FARMDALE WATER DISTRICT

FRANKFORT, KENTUCKY 40601

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

HARROD & ASSOCIATES, P.S.C.
Certified Public Accountants
FRANKFORT, KENTUCKY 40601

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Board of Directors
Farmdale Water District
Frankfort, Kentucky 40601

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Farmdale Water District
Frankfort, Kentucky 40601

Opinion

We have audited the accompanying financial statements of the business-type activities of Farmdale Water District (District) (a nonprofit governmental corporation), which comprise the statement of net position as of December 31, 2021 & 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021 & 2020, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 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 District 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 opinions.

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 District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 judgement 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 judgement 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 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6 – 13 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles*, and *Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

H & A, PSC

Harrod & Associates, PSC
Frankfort, Kentucky

July 27, 2022

cys:3

FARMDALE WATER DISTRICT
Management Discussion and Analysis
For the Years Ended December 31, 2021 & 2020

The following discussion and analysis of the Farmdale Water District's (District) financial performance provides an overview of the financial activities for the years ended December 31, 2021, and 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

The District was established in May 1961 under Kentucky Revised Statutes (KRS 74.012) as a water system to operate, maintain, improve, and expand the distribution of water. The District serves primarily western Franklin County and parts of eastern Anderson and Shelby Counties. In addition to the distribution of water, Farmdale collects fees for several sewer treatment plants.

In October 2012, Farmdale began the process of installing meters which can be read by radio waves, building a water tower with increased storage capacity, and installing new pipe from the pump station. The District financed these improvements via company funds, grants from Kentucky Infrastructure Authority, and loans from Regions Bank via the U. S. Department of Agriculture. The loan from Regions Bank was repaid in April 2014 with loan funds from the U. S. Department of Agriculture. The principal repayment of the federal funds began in 2015. All associated capital improvement projects were completed in 2013. Due to the age of the lines and pipes, leaks have been a continuing and ongoing problem for the District. The district spent just under $90,000 in 2021 in repairing and replacing lines as part of an ongoing effort to reduce water loss, which is running just over 38%.

Financial Highlights

In 2021, the assets of the District exceeded its liabilities at the close of the most recent fiscal year by $2,239,248. Of this amount, $1,756,923 was invested in Capital Assets, $270,917 was restricted for debt retirement, and $211,407 was unrestricted. In 2021, the Board's net assets decreased ($30,642), which represents a substantial reduction in operating loss, mostly due to an increase in revenue.

In 2020, the assets of the District exceeded its liabilities at the close of the most recent fiscal year by $2,269,890. Of this amount, $1,898,720 was invested in Capital Assets, $129,122 was restricted for debt retirement, and $242,048 unrestricted. In 2020, the Board's net assets decreased ($262,139), primarily through Other Post-Employment Benefits (OPEB) and pension adjustments, payroll, employee benefits, depreciation, and the cost of purchased water.

Revenues
Gross income from the sale of water and sewer surcharges, including tap on fees and reconnect fees totaled $1,759,608 and $1,384,875 for the calendar years 2021 and 2020, respectively. The Kentucky Public Service Commission (PSC) approved no rate increases in 2021 and one increase in late 2020. The rate increase in 2020 was in response to continual excess water losses. The rate increase in 2020 was effective in August 2020.

Expenses

Operating expenses were $1,791,144 and $1,675,035 for the calendar years 2021 and 2020, respectively.

Operating Expenses generally refer to the ordinary and necessary business expenses incurred in the day-to-day operation of the utility. Some of the broad categories of these expenses are classified as "Water Purchased," "Transmission and Distribution," "Administrative and General Expense," "Maintenance and Repairs," "Taxes and Licenses" and "Employee Benefits." They include such things as system maintenance, supplies, office supplies, customer service, fringe benefits, billing and accounting. These are current period expenses which are not otherwise capitalized as part of a construction project having a service life greater than one year.

Organization and Business

Farmdale Water District provides water service to approximately 2,740 rural, residential and commercial customers in western Franklin County and parts of Anderson and Shelby Counties. The District was created under KRS 74.012. The Franklin County Fiscal Court appoints the District's three commissioners to serve four-year terms. The District is governed by the Kentucky Public Service Commission.

Financial Overview

The Board's financial statements are comprised of two components:

>Financial Statements
>Notes to the Financial Statements

Included as part of the financial statements are three different types (and names) of statements and their respective notes.

The three financial statement types:

1. The Statement of Net Position presents information on the Board's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

Financial Overview (Continued)

2. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how Farmdale's net assets changed based on current year activity. Results of the Board's operations are reported as the underlying events occur, regardless of the timing of cash flows. This means that the Board's revenues and expenses are reported in the financial statements for some items that will result in cash flows (positive or negative) in some future year. This is the "accrual" basis of accounting and is further explained in Note 1C.

3. The Statement of Cash Flows presents the cash flow changes occurring during the fiscal years 2021 and 2020 in highly liquid cash. "Highly liquid" means it is, or can quickly be, turned into useable cash (for these purposes an original maturity of the investment of 3 months or less).

The Notes to Financial Statements provide additional information that is essential for a full and complete understanding of the information provided in the financial statements. The Notes to Financial Statements can be found on pages 20 through 41 of this report.

Statement of Net Position Overview

The District was not required to have an audit under Uniform Guidance for 2021 or 2020.

Statement of Net Position	2021	2020	Change	% Change
Capital Assets	3,449,423	3,617,720	(168,297)	(4.61%)
Current and Non-Current Assets	1,139,244	1,013,873	(125,371)	(12.37%)
Deferred Outflows	144,190	136,317	(7,873)	(5.77%)
Total Assets	4,732,857	4,767,910	(35,053)	(0.74%)
Long-term Liabilities	1,665,000	1,692,500	(27,500)	(1.62%)
Deferred Inflows	148,977	121,321	27,656	22.79%
Other Liabilities	679,632	684,199	(4,567)	(0.68%)
Total Liabilities	2,493,609	2,498,020	(4,411)	(0.18%)
Position:				
Invested in Capital Assets	1,756,923	1,898,720	(141,797)	(7.47%)
Restricted	270,917	129,122	141,795	109.81%
Unrestricted	211,408	242,048	30,641	(12.66%)
Total Net Position	2,239,248	2,269,890	(30,643)	(1.35%)

FARMDALE WATER DISTRICT
Management Discussion and Analysis (Continued)
For the Years Ended December 31, 2021 & 2020

Financial Overview (Continued)

Statement of Net Position Overview (Continued)

The District was not required to have an audit under Uniform Guidance for 2020 or 2019.

