year. Principal installments mature in 2005 through 2042. The first payments were due January 2005. Collateral includes water lines, meters and pumping equipment of the District. The remaining balance of the loan was refunded by the proceeds from the Kentucky Bond Corporation bond issued on July 23, 2021. See note below.

**CORINTH WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

WATER REVENUE BONDS, SERIES 2005

On September 9, 2005, the District issued water revenue bonds in the amount of \$1,532,000. These bonds were issued to finance the construction of a waterline extension and to pay off the capital lease balance of \$890,000 previously held by the District. The interest rate is 4.125% per year. Interest is payable semi-annually on the first day of January and July of each year. Principal installments mature in 2007 through 2044. Collateral includes water lines, meters and pumping equipment of the District. The remaining balance of the loan was refunded by the proceeds from the Kentucky Bond Corporation bond issued on July 23, 2021. See note below.

NOTE PAYABLE – HUNTINGTON BANK

On March 13, 2017, the District signed a 75-month loan agreement with Huntington Bank for the purchase of a pick-up truck in the amount of \$23,636 at a fixed annual interest rate of 7.0744%. Principal and interest are payable in seventy-five (75) monthly installments in the amount of \$393 each and any outstanding principal and accrued interest will be due and payable in full on the maturity date of June 13, 2023. This loan is secured by the pick-up truck. The future minimum note payments are as follows:

Year	Principal Amount	Interest Amount	Total Note Payments
2022	\$ 4,376	\$ 334	\$ 4,710
2023	2,267	47	2,314
Totals	<u>\$ 6,643</u>	<u>\$ 381</u>	<u>\$ 7,024</u>

WATER REVENUE BONDS, KENTUCKY BOND CORPORATION

On July 23, 2021, the District issued water revenue bonds in the amount of \$2,020,000. These bonds were issued to pay off the capital lease balance of \$1,916,821 previously held by the District. The interest rate is 2.576% per year. Interest is payable on the first day of each month. Principal installments mature in 2021 through 2045. Collateral includes water lines, meters and pumping equipment of the District.

The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest & Fees Amount	Total Debt Service
2022	0.000%	\$ 73,750	\$ 47,469	\$ 121,219
2023	0.000%	79,583	44,841	124,424
2024	0.000%	80,000	43,050	123,050
2025	0.000%	80,000	41,250	121,250
2026	0.000%	84,583	39,450	124,033
2027-2031	0.000%	454,167	167,859	622,026
2032-2036	0.000%	504,167	114,516	618,682
2037-2041	0.000%	451,250	58,471	509,721
2042-2045	0.000%	192,500	11,342	203,842
Totals		<u>\$ 2,000,000.00</u>	<u>\$ 568,247</u>	<u>\$ 2,568,247</u>

**CORINTH WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

**NOTE 6 - COUNTY EMPLOYEES' RETIREMENT SYSTEM**

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

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

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

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	80,378	80,745
Inactive Plan Members	95,682	29,208
Retired Members	63,566	37,037
	<u>239,626</u>	<u>146,990</u>
Number of participating employers		<u>1,122</u>

**PENSION PLAN**

**Non-Hazardous Pension Plan Description**

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based

**CORINTH WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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

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

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5%
Tier 3	5%

**Contributions**

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

The District made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$22,683, of which \$17,991 was for the pension fund and \$4,692 was for the health insurance fund.

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

At December 31, 2021, the District reported a liability of \$227,807 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2021 measurement year, the District's non-hazardous employer allocation proportion was 0.00357% of the total CERS non-hazardous duty employees. For the year ended December 31, 2021, the District recognized pension expense of \$23,939 in addition to its \$17,991 pension contribution.

