

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
GARRISON, KENTUCKY**

AUDITED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
GARRISON, KENTUCKY
Years Ended December 31, 2021 and 2020

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenses And Changes in Net Position	4
Statements of Cash Flows	5
Notes to the Financial Statements	6-27
<u>Required Supplementary Information</u>	
Schedule of the District's Proportionate Share of the Net Pension Liability	28
Schedule of Pension Contributions	29
Schedule of Proportionate Share of Net OPEB Liability	30
Schedule of Contributions OPEB	31
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	32-33

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.,
A.I.C.P.A.

131 E. ELECTRIC AVENUE
FLEMINGSBURG, KY 41041
(606) 845-5210

550 W. FIRST ST., P.O. BOX 449
MOREHEAD, KY 40351
(606) 784-4451
(606) 784-8224 (FAX)

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Garrison-Quincy-KY-O-Heights Water District
Garrison, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Garrison-Quincy-KY-O-Heights Water District as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023 on our consideration of the Garrison-Quincy-KY-O-Heights Water 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 results of that testing, and not to provide an opinion on the effectiveness of the Garrison-Quincy-KY-O-Heights Water 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 Garrison-Quincy-KY-O-Heights Water District's internal control over financial reporting and compliance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

January 26, 2023

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31,

ASSETS & DEFERRED OUTFLOWS	2021	2020
Current Assets		
Cash	\$ 15,599	\$ 18,586
Accounts receivable		
Customers, net	106,914	94,913
Other		
Unbilled Receivables	32,498	32,498
Prepaid expenses	6,112	6,112
Inventory	15,153	14,311
	<u>176,276</u>	<u>166,420</u>
Restricted Assets		
Cash	46,057	87,524
	<u>46,057</u>	<u>87,524</u>
Fixed Assets		
Property, Plant & Equipment	12,034,175	12,034,175
Less accumulated depreciation	(3,490,504)	(3,311,435)
Construction-in-progress	-	-
	<u>8,543,670</u>	<u>8,722,739</u>
Deferred Outflow of Resources		
Deferred Outflow of Resources-OPEB	79,112	96,848
Deferred Outflow of Resources-Pension	44,631	124,865
	<u>123,743</u>	<u>221,713</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 8,889,746</u></u>	<u><u>\$ 9,198,396</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 21,104	\$ 13,334
Accrued wages and Benefits	3,291	3,667
Deferred Compensation	275	325
Compensated Absences	16,272	16,272
Customer deposits	9,308	9,284
Accrued Retirement	5,649	5,088
Taxes payable	2,176	2,259
Accrued interest payable	-	21,684
Current Portion of bonds payable	29,766	72,424
Total Current Liabilities	<u>87,841</u>	<u>144,337</u>
Noncurrent Liabilities		
Accrued OPEB Liabilities	165,811	229,613
Accrued Pension Liabilities	552,334	729,563
Bonds payable, net	1,608,592	1,680,978
Total Long-term Liabilities	<u>2,326,737</u>	<u>2,640,154</u>
Deferred Inflow of Resources		
Deferred Inflow of Resources-OPEB	89,227	38,819
Deferred Inflow of Resources-Pension	117,765	-
	<u>206,992</u>	<u>38,819</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>2,621,570</u>	<u>2,823,311</u>
Net Position		
Investment in Capital Assets, Net of Related Debt	6,905,312	6,969,337
Restricted Net Assets	46,057	87,524
Unrestricted Net Assets	(683,193)	(681,776)
TOTAL NET POSITION	<u><u>\$ 6,268,177</u></u>	<u><u>\$ 6,375,085</u></u>

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

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
PROPRIETARY FUND
for the years ended December 31,