Statement of Net Position	2020	2019	Change	% Change
Capital Assets	3,617,720	3,767,689	(149,969)	(3.98%)
Current and Non-Current Assets	1,013,873	1,127,986	(114,113)	(10.12%)
Deferred Outflows	136,317	73,162	63,155	86.32%
Total Assets	4,767,910	4,968,837	(200,927)	(4.04%)
Long-term Liabilities	1,692,500	1,719,000	(26,500)	(1.54%)
Deferred Inflows	121,321	177,820	(56,499)	(31.77%)
Other Liabilities	684,199	539,988	144,211	26.71%
Total Liabilities	2,498,020	2,436,808	61,212	2.51%
Net Position:				
Invested in Capital Assets	1,898,720	2,023,189	(124,469)	(6.15%)
Restricted	129,122	94,840	34,282	36.15%
Unrestricted	242,048	414,000	(171,952)	(41.53%)
Total Net Position	2,269,890	2,532,029	(262,139)	(10.35%)

Statement of Revenues, Expenses, and Changes in Net Position Overview

The District was not required to have an audit under Uniform Guidance for 2021 or 2020.

Statement of Rev. Exp. and Changes in Net Position	2021	2020	Change	% Change	Budget
Operating Revenues	1,759,608	1,384,875	374,733	27.06%	1,791,554
Operating Expenses	1,791,871	1,675,035	116,836	6.98%	1,655,207
Operating Income/(Loss)	(32,263)	(290,160)	257,897	88.88%	136,347

Financial Overview (Continued)

The District was not required to have an audit under Uniform Guidance for 2021 or 2020 (continued)

Net Non-Operating Income	1,621	28,021	26,403	94.23%	-
Change in Net Position	(30,642)	(262,139)	231,497	111.68%	-

The District was not required to have an audit under Uniform Guidance for 2020 or 2019.

Statement of Rev. Exp. and Changes in Net Position	2020	2019	Change	% Change	Budget
Operating Revenues	1,384,875	1,362,411	22,464	1.65%	1,056,806
Operating Expenses	1,675,035	1,525,026	150,009	9.84%	1,124,121
Operating Income/(Loss)	(290,160)	(162,615)	(127,545)	(78.43%)	(67,312)
Net Non-Operating Income	28,021	21,307	6,714	31.51%	-
Change in Net Position	(262,139)	(141,308)	(120,831)	(85.51%)	-

Assets

In 2021, the District's total assets decreased $35,053 from FY 2020. The Audit Report indicates the major increases were in "noncurrent assets," "account receivable" and "deferred outflows." The largest decreases were in "certificates of deposit" and "capital assets" due to increases in expenses and increases in certificate of deposit redemptions and accumulated depreciation.

In 2020, the District's total assets decreased $200,927 from FY 2019. The Audit Report indicates the major increases were in "certificates of deposit," "accounts receivable" and "deferred outflows." The largest decreases were in "cash" and "capital assets" due to an increase in expenses and increases in accumulated depreciation.

Liabilities

In 2021, the District's total liabilities decreased $4,411 from FY 2020. The Audit Report indicates the major changes were in "Net Pension Liability" and "Net OPEB Liability." Net Pension Liability and Net OPEB Liability decreased $16,059 and "Accounts Payable" increased $10,939, which partially explains the decrease.

Financial Overview (Continued)

In 2020, the District's total liabilities increased $61,212 from FY 2019. The Audit Report indicates the major changes were in "Net Pension Liability" and "Net OPEB Liability." Net Pension Liability and Net OPEB Liability increased $135,853 and "Deferred Inflows" decreased $56,499, which partially explains the increase.

Net Assets

The District's assets exceeded its liabilities by $2,239,248 and $2,269,890 for fiscal years ended December 31, 2021 and 2020, respectively. This represents a decrease from fiscal year 2021 to 2020 of ($30,642) and 2020 to 2019 of ($262,139). Increases or decreases in equity may, over time, serve as a useful indicator of the District's financial position. This statement comes from the fact that being "land rich and cash poor" is not beneficial if the company needs liquidity for cash flow. On the other hand, if you have sufficient cash flow, "investing" in your water system (maintaining, expanding, replacing, upgrading, etc.) or land is a good and prudent business practice.

Net assets reflect its investment in capital assets. The District uses these capital assets to provide services to its owners/customers; consequently, these assets are not available for spending. Resources needed to repay the outstanding debt shown on the statement of net position will come from other sources, such as sales of water and sewer fees. The capital assets themselves cannot be used to pay such "long-term" liabilities.

Capital Assets

Capital Assets

The District's investments in capital assets as of December 31, 2021, and 2020 amounted to $3,449,423, and $3,617,720 (net of accumulated depreciation), respectively. This includes investments in transmission and distribution related to infrastructure, as well as general items such as office equipment, vehicles, building and building improvements, etc. Major capital asset events during the current fiscal year included installation of new lines and meters, purchases of equipment and office improvements.

Debt Administration

Long-Term Debt

The District has entered into an agreement with the U.S. Department of Agriculture to borrow $1,668,000 and a subsequent $190,000 to finance the water system improvements noted above. The construction draws were originally made through Regions Bank. In April 2013 the District

Long-Term Debt (Continued)
received the loan proceeds from the U.S. Department of Agriculture and paid off the Regions Bank loan. The District repaid principal of $26,500 principal payment in January 2021 and $25,500 in January 2020. The loan is a 40-year loan at 3.125% interest payable semi-annually. In addition, prepayment of the loan is not allowed.

Budget
KRS 68.240 requires the District to prepare an annual budget and submit this to the Kentucky Department of Local Government. This budget is prepared based on a combination of prior year activity and current year projections.

The Future

Water
The District, throughout the year has searched for and repaired various leaks. The District water loss for the year was approximately 38.5%. The District plans to secure funding from the federal government to install new lines in a large segment of their system and thereby reduce water loss to an acceptable amount.

Administrative and General
The District continues to experience an increase in health care and retirement expenses. Due to the uncertainty surrounding increased costs as a result of healthcare reform the District expects these increases to continue into the future. In addition, accounting pronouncements concerning the CERS pension and OPEB cost continue to rise and affect the bottom line for the District.

The District had six full-time employees in each 2021 and 2020. To assist in the increasing workload the District hired part-time staff for the office and was looking for additional help in the water maintenance area. Currently, the District has two full-time office employees and four full-time water maintenance personnel. The District continues to monitor the needs of their customers and may hire additional field staff in 2022.

The District has experienced changes in the employer contribution rate to CERS for employee pension. The District contributed 26.95% of employees' gross compensation to the plan from July 2021 – December 2021, 24.06% of employees' gross compensation to the plan from January 2020 – June 2021. The rates remained the same for 2020 due to the covid pandemic. The rates are expected to continue to increase with the state legislature currently being unable to find viable funding solutions to the plan's underfunding.

Administrative and General (Continued)
The Kentucky Retirement System Board of Trustees had originally set the contribution rate effective July 1, 2018, at 28.05%, however, with the passage of House Bill 362, the rate increases were limited to 12% per fiscal year. The rate for July 1, 2022, through June 30, 2023, is 26.93%.