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

<b>CORINTH WATER DISTRICT</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>December 31, 2021 and 2020</b>
--

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 2,616	\$ (2,211)
Net difference between projected actual earnings on plan investments	-	(30,363)
Changes of assumptions	3,057	-
Changes in proportion and differences between contributions and proportionate share of contributions	47,377	(36,123)
Contributions subsequent to the measurement date	9,650	-
	<u>\$ 62,700</u>	<u>\$ (68,697)</u>

The District's contributions subsequent to the measurement date of \$9,650 will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ (13,736)
2023	12,824
2024	(5,227)
2025	(9,509)
	<u>\$ (15,648)</u>

### Actuarial Assumptions

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

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

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

<p><b>CORINTH WATER DISTRICT</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>December 31, 2021 and 2020</b></p>
---

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

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

**Changes of Assumptions**

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

**Discount Rate**

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

**Plan Target Allocation**

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

**CORINTH WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 292,173	\$ 227,807	\$ 174,545
Total	\$ 292,173	\$ 227,807	\$ 174,545

**HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS**

**Non-Hazardous OPEB Plan Description**

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



<p><b>CORINTH WATER DISTRICT</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>December 31, 2021 and 2020</b></p>
---

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

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

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

**Contributions**

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees. The District contributed 4.76% of covered-employee’s compensation (from January – June 2021) and contributed 5.78% of covered-employee’s compensation (from July – December 2021) for the health insurance fund. These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2021, the District recognized OPEB expense of \$2,652 in addition to its \$4,692 OPEB contribution.

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

At December 31, 2021, the District reported a liability of \$68,364 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District 's proportion of the net OPEB liability was based on a projection of the District 's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2021 measurement year, the District's proportion of the total non-hazardous plan was 0.00357%.

<b>CORINTH WATER DISTRICT</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>December 31, 2021 and 2020</b>
--

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

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 10,753	\$ (20,417)
Net difference between projected actual earnings on plan investments	-	(10,698)
Changes of assumptions	18,130	(64)
Changes in proportion and differences between contributions and proportionate share of contributions	17,136	(29,949)
Contributions subsequent to the measurement date	2,635	-
	<u>\$ 48,654</u>	<u>\$ (61,128)</u>

The District's contributions subsequent to the measurement date, \$2,635 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ (3,059)
2023	(4,674)
2024	(5,290)
2025	(2,086)
2026	-
Thereafter	-
	<u>\$ (15,109)</u>

### Actuarial Assumptions

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

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

<p><b>CORINTH WATER DISTRICT</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>December 31, 2021 and 2020</b></p>
---

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

### Changes of Assumptions

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

### Discount Rate

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

**CORINTH WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Plan Target Allocation**

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

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

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.20% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease 4.20%	Current Rate 5.20%	1.00% Increase 6.20%
Discount Rate, Non-Hazardous			
Net OPEB liability, Non-Haz	\$ 93,891	\$ 68,384	\$ 47,452
Total	\$ 93,891	\$ 68,384	\$ 47,452

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

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 49,228	\$ 68,384	\$ 91,505
Total	\$ 49,228	\$ 68,384	\$ 91,505

**Plan Fiduciary Net Position**

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

**NOTE 7 – RELATED PARTY TRANSACTIONS**

Tara Wright, the Manager of the Water District, acts as both the Manager of the Water District and the City Clerk of the City of Corinth. The District has normal business relations with the City of Corinth. Some minor reimbursable expenses have been paid by one entity and reimbursed by/to the other.

**NOTE 8 – RISKS/COMMITMENTS/CONTINGENCIES**

Corinth Water District depends upon the credit given to a large group of individual customers. The revenue from individuals is significantly larger than the revenue from corporations. Therefore, there is considerably less cash flow risk from the failure of a single customer to pay.

In November 2021, the District was informed by the Kentucky Public Service Commission (PSC) that they were non-compliant with PSC regulations involving obtaining prior approval before issuing refunding bonds. The District's bond counsel has taken full responsibility for this error, has supplied an attorney to assist the District with these charges, and has agreed to pay any fines that may be incurred.

**NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Statement No. 83 – *Certain Asset Retirement Obligations – FY 2020*

Statement No. 88 – *Certain Disclosures Related to Debt – FY 2020*

Statement No. 95 – *Postponement of Effective Dates of Authoritative Guidance – FY 2020*

**NOTE 10 – FUTURE ACCOUNTING STANDARDS**

Statement No. 84 – *Fiduciary Activities – FY 2021*

Statement No. 87 – *Leases – FY 2022*

Statement No. 89 – *Accounting for Interest Cost in Construction Projects – FY 2021*

Statement No. 90 – *Majority Equity Interests – FY 2021*

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

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

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

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

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

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

**NOTE 11 – COVID-19 GLOBAL PANDEMIC**

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

**NOTE 12 – ECONOMIC DEPENDENCY/CREDIT RISK**

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

**NOTE 13 - SUBSEQUENT EVENTS**

Management has considered the need to recognize or disclose subsequent events through July 11, 2022 which represents the date on which the financial statements were available to be issued. The District did not have any events subsequent to December 31, 2021 through July 11, 2022 to disclose.