	2021	2020
OPERATING INCOME		
Water sales	\$ 527,863	\$ 527,380
Sewer sales	144,151	136,033
Other revenue	23,630	23,325
Total operating income	<u>695,644</u>	<u>686,738</u>
OPERATING EXPENSES		
Water Expenses		
Advertising Expense	75	-
Bad Debt Expense	-	-
Bank Charges	65	1,344
Chemicals & Salt	8,855	14,199
Commissioners Salaries	8,100	8,100
Continuing Education	412	1,277
Dues and Subscriptions	3,046	3,058
Health Insurance	22,328	22,500
Materials and Supplies	34,045	50,855
Miscellaneous	2,464	2,152
Office Supplies	7,909	8,862
Outside Services	1,250	2,509
Other Utilities	3,904	3,985
Payroll Taxes	19,483	19,534
Phone	1,921	3,883
Postage	5,417	5,691
Professional Fees	5,317	11,545
Insurance	12,151	13,786
Repairs and Maintenance	5,644	6,171
Retirement	82,759	215,218
Salaries	200,825	198,015
Electric	34,889	33,761
Vehicle Expense	6,470	7,260
Water Purchased	31,712	43,618
Total Water Expenses	<u>499,042</u>	<u>677,324</u>
Sewer Expenses		
Electric	22,737	24,037
Materials and Supplies	15,563	18,585
Phone	528	877
Postage	2,322	2,160
Testing	9,746	10,605
Miscellaneous	3,165	1,658
Repairs and Maintenance	15	-
Truck Expense	62	-
Salaries and Wages	28,659	43,943
Total Sewer Expenses	<u>82,797</u>	<u>101,865</u>
Total operating expense	<u>581,840</u>	<u>779,189</u>
Operating income before depreciation	113,805	(92,451)
Depreciation expense-Water	(101,711)	(101,711)
Depreciation expense-Sewer	(77,357)	(77,358)
Total Depreciation Expense	<u>(179,069)</u>	<u>(179,070)</u>
OPERATING INCOME (LOSS)	(65,264)	(271,521)
Non-operating income (Expenses)		
Gain (Loss) on disposal of assets	-	-
Paycheck Protection Program-Forgiven	-	52,600
Bond Interest Reimbursement	4,966	2,521
Interest income	76	61
Interest expense	(46,687)	(49,795)
Total Non-Operating Income (Expense)	<u>(41,645)</u>	<u>5,386</u>
CHANGE IN NET POSITION	(106,909)	(266,135)
NET POSITION, BEGINNING OF YEAR	<u>6,375,085</u>	<u>6,641,220</u>
NET POSITION, END OF YEAR	<u>\$ 6,268,177</u>	<u>\$ 6,375,085</u>

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

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
for the years ended December 31,

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 683,644	\$ 682,524
Payments to Suppliers	(324,086)	(339,581)
Payments to Employees	(229,484)	(241,958)
Other Receipts (Payments)	<u>23,630</u>	<u>23,325</u>
Net Cash (Used) Provided by Operating Activities	153,703	124,310
CASH FLOW FROM INVESTING ACTIVITIES		
Reserve Funds	(41,467)	(5,264)
Interest Income	<u>76</u>	<u>61</u>
Net Cash (Used) Provided by Investing Activities	<u>(41,392)</u>	<u>(5,204)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds From Capital Debt	-	-
Principal Paid on Capital Debt	(115,044)	(72,423)
Purchases of Capital Assets	0	(7,268)
Bond Interest Reimbursement	4,966	2,521
Interest Paid on Capital Debt	<u>(46,687)</u>	<u>(49,795)</u>
Net cash (Used) Provided by Financing Activities	<u>(156,764)</u>	<u>(126,965)</u>
NET INCREASE (DECREASE) IN CASH	(44,452)	(7,859)
Cash and Cash Equivalents - At beginning of year	<u>106,109</u>	<u>113,968</u>
CASH AND CASH EQUIVALENTS - AT END OF YEAR	<u><u>\$ 61,656</u></u>	<u><u>\$ 106,109</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (65,264)	\$ (271,521)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	179,069	179,070
Change in Assets and Liabilities:		
Accounts Receivable, Net	(12,001)	(4,213)
Inventories	842	(7,649)
Prepaid Expense	(0)	-
Accounts Payable and Other Payables	51,409	228,228
Customer Deposits	24	28
Accrued Wages and Vacation	<u>(376)</u>	<u>369</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 153,703</u></u>	<u><u>\$ 124,310</u></u>

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

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES

The Garrison-Quincy-KY-O-Heights Water District was created and organized as a public body corporate in Garrison-Quincy-KY-O-Heights, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Garrison-Quincy-KY-O-Heights Fiscal Court to operate a water distribution system and wastewater services. The District is regulated by the Kentucky Public Service Commission.

The Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Garrison-Quincy-KY-O-Heights Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations. The entities included in the financial statements are the general operations of the District.

Based on the foregoing criteria there are no other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources management focus. With the measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

Note 1: ORGANIZATION AND ACCOUNTING POLICIES

Basis of Accounting

The District maintains its accounting records on the accrual basis during the year. The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Inventory

Inventory is maintained at lower of cost or market.

Utility Plant

Utility Plant is stated at original cost. The cost of repairs and maintenance is charged to the proper expense account as incurred. Property replacements are capitalized and retirements are charged to the proper plant account and depreciation provision.

Depreciation

Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates on a straight-line basis determined by reference to Utility Standards Rates (NARUC). The provisions for depreciation in 2021 reflect those standard rates by asset class.

Unbilled Revenue

The District records revenue as billed to its customers on monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled.

Power Costs

The cost of power purchases for pumping water is charged to expense as used.

Income Tax Status

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statement includes no provision for income taxes.

Cash Flows

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

Net Position

Net position represents the difference between assets and liabilities in the statement of net assets. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2: RESTRICTIONS ON CASH

Restricted Cash Accounts

A. Customer Deposit Account

The District is required to maintain special deposit accounts for customer deposits.