Overall
The District has implemented the system enhancements to improve the service it provides to their customers as well as increase their efficiency in operations. However, water loss was still at a very high rate averaging approximately 38.5% of purchased water throughout the year. Even though management continues to employ new methods in attempting to find and repair leaks, the percentage loss continues to increase. In response, the District plans to obtain a loan from Rural Development to replace approximately 64,000 linear feet of water line. The loan is expected to be for $2,458,000 at 2.3750% for 40 years. The District plans to start this project in 2022.

The District's mission is to provide superior, reliable services to the Farmdale community at the most reasonable prices possible.

Request for Information

This financial report is designed to provide government entities, customers and creditors with a general overview of the District's finances and demonstrate the District's accountability of monies it receives. If you have questions about this report or need additional information, please contact: The Office Manager, Farmdale Water District, 100 Highwood Drive, Frankfort, KY 40601 or Harrod & Associates, PSC, #2 HMB Circle, Frankfort, KY 40601.

FARMDALE WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021 & 2020

ASSETS

CURRENT ASSETS	2021	2020
Cash and Cash Equivalents	$ 493,972	$ 561,883
Cash - Restricted Customer Deposits	40,066	37,575
Certificates of Deposit	102,339	176,439
Accounts Receivable	264,761	104,954
Inventory	31,656	24,836
Accrued Interest Receivable	768	2,278
Prepaid Expenses	12,710	14,360
TOTAL CURRENT ASSETS	946,272	922,325
CAPITAL ASSETS		
Land & Buildings	78,722	68,722
Equipment	255,541	249,124
Vehicles	62,230	40,006
Water Lines, Hydrants, Towers, & Meters	6,542,006	6,525,716
Accumulated Depreciation	(3,489,076)	(3,265,848)
TOTAL CAPITAL ASSETS	3,449,423	3,617,720
NONCURRENT ASSETS		
Cash - Water Loss Surcharge Account	112,997	21,462
Cash - Debt Reserve	79,975	70,086
TOTAL NONCURRENT ASSETS	192,972	91,548
DEFERRED OUTFLOWS (from pension & OPEB activity)		
Deferred Outflows - OPEB	68,676	58,314
Deferred Outflows - Pension	75,514	78,003
TOTAL DEFERRED OUTFLOWS	144,190	136,317
TOTAL ASSETS	$ 4,732,857	$ 4,767,910

See Independent Auditor's Report
The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021 & 2020

LIABILITIES

CURRENT LIABILITIES	2021	2020
Accounts Payable	$ 141,323	$ 130,384
Customer Deposits	46,060	44,366
Customer Deposits - Accrued Interest	41	732
Accrued Sales Tax	590	584
Accrued School Tax	2,672	2,996
Accrued Payroll Tax	7,843	8,042
Accrued Pension Expense	4,560	4,892
Accrued Loan Interest Payable	26,445	26,859
Current Portion of Noncurrent Liabilities	27,500	26,500
Unearned Income	12,001	12,188
TOTAL CURRENT LIABILITIES	269,035	257,543
NONCURRENT LIABILITIES		
U.S. Department of Agriculture	1,692,500	1,719,000
Current Portion of Noncurrent Liabilities	(27,500)	(26,500)
Net OPEB Liability	94,804	102,142
Net Pension Liability	315,793	324,514
TOTAL NONCURRENT LIABILITIES	2,075,597	2,119,156
DEFERRED INFLOWS (from pension & OPEB activity)		
Deferred Inflows - OPEB	73,716	52,881
Deferred Inflows - Pension	75,261	68,440
TOTAL DEFERRED INFLOWS	148,977	121,321
TOTAL LIABILITIES	2,493,609	2,498,020

NET POSITION

Invested in Capital Assets, net of related debt	1,756,923	1,898,720
Net Assets Restricted	270,917	129,122
Net Assets Unrestricted	211,408	242,048
TOTAL NET POSITION	2,239,248	2,269,890
TOTAL LIABILITIES AND NET POSITION	$ 4,732,857	$ 4,767,910

See Independent Auditor's Report
The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

OPERATING REVENUES	2021	2020
User Fees:		
Water - Residential	$ 1,287,999	$ 1,099,476
Water - Commercial	242,863	153,028
Sewer Surcharge Fees	73,713	73,134
Water Loss Surcharge	91,057	29,194
Tap-on Fees	24,859	13,851
Late Payment Penalty Income	35,795	12,050
Lease Income	400	1,200
Reconnect Fees	2,922	2,942
TOTAL OPERATING REVENUES	1,759,608	1,384,875
OPERATING EXPENSES		
Water Purchased	662,222	663,281
Pumping Electricity	21,892	21,498
Payroll	258,954	246,643
Payroll Taxes	21,789	20,811
Employee Benefits	35,715	28,868
Retirement Benefits	41,261	46,516
Transmission and Distribution Expense	162,772	89,946
Administrative and General Expense	136,092	105,034
Interest Paid on Loans	52,891	53,719
Other Interest Expense	5	530
Water Testing	7,377	29,353
Maintenance & Repairs	89,902	66,654
Insurance & Workers' Comp	26,155	22,643
Taxes & Licenses	40,444	36,752
Bad Debts	11,173	17,969
Depreciation	223,227	224,818
TOTAL OPERATING EXPENSES	1,791,871	1,675,035
Operating Income (Loss)	(32,263)	(290,160)

See Independent Auditor's Report
The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

NON OPERATING REVENUES (EXPENSES)	2021	2020
Sewer Fees Collected	688,953	674,299
Sewer Fees Paid	(688,953)	(674,299)
Interest Income	731	7,244
Other Income	890	20,777
TOTAL NON OPERATING REVENUES (EXPENSES)	1,621	28,021
Change in Net Position	(30,642)	(262,139)
Net Position - Beginning of Year	2,269,890	2,532,029
Net Position - End of Year	$ 2,239,248	$ 2,269,890

See Independent Auditor's Report
The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

	2021	2020
Cash Flow from Operating Activities		
Cash received from users and customers	$ 3,479,234	$ 2,580,032
Cash payments to employees for services & benefits	(335,930)	(329,851)
Cash payments to suppliers of goods and services	(2,820,525)	(2,245,398)
Net Cash Provided (Used) by Operating Activities	322,779	4,783
Cash Flow from Capital & Related Financing Activities		
USDA Loan Principal Payments	(26,500)	(25,500)
Purchase of equipment	(54,931)	(74,849)
Gain on Sale of Equipment	-	(530)
Interest paid on Loans	(53,351)	(54,117)
Net Cash Provided (Used) by Capital & Related Financing Activities	(134,782)	(154,996)
Cash Flow from Noncapital Financing Activities		
Cash received from other non-operating revenues	762,666	747,433
Other non-operating expenses/income	895	28,021
Cash paid out from other non-operating expenses	(688,953)	(674,299)
Net Cash Provided (Used) by Noncapital Financing Activities	74,608	101,155
Cash Flows from Investing Activities		
Receipt of Interest	2,241	6,953
Money Market & Security Accounts Transfers (net)	(302,942)	(120,820)
Redemption of Certificates of Deposit (principle)	74,100	72,495
Purchases of Certificates of Deposit	-	(100,000)
Net Cash Provided (Used) by Investing Activities	(226,601)	(141,372)
Net Change in Cash and Cash Equivalents	36,004	(190,430)
Cash and Cash Equivalents, Beginning of Year	691,006	881,436
Cash and Cash Equivalents, End of Year	$ 727,010	$ 691,006
Reconciliation of Cash and Cash Equivalents, End of Year		
Cash on Hand	$ 75	$ 75
Cash Operations Account	141,965	100,455
Deposit Account	40,066	37,574
Debt Reserve Account	79,975	70,086
Community Trust Bank - Loss Surchage Account	112,997	21,462
Community Trust Bank - Money Market	349,992	459,417
Community Trust Bank - Checking	1,940	1,937
	$ 727,010	$ 691,006