<b>CORINTH WATER DISTRICT</b> <b>MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN-NON-HAZARDOUS</b> <b>Last Ten Fiscal Years</b>
---

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.00357%	0.00258%	0.00359%	0.00567%	0.00528%	0.00546%	0.00591%			
Proportionate share of the net pension liability (asset)	\$ 227,807	\$ 197,730	\$ 252,275	\$ 345,016	\$ 309,172	\$ 268,880	\$ 254,132			
Covered payroll in year of measurement (July - June)	91,265	66,035	90,479	140,419	128,604	130,276	137,904			
Share of the net pension liability (asset) as a percentage of its covered payroll	249.61%	299.43%	278.82%	245.70%	240.41%	206.39%	184.28%			
Plan fiduciary net position as a percentage of total pension liability	57.33%	47.81%	50.45%	53.54%	55.50%	59.97%	66.80%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 17,991	\$ 17,706	\$ 7,717	\$ 22,038	\$ 17,940	\$ 16,180	\$ 17,583	\$ 19,115		
Actual contribution	17,991	17,706	7,717	22,038	17,940	16,180	17,583	19,115		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll in District's fiscal year (Jan. - Dec.)	88,799	91,743	43,333	143,846	130,789	127,566	132,430	141,300		
Contributions as a percentage of covered payroll	20.26%	19.30%	17.81%	15.32%	13.72%	12.68%	13.28%	13.53%		

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

The net pension liability as of December 31, 2021, is based on the June 30, 2021, actuarial valuation. The changes to the elements of the pension expense, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.

<b>CORINTH WATER DISTRICT</b> <b>MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN-NON-HAZARDOUS</b> <b>Last Ten Fiscal Years</b>
--

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.00357%	0.00258%	0.00359%	0.005670%						
Proportionate share of the net pension liability (asset)	\$ 68,384	\$ 62,227	\$ 60,315	\$ 100,581						
Covered payroll in year of measurement (July - June)	91,265	66,035	90,479	140,419						
Share of the net pension liability (asset) as a percentage of its covered payroll	74.93%	94.23%	66.66%	71.63%						
Plan fiduciary net position as a percentage of total pension liability	62.91%	51.67%	60.44%	57.62%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 4,692	\$ 4,367	\$ 2,168	\$ 7,150	\$ 6,491					
Actual contribution	4,692	4,367	2,168	7,150	6,491					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll in District's fiscal year (Jan. - Dec.)	88,799	91,743	43,333	143,846	130,789					
Contributions as a percentage of covered payroll	5.28%	4.76%	5.00%	4.97%	4.96%					

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

The net OPEB liability as of December 31, 2021, is based on the June 30, 2021, actuarial valuation. The changes to the elements of the pension expense, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.



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

**To the Board of Commissioners  
Corinth Water District  
Corinth, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Corinth Water District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Corinth Water District’s basic financial statements and have issued our report thereon dated July 11, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Corinth Water District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corinth Water District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Corinth Water District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described below, that we consider significant deficiencies.

*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.

### ***Lack of Segregation of Duties***

Condition: We noted that, due to the size of the District and financial considerations, the executing and recording of transactions are performed by the same person.

Criteria: The process of executing a transaction should be segregated from the process of recording the transaction.

Effect: Segregation of duties is a necessary part of any system of internal control. Lack of segregation of duties could allow for receipts to be diverted away from the District and expenses not attributed to the District could be paid for from the District's cash account.

Recommendation: Internal controls should continue to be implemented to segregate the duties of the personnel. Controls should be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen & Co., Inc.**

Erlanger, Kentucky

July 11, 2022