See Independent Auditor's Report

The Accompanying Notes are an Integral Part of These Financial Statements

FARMDALE WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	2021	2020
Operating Loss	$ (32,263)	$ (290,160)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	223,227	224,818
Bad Debts	11,173	17,969
Pension/OPEB Changes	19,783	(32,518)
Change in assets and liabilities		
Certificates of deposit	(74,100)	31,116
Accounts receivable	159,807	40,806
Inventory	6,820	2,953
Accrued interest receivable	(1,510)	291
Prepaid expenses	(1,650)	1,151
Accounts payable	10,939	(2,552)
Accrued payroll taxes payable	(199)	2,399
Customer deposits	1,694	4,758
Customer deposits - accrued interest	(691)	(67)
Accrued sales tax	6	8
Accrued school tax	(324)	596
Accrued pension expense	(332)	2,698
Unearned income	(187)	(84)
Accrued loan interest payable	(414)	(399)
USDA Loan Payable	1,000	1,000
Net Cash Provided (Used) by Operating Activities	$ 322,779	$ 4,783

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 & 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

In May 1961, the Franklin County Fiscal Court created the Farmdale Water District pursuant to Kentucky Revised Statute 74.012. Fiscal Court appoints the District's three commissioners to serve up to four-year terms. The District serves primarily residents of western Franklin County; however, they also have customers in Anderson and Shelby counties. The District is governed by the Public Service Commission. The District is not considered a component unit of Franklin County.

The District operates under the provisions of the Kentucky Revised Statute mentioned above. Additionally, Franklin County does not exercise financial, budgetary, accounting or administrative controls over the District. Therefore, the financial statements of the District are not included in the financial statements of Franklin County.

B. FUNDING AND CONCENTRATIONS

The District's primary source of funding is through the sale of water to residential and commercial customers and the collection of sewer fees for various sewer treatment plants. The Public Service Commission sets the rates charged for the water sold and adjusts accordingly as purchase costs change. The District purchases all their water from the Frankfort Water & Electric Plant Board. The District entered into a 42-year purchase contract with the Frankfort Water & Electric Plant Board in 2011.

C. BASIS OF ACCOUNTING

The financial statements of the District have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. All of the District's activity is accounted for as business-type activities. Operating revenues relate to the District's primary function of the collection of water sales, likewise, operating expenses include the expenses for the distribution of water to customers. Non-operating revenues and expenses relate to all other revenue and expenses.

GASB Statement of Accounting Standards No. 34, as amended by GASB 63, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34) established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. It requires the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Invested in capital assets, net of related debt –This component of net position consists of capital assets, including restricted capital assets, if any, net of accumulated depreciation and reduced by the outstanding of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of "Invested in capital assets, net of related debt." Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- With Restriction – This component of net position consists of constraints placed on net asset use imposed by external parties such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Without Restriction – This component of net position consists of net assets that do not meet the definition of "with restriction" or "invested in capital assets, net of related debt."

The FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606)* which became effective for years ending after December 31, 2019. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. Because of the nature of the District's business in which water is provided in one month and billed the next month, the District has analyzed this standard for any potential impact to the financial statements. The analysis determined this standard has no impact on the financial statements.

D. TAX STATUS

The District is an instrumentality of local government and is, therefore, exempt under I.R.C. 115 from income tax. The District is also exempt from federal unemployment taxes.

E. OTHER ECONOMIC EVENTS

Currently the world economy is experiencing the Covid-19 pandemic. This has created a great deal of uncertainty and significantly slowed the economy. At this time, management cannot determine the long-term effects of this disruption.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. ACCOUNTS RECEIVABLE

Accounts receivables are stated at the amount owed by customers to the District. The District does not provide an allowance for uncollectible accounts but rather expenses such items in the period they become uncollectible. This practice differs from generally accepted account principles, but its impact is deemed immaterial. The amount written-off for the years ended December 31, 2021 and 2020 totaled $11,173 and $17,969, respectively. Management believes the remaining balance to be collectable.

G. SIGNIFICANT ESTIMATES

These financial statements were prepared with the use of management's estimates. Estimates and assumptions are used that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities if any, at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The most significant estimate was the actuarial assumptions and calculations concerning pension calculations.

H. PAYMENT POLICIES

The District bills their customers at the end of each month. The customers have until the 10th of the next month to pay their bill in full without the imposition of a penalty. After the 10th, the customers have until the 20th of the month to pay in full. If unpaid by the 20th, the District may turn off the customers' water.

I. INVENTORY

Inventory consists of parts and materials used to repair meters, water lines or hydrants. Also, the District's inventory includes the value of water in the two storage tank towers. The inventory is stated at cost on a specific identification basis.

J. COMPENSATING BALANCES

Whitaker Bank requires the District to maintain a minimum of $1,000 in all three accounts at all times.

K. FEDERAL LOANS

In 2012, the District began drawing on a federal loan through the U.S. Department of Agriculture facilitated by Regions Bank. These funds were to assist in paying for various improvements and upgrades in the water lines, pumping station, installation of automated meter reading and a new water storage tank. In April 2013, the District drew down the loan from the U.S.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. FEDERAL LOANS (Continued)

Department of Agriculture and paid off the Regions Bank loan. The loan from U.S. Department of Agriculture totaled $1,858,000. The District paid $26,500 and $25,500 in principal during calendar years ended December 31, 2021 & 2020, respectively and the loan balance was $1,692,500 and $1,719,000 at December 31, 2021 & 2020, respectively.

L. RETIREMENT

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the District's participation in the County Employees Retirement System (CERS) of the Kentucky Public Pensions Authority (KPPA) have been determined on the same basis as they are reported by the KPPA for the CERS plan. For this purpose, benefits including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms of the CERS plan of KPPA. The liability was measured at June 30, 2021 and 2020. See Note 4 for full disclosure of activity.

M. CASH AND CASH EQUIVALENTS

For business type activities all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

N. PREPAID EXPENSES

Prepaid expenses include expenditures for insurance and software maintenance made in connection with future programs and activities.

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. Currently, the District has only one item that qualifies for reporting in this category: contributions subsequent to measurement date relating to the retirement information.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Currently, the District has only one item that qualifies for reporting in this category: net difference between projected actual earnings on pension plan investment relating to the retirement information.

NOTE 2 – CASH DEPOSITS AND CERTIFICATES OF DEPOSIT

Cash and cash equivalents consist of cash on hand and held in checking accounts. The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At year-end, the District's cash balances were deposited in various banks. In February 2020, the District contracted with Whitaker Bank to place most of their accounts with an Insured Cash Sweep (ICS) Account each night. This program secures the deposits by placing excess funds with various banks in overnight investments.

Also, in February 2019, the District opened accounts with Community Trust Bank. The accounts were secured by collateral pledged by the bank held by Raymond James & Associates. The market value of the collateral securing the deposits is required to at least be equal to the amount of the deposits held by bank in excess of the $250,000 FDIC provided by the United States Government.

The investment policies of the District are governed by state statute. Major provisions of the District's investment policy include the following: depositories must be with FDIC insured banking institutions, and depositories must be fully insured or collateralize all demand and time deposits.

Bank Balances and Certificates of Deposit

The fair market value of deposits and certificates of deposit was equivalent to the reported values. All deposits are checking or certificate of deposit accounts. The carrying amount of the District's bank deposits was $726,935 and $690,931 for the years ended December 31, 2021 and collateral. The chart below gives an indication of the level of risk assumed by the District at year end. The categories are described as follows:

Category 1 - Insured.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Collateralized with securities held by the pledged financial institution in the institution's name.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 & 2020

NOTE 2 – CASH DEPOSITS AND CERTIFICATES OF DEPOSIT (Continued)

Bank Balances and Certificates of Deposit at December 31, 2021, categorized by level of risk are:

	Risk Category 1	Risk Category 2	Risk Category 3	Bank Balances	Uninsured Uncollater- alized	Book Value
Unrestricted Bank Balances						
Whitaker	$ 221,940	$ -	$ -	$ 221,940	$ -	$ 221,940
Community Trust	250,000	214,929		464,929	-	464,929
Restrict Bank Balance	40,066	-	-	40,066	-	40,066
Certificates of Deposit	102,339	-	-	102,339	-	102,339
Total	$ 614,345	$ 214,929	$ -	$ 829,274	$ -	$ 829,274

Bank Balances and Certificates of Deposit at December 31, 2020, categorized by level of risk are:

	Risk Category 1	Risk Category 2	Risk Category 3	Bank Balances	Uninsured Uncollater- alized	Book Value
Unrestricted Bank Balances						
Whitaker	$ 170,541	$ -	$ -	$ 170,541	$ -	$ 170,541
Community Trust	250,000	232,816		482,816	-	482,816
Restrict Bank Balance	37,574	-	-	37,574	-	37,574
Certificates of Deposit	176,439	-	-	176,439	-	176,439
Total	$ 634,554	$ 232,816	$ -	$ 867,370	$ -	$ 867,370

On October 15, 2020, the Public Service Commission ordered the District to add $3 per month to each bill to reserve funds for the ongoing excessive water losses due to line leaks. The District cannot spend these funds without approval from the Public Service Commission.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 & 2020

NOTE 3 - PROPERTY, PLANT, AND EQUIPMENT

The District records property and equipment at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the property. The District's threshold for capitalization is $2,500. The District uses other depreciable lives for regulatory reporting purposes to the Kentucky Public Service Commission.

The following represents the activity for the year ended December 31, 2021:

	Buildings/ Land	Equipment	Vehicles	Water Lines/ Hydrants/Towers/ Meters	Totals
Beginning	$ 68,722	$ 249,124	$ 40,006	$ 6,525,716	$6,883,568
Deletions	-0-	-0-	-0-	-0-	-0-
Additions	10,000	6,417	22,224	16,290	54,931
Ending	$ 78,722	$ 255,541	$ 62,230	$ 6,542,006	$ 6,938,499

The following represents the activity for the year ended December 31, 2020:

	Buildings/ Land	Equipment	Vehicles	Water Lines/ Hydrants/Towers & Meters	Totals
Beginning	$ 68,722	$ 240,144	$ 40,006	$ 6,459,847	$6,586,157
Deletions	-0-	-0-	-0-	-0-	-0-
Additions	-0-	8,980	-0-	65,869	74,849
Ending	$ 68,722	$ 249,124	$ 40,006	$ 6,525,716	$ 6,883,568

A summary of property and equipment and depreciation for the years ended December 31, 2021, and 2020 is as follows:

		Cost	Current Provision	Accumulated Depreciation
FY 2021	Property & Equipment	$6,938,499	$ 233,227	$ 3,489,076
FY 2020	Property & Equipment	$6,883,568	$ 224,818	$ 3,265,848

Land valued at $4,806 is not being depreciated.

NOTE 4 - EMPLOYEE RETIREMENT

Plan Description:

Employees of the District are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pension Authority (KPPA). The KPPA was created by state statute under Kentucky

NOTE 4 - EMPLOYEE RETIREMENT (Continued)

Revised Statue Section 61.645. The KPPA Board of Trustees is responsible for the proper operation and administration of the KPPA. The KPPA issues a publicly available financial report that can be obtained by writing to the Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at (502) 564-4646.

Benefits Provided:

Kentucky Revised Statue Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service-related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age plus earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member's accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or the Legislature appropriates sufficient funds to pay the increased liability for the COLA. No COLA was granted for the fiscal years ending June 30, 2021, or 2020.

NOTE 4 - EMPLOYEE RETIREMENT (Continued)

Employees covered by benefit terms: At the measurement date of June 30, 2021, and 2020:

	2021	2020
Estimated Inactive employees/beneficiaries currently receiving benefits	1	1
Estimated Inactive employees/beneficiaries not currently receiving benefits	2	2
Active employees	4	4
Total	7	7

Contributions:

Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was 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). The District's total expenses to the plan were $66,035 and $62,309 for the year ended December 31, 2021, and 2020, respectively. The District contributed 26.95% of employees' gross compensation to the plan from July 2021 – December 2021. The District contributed 24.06% of employees' gross compensation to the plan from January 2020 – June 2021. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The District's net pension liability (asset) was measured as of June 30, 2021, and 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of those dates.

Actuarial Assumptions:

The total pension liability as of June 30, 2021, and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30% for June 30, 2021, and for June 30, 2020
Salary increases	Representative values of the assumed annual rates of future salary increases of 3.30% and 3.05% for the years ended June 30, 2021, and 2020, respectively, including inflation
Investment rate of return	6.25% per annum @ June 30, 2021, and 2020 net of pension plan investment expense, including inflation.

NOTE 4 - EMPLOYEE RETIREMENT (Continued)

The mortality table used for active members is Pub-2010 General Mortality Table projected with rates form the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table based was a system-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 Combined Mortality Table using a base year of 2020. For disabled members, the Pub-2010 Disability Mortality Table with a using a base year of 2010.

The actuarial assumptions used in the June 30, 2021, and 2020 actuarial valuation was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2021, and 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2019 but did replicate the prior actuary's valuations results on the same assumption, methods and data, as of that date. The roll-forward is based on the results of GRS' replication.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KPPA. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. The analysis used for June 30, 2014 was performed for the period covering fiscal years 2005 through 2008 and is outlined in a report dated August 25, 2009. 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 (see chart below). 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 assumptions are intended to be long-term assumptions and are 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.

The long-term expected rate of return on pension plan investments was established by the KPPA Board of Trustees as 6.25% for June 30, 2021, and 6.25% for June 30, 2020 based on a blending of the factors described below

:

NOTE 4 - EMPLOYEE RETIREMENT (Continued)

June 30, 2021

Asset Class	Long-Term Expected Real Rate of Return	Expected Target Allocation
U.S. Equity	4.30%	18.75%
Non-US Equity	4.80%	18.75%
Private Equity	6.65%	10.00%
Specialty Credit /High Yield	2.60%	15.00%
Core Bonds	1.35%	13.50%
Cash	0.20%	1.00%
Real Estate	4.85%	5.00%
Opportunistic	2.97%	3.00%
Real Return	4.10%	15.00%
		100.00%

June 30, 2020

Asset Class	Long-Term Expected Real Rate of Return	Expected Target Allocation
U.S. Equity	4.30%	18.75%
Non-US Equity	4.80%	18.75%
Private Equity	6.65%	10.00%
Specialty Credit /High Yield	2.60%	15.00%
Core Bonds	1.35%	13.50%
Cash	0.20%	1.00%
Real Estate	4.85%	5.00%
Opportunistic	2.97%	3.00%
Real Return	4.10%	15.00%
		100.00%

Discount Rate:

The discount rate used to measure the total pension liability was 6.25% for June 30, 2021, and 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determine contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KPPA Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 - EMPLOYEE RETIREMENT (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate:

The following presents the net pension liability (asset) of the District calculated using the discount rate of 6.25 percent for June 30, 2019, as well as what the net pension liability (asset) 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:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District net pension liability - 2021	$ 405,019	$ 315,793	$ 241,960

The following presents the net pension liability (asset) of the District calculated using the discount rate of 6.25 percent for June 30, 2019, as well as what the net pension liability (asset) 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:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District net pension liability - 2020	$ 400,197	$ 324,514	$ 261,846

Pension Expense (Income) Related to Pensions

Net Difference between Projected Actual Earnings on Pension Plan Investments and Contributions Subsequent to Measurement Date

At December 31, 2021 and 2020, the District reported a liability of $315,793 and $324,514, respectively for its proportionate share of the net pension liability. The combined net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability 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 CERS members, actuarially determined. At December 31, 2021, the District recognized pension expense of $41,261 and $46,516 for 2020. At December 31, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 4- EMPLOYEE RETIREMENT (Continued)

Amounts per audited KPPA financial report	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 3,626	$ 3,065
Changes in Assumptions	4,238	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	12,251	54,341
Changes in Proportion & Differences Between Employer Contrib. & Proportionate Share of Plan Contributions	55,399	17,855
Measurement Date of June 30, 2021	$ 75,514	$ 75,261

Amounts reported as Net Difference between Projected Actual Earnings on Pension Plan Investments and Contribution Subsequent to the Measurement Date of June will be recognized in pension expense as follows:

Year Ended June 30, 2021:	
2022	12,479
2023	9,246
2024	(8,292)
2025	(13,181)
2026	- 0 -
Thereafter	- 0 -
Total	$ 252

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

All full-time employees are required by law to contribute 5% of their gross compensation to the plan in accordance with plan provisions. District contributions were made on the employees' gross compensation during the applicable year. Employer contributions are at an actuarially determined rate. The District owed the plan $4,560 and $4,892 at December 31, 2021 and 2020, respectively.

NOTE 4 - EMPLOYEE RETIREMENT (Continued)

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended June 30, 2020, determined as of June 30, 2018. The following actuarial methods and assumptions were used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 Years, Closed for June 30, 2021, and 25 Years, Closed for June 30, 2020
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized for the year ended June 30, 2021, and 2020
Inflation	2.30 Percent for June 30, 2021 & 2.30 % for June 30, 2020
Salary Increase	3.30 to 11.55%, varies by service for June 30, 2021 and for June 30, 2020
Payroll Growth Rate	2.0% for June 30, 2021, and for June 30, 2020
Investment Rate of Return	6.25 Percent for June 30, 2021, and for June 30, 2020, net of Pension Plan Investment Expense, Including Inflation
Retirement Age	65 years or 27 years of service regardless of age
Valuation Date	June 30, 2019

CERS issues a publicly available financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at 502-564-4646.

The plan provides for retirement, disability and death benefits. In addition, a portion of each employer and employee's contribution to CERS is set aside for the funding of post-retirement health care. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standard Board Statement Number 12. KPPA provided statutory authority requiring public employers to fund post-retirement health care through their contribution to CERS. The OPEB is the responsibility of the CERS, not the District.

NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described in Note 4, the District participates in the Kentucky Retirement Systems Insurance Fund (Fund). The Fund was created by the Kentucky General Assembly pursuant to the provisions of KPPA 61.701 to provide hospital and medical insurance for members receiving benefits from the Kentucky Public Pensions Authority (KPPA).

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contribution requirements of the participating employers are established and may be amended by the KPPA Board of Trustees. The District's contractually required contribution rate for the period of January through June 2021 was 4.76% of covered payroll and the contribution rate for the period July through December 2020 was 4.76%. The District's contractually required contribution rate for the period of January through December 2020 was 4.76% of covered payroll and the contribution rate for the period July 2019 through December 2019 was 4.76%. Contributions to the Insurance Fund from the District were $6,022 and $5,159 for the years ended June 30, 2021 & 2020, respectively. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008, are required to contribute 1% of their annual creditable compensation which is 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).

NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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 $94,804 and $102,142 for its proportionate share of the collective net OPEB liability for the years ended June 30, 2021 & 2020, respectively. The collective net OPEB liability was measured as of June 30, 2021 & 2020 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for the plan fiscal years for 2021 and 2020 (July 1 through June 30). This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2021 and 2020, the District's proportion was 0.004953% and 0.004230%, respectively.

For the years ended December 31, 2021 and 2020, the District recognized OPEB expense of $6,022 and $5,159, respectively, included as part of employment benefits of $35,715 and $28,868, respectively. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Amounts per audited KPPA financial report	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 14,908	$ 28,305
Changes in Assumptions	25,134	88
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,776	19,607
Changes in Proportion & Differences Between Employer Contrib. & Proportionate Share of Plan Contributions	23,858	25,716
Measurement Date of June 30	$ 68,676	$ 73,716

Of the total amount reported as deferred outflows of resources related to OPEB, $25,779 resulting from the District's contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

Year Ended June 30:

2022	2,088
2023	(162)
2024	(1,792)
2025	(5,175)
Thereafter	-
Total	$ (5,041)

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended June 30, 2021 & 2020. The following actuarial methods and assumptions were used to determine contribution rates:

Inflation	2.30 Percent
Salary Increase	3.30 – 10.30 Percent
Investment Rate of Return	6.25 Percent
Healthcare cost trend rates Pre-65	Initial trend starting at 6.25% as of January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare cost trend rates Post-65	Initial trend starting at 5.50% as of January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

For financial reporting the actuarial valuation as of June 30, 2019, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020 and 2019, were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020 and 2019, using generally accepted actuarial principles.

NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

There have been no changes in actuarial assumptions since June 30, 2019 (other than the blended discount rate used to calculate the total OPEB liability). However, 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. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized below:

Asset Class	Long-Term Expected Real Rate of Return	Expected Target Allocation
U.S. Equity	4.30%	18.75%
Non-US Equity	4.80%	18.75%
Private Equity	6.65%	10.00%
Specialty Credit/High Yield	2.60%	15.00%
Core Bonds	1.35%	13.50%
Cash	0.20%	1.00%
Real Estate	4.85%	5.00%
Opportunistic	2.97%	3.00%
Real Return	4.10%	15.00%
		100.00%

Discount rate. The projection of cash flows used to determine the discount rate of 5.20% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return 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. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the collective net OPEB liability as well as what the RWGS's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.20%) or 1 percentage point higher (6.20%) than the current discount rate for June 30, 2021:

	1% Decrease (4.20)	Current Discount Rate (5.20%)	1% Increase (6.20%)
District's Net OPEB liability	$ 130,165	$ 94,804	$ 65,784

For the year ended June 30, 2020, the is 1 percentage point lower (4.68%) or 1 percentage point higher (6.68%) than the current discount rate:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
District's Net OPEB liability	$ 131,222	$ 102,142	$ 78,257

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following table presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective 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 health care cost trend rates:

FYE 6/30/2021	1% Decrease	Current Trend Rate	1% Increase
District's Net OPEB Liability	$ 68,247	$ 94,804	$ 126,857

FYE 6/30/2020	1% Decrease	Current Trend Rate	1% Increase
District's Net OPEB Liability	$ 79,083	$ 102,142	$ 130,124

NOTE 5 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The amount of contribution paid by the Fund is based on years of service. For members participating prior to July 1, 2003, the years of service and respective percentages of the maximum contribution were as follows:

Years of Service	Paid by Insurance Fund
20 or more	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees who participating began on or after July 1, 2003, earn ten dollars ($10) per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

In prior years, the employers' required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within twenty years.

On August 6, 2012, the Board voted to cease self-funding of healthcare benefits for most KPPA Medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to KPPA retirees through a fully insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

NOTE 6 - CUSTOMER DEPOSITS

New customers must pay a $70 deposit to become a customer of the District. The District deposits these funds in an interest-bearing savings account. If the customer does not have any late payments or delinquencies, their deposit qualifies to be refunded after 18 months. Currently, the District generally does not refund customer deposits without customer request.

NOTE 6 - CUSTOMER DEPOSITS (Continued)

When the District redeems the deposit they must pay the customers the interest earned while they had the deposit. KPPA statutes require the District to pay the actual interest earned on the funds using the current market rate, however, this rate cannot exceed 6%.

The estimated accrued interest on these deposits at December 31, 2021 & 2020 was $41 and $732, respectively.

NOTE 7 - TAPPING FEES AND CONTRIBUTIONS IN AID OF CONSTRUCTION

The Public Service Commission, the regulatory agency governing the District, requires that Tapping Fees and Contributions in Aid of Construction be added to a Donated Net Asset account instead of being included in revenue. These financial statements do not reflect this presentation since these financial statements are presented in conformity with generally accepted accounting principles. If we had recorded these items in accordance with the regulatory requirement, the net revenue would have decreased in fiscal years 2021 and 2020 by $24,859 and $13,851, respectively.

NOTE 8 - SUBSEQUENT EVENTS

The District has adopted FASB ASC 855-10-50-1 "Subsequent Events". The District evaluated events occurring between the end of its most recent year end and this report date. Management believes no significant events occurred subsequent to the date of this report which is the date the financial statements were available to be issued.

NOTE 9 – FEDERAL LOAN PAYABLE

The District pays the U.S. Department of Agriculture 3.125% on the outstanding balance for the life of the loan. The loan payments were interest only for 2014 with principal payments beginning in January 2015. The loan duration is 40 years and is scheduled to be paid in full by 2053. As part of the loan covenant, the District is required to open a separate bank account (Reserve Account) and deposit $750 per month for the original loan and $75 per month for the subsequent loan until such time the account reaches $98,500. Management has opened this account and had a balance of $79,975 at December 31, 2021 and $70,086 at December 31, 2020.

The District paid $26,500 of principal on January 1, 2021 and $25,500 of principal on the loan on January 1, 2020. In addition, another $27,500 in principle was due on January 1, 2022. Total interest expense on this loan was $53,305 and $53,719 for December 31, 2021, and 2020, respectively.

NOTE 9 – FEDERAL LOAN PAYABLE (continued)

The District's long-term debt at December 31, 2021 is detailed as follows:

	Principal Balance 12/31/20	Borrowings	Payments	Principle Balance 12/31/21	Current Portion	Long-Term Portion
USDA Loan	$1,719,000	-0-	$ 26,500	$ 1,692,500	$ 27,500	$ 1,665,000

The District's long-term debt at December 31, 2020 is detailed as follows:

	Principal Balance 12/31/19	Borrowings	Payments	Principle Balance 12/31/20	Current Portion	Long-Term Portion
USDA Loan	$1,744,500	-0-	$ 25,500	$ 1,719,000	$ 26,500	$ 1,692,500

The long-term debt service requirements for the USDA Loan is as follows:

Year	Principal	Interest	Total
2022	27,500	52,031	79,531
2023	29,000	51,125	80,125
2024	30,000	50,188	80,188
2025	31,500	49,203	80,703
2026 – 2031	217,500	273,266	490,766
2032 - 2036	226,500	191,375	417,875
2037 – 2041	278,500	151,203	429,703
2042 – 2046	340,500	102,062	442,562
2047 – 2051	418,000	41,750	459,750
2052	93,500	- 0 -	93,500
Total	$ 1,692,500	$ 962,203	$2,654,703

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Farmdale Water District
Frankfort, Kentucky

We have audited, 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, the financial statements of the business-type activities of the Farmdale 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 District's basic financial statements and have issued our report thereon dated July 27, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting and cash, as discussed below, that we consider to be significant deficiencies in internal control over financial reporting.

2012-1 Preparation of Financial Statements

Condition – As noted in the prior audits, the District does not have an internal control system designed to provide for the preparation of the financial statements. As auditors, we were requested to assist in the drafting of the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal control establishes internal controls which effectively and timely detect potential misstatements to the financial statements.

Effect – Inadequate controls could adversely affect the District's ability to detect misstatements in amounts that would be significant in relation to the financial statements.

Cause – District personnel do not have adequate training and background to apply U.S. generally accepted accounting principles internally.

Recommendation – Management believes the cost of adding an additional qualified person to the staff to remedy this condition would not be cost beneficial. In situations like this, management's close supervision and review of accounting information on a regular basis is the most cost effective means for preventing and detecting errors and irregularities. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response – As noted in the prior audits, the District is aware of the deficiency in internal control. The District accepts the risk and will not add additional administrative employees due to cost constraints.

2020-2 Segregation of Check Writing Responsibilities

Condition – The District office manager has signatory authority on most of the checks written. The office manager prepares all checks thus allowing the preparer of the check to have potentially control over the entire process. Even though the District requires dual signatures on checks written out of the operations account, the bank no longer reviews checks for duel signatures. We believe internal control would be strengthen by removing the office manager as an authorized signor.

Criteria – A good system of internal control requires essential duties should be effectively segregated.

Effect – Inadequate controls could adversely affect the District's ability to detect misstatements in amounts that would be significant in relation to the financial statements and/or to timely detect fraudulent activity.

Cause – Due to a shortage of personnel the District does not have adequate staff to segregate all duties to effectively segregate duties.

Recommendation – We strongly recommend the District remove the office manager as an authorized signor of checks.

Management Response – The District is aware of the deficiency in internal control. The District will consider implementing these changes.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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*.

Farmdale Water District's Response to Finding

Farmdale Water District's response to the finding identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the District in a separate letter dated July 27, 2022.

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.

H & A, PSC

Harrod & Associates, PSC
Frankfort, KY 40601

July 27, 2022

REQUIRED SUPPLEMENTAL INFORMATION

FARMDALE WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020
(in thousands)

	2021	2020	2019	2018	2017	2016	2015
Total Net Pension Liability for County Employees Retirement System (in thousands)	$ 6,375,785	$ 7,669,917	$ 7,033,045	$ 6,090,305	$ 5,853,443	$ 4,299,525	$ 3,244,377
Employer's Proportion (Percentage) of Net Pension Liability	0.49520%	0.00423%	0.00334%	0.00613%	0.00546%	0.00532%	0.00600%
Employer's Proportion (Amount) of Net Pension Liability	$ 315,793	$ 324,514	$ 234,693	$ 373,153	$ 319,298	$ 261,970	$ 257,923
Employer's Covered-Employer Payroll	$ 162,665	$ 138,937	$ 81,093	$ 125,739	$ 148,407	$ 120,993	$ 138,847
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll	194.14%	233.57%	289.41%	296.77%	215.60%	216.52%	185.76%
Total Pension Plan's Fiduciary Net Position (in thousands)	$ 8,565,652	$ 7,027,327	$ 7,159,921	$ 7,018,963	$ 6,687,237	$ 6,440,800	$ 6,528,146
Total Pension Plan's Pension Liability (in thousands)	$ 14,941,437	$ 14,697,244	$ 14,192,966	$ 13,109,268	$ 12,540,545	$ 10,740,325	$ 9,772,523
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	57.33%	47.81%	50.45%	53.54%	53.32%	59.97%	66.80%

See Independent Auditor's Report

FARMDALE WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS TO CERS
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 24,418	$ 26,273	$ 20,627	$ 24,042	$ 28,103	$ 26,755	$ 31,828
Contributions in Relation to the Actuarially Determined Contribution	24,418	26,273	20,627	24,042	28,103	26,755	31,828
Contribution Deficiency (Excess)	-	-	-	-	-	-	-
Covered-Employee Payroll	$ 162,665	$ 138,937	$ 81,093	$ 125,739	$ 148,407	$ 120,993	$ 138,847
Contributions as a Percentage of Covered-Employee Payroll	15.01%	18.91%	25.44%	19.12%	18.94%	22.11%	22.92%

Note: This schedule is intended to display information for ten years. Additional years will be displayed as they become available.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 Years for Closed Period at June 30, 2019, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized for the year ended June 30, 2021
Inflation	2.30 Percent for June 30, 2021
Salary Increase	3.30% to 10.30%, varies by service for June 30, 2021
Payroll Growth Rate	2.00%
Investment Rate of Return	6.25 Percent for June 30, 2021
Retirement Age	65 years or 27 years of service regardless of age
Valuation Date	06/30/2019

FARMDALE WATER DISTRICT
SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIONS BASED ON PARTICIPATION IN CERS
FOR THE YEAR ENDED DECEMBER 31, 2021 & 2020
(in thousands)

		2021		2020		2019		2018
Total Net OPEB Liability for County Employees Retirement System (in thousands)	$	1,914,450	$	2,414,696	$	1,681,955	$	1,775,480
Employer's Proportion (Percentage) of Net OPEB Liability		0.49520%		0.00423%		0.00334%		0.00613%
Employer's Proportion (Amount) of Net OPEB Liability	$	94,804	$	102,142	$	56,110	$	108,784
Employer's Covered-Employer Payroll	$	162,665	$	138,937	$	81,093	$	125,739
Employer's Proportionate Share (Amount) of the Net OPEB Liability as a Percentage of Employer's Covered-Employer Payroll		58.28%		73.52%		69.19%		86.52%
Total OPEB Plan's Fiduciary Net Position (in thousands)	$	3,246,801	$	2,581,613	$	2,569,511	$	2,414,126
Total OPEB Plan's OPEB Liability (in thousands)	$	5,161,251	$	4,996,309	$	4,251,466	$	4,189,606
Total OPEB Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability		62.91%		51.67%		60.44%		57.62%

See Independent Auditor's Report

FARMDALE WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS TO CERS INSURANCE FUND
FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020

	2021	2020	2019	2018
Contractually Required Contribution	$ 6,022	$ 5,159	$ 5,719	$ 7,802
Contributions in Relation to the Actuarially Determined Contribution	6,022	5,159	5,719	7,802
Contribution Deficiency (Excess)	-	-	-	-
Covered-Employee Payroll	$ 162,665	$ 138,937	$ 81,093	$ 125,739
Contributions as a Percentage of Covered-Employee Payroll	3.70%	3.71%	7.05%	6.20%

Note: This schedule is intended to display information for ten years. Additional years will be displayed as they become available.
See independent auditor's report.

Notes to Schedules Related to the County Employees' Insurance Fund of KRS Information

The following actuarial methods and assumptions, for actuarially determined contributions effective for the fiscal year ending June 30, 2021:

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date	06/30/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Remaining amortization period	30 years, closed at June 30, 2019
Payroll Growth Rate	2.00 percent
Asset valuation	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Salary Increase	3.30 to 10.30 percent, varies by service
Inflation	2.30 percent
Investment Rate of Return	6.25 percent
Retirement age	65 years or 27 years of service regardless of age
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.
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