B. Capital Equipment Account

The Capital Equipment Account is being maintained for the purposes of purchasing and maintaining equipment. The District deposits \$2,000 per month into the account.

C. Debt Service Reserve Accounts

Deposits into bond and Interest Sinking Fund Account are required to be made monthly in order to accumulate funds for payment of bond principle and interest. The KIA (Kentucky Infrastructure Authority) Loan Account is being maintained for the purposes of accounting for principal and interest payments on the KIA Loan.

D. Depreciation Reserve

The Depreciation Reserve Accounts are being maintained as required in various bond documents. The District was required to deposit \$280 per month into these accounts. The District had a total of \$33,736 in these accounts for the purpose of maintaining the water system. The required balance at December 31, 2021 is \$54,853. This reserve was underfunded by \$21,117.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2: RESTRICTIONS ON CASH (Continued)

The following is a listing of restricted cash accounts of the District:

Customer Deposit Account	\$	9,308
Capital Equipment Account		4,058
Debt Service Accounts:		
Bond Sinking Fund Account		2,265
KIA Account Loan Account		5,997
Depreciation Reserve:		
Depreciation Account		14,333
Sewer Depreciation Account		19,403
Certificates of Deposit-		
Replacement Reserves		0
Depreciation Fund		<u>0</u>

Total Restricted Cash Accounts \$ 55,364

NOTE 3: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does have a deposit policy for custodial credit risk. As of December 31, 2021, \$0 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank \$0

NOTE 4: COMPENSATED ABSENCES

It is the District's policy to permit its employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave because the District does not have a policy to pay any amounts when employees separate from service with the District. The unused vacation or annual leave is considered a vested benefit.

In recognition of the resulting obligation, the District has accrued a liability for earned but unused vacation leave and accrued compensation time, having determined that payment of such compensation is probable and having developed a reasonable estimate based upon current salary costs, annual leave, and compensation time amounts as of December 31, 2021. The liability for compensated absences at December 31, 2021 was \$16,272.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 5: LONG-TERM DEBT

A. Waterworks Revenue Series A and Series B 1987

On April 22, 1987, the District entered into an agreement with Rural Development to issue \$300,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvements to the existing waterworks system of the District. The Waterworks System Bond Issue consisted of Series A and B bonds.

Series A was issued in the amount of \$250,000 and Series B, in the amount of \$50,000. Semiannual interest payments at a rate of 6.375% for Series A and 5.875% for Series B are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2021 the principal balance outstanding was \$81,000 on Series A and \$14,100 on Series B. Debt Service requirements for year ending December 31, 2021, and thereafter is as follows:

Waterworks Revenue Bond Series A 1987:

Year Ended December 31	Principal	Interest and Fees
2023	14,000	4,718
2024	15,000	3,793
2025	16,000	2,805
2026	17,000	1,753
2027	19,000	606
	81,000	13,674

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 5: LONG-TERM DEBT (Continued)

Waterworks Revenue Bond Series B 1987:

Year Ended December 31	Principal	Interest and Fees
2023	2,500	755
2024	2,600	605
2025	2,800	447
2026	3,000	276
2027	3,200	94
	14,100	2,177

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

B. Waterworks Revenue Series 1996

On August 5, 1996, the District entered into an agreement with Rural Development to issue \$295,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvement to the existing waterworks system of the District. Semiannual interest payments at a rate of 4.5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2021, the principal balance outstanding was \$176,500. Debt Service requirements for year ending December 31, 2021, and thereafter is as follows:

Waterworks Revenue Series 1996

Year Ended December 31	Principal	Interest and Fees
2022	8,500	7,751
2023	8,500	7,369
2024	9,500	6,964
2025	9,500	6,536
2026	10,000	6,098
2027-2031	57,500	23,119
2032-2036	73,000	8,505
	<hr/>	
	\$ 176,500	\$66,341

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

C. Waterworks Revenue Series 2002

On June 3, 2002, the District entered into an agreement with Rural Development to issue \$356,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction extensions, additions, and improvements to the existing waterworks system of the District.

Semiannual interest payments at a rate of 4.5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2021, the principal balance outstanding was \$255,000. Debt Service requirements for year ending December 31, 2022, and thereafter is as follows:

Waterworks Revenue Series 2002

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest and Fees</u>
2023	8,000	11,295
2024	9,000	10,913
2025	9,000	10,508
2026	9,000	10,103
2027	10,000	9,675
2028-2032	56,000	41,175
2033-2037	70,000	27,045
2038-2042	84,000	9,495
	<u>\$ 255,000</u>	<u>\$ 130,208</u>

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2021 and 2020

D. Waterworks Revenue Series 2010

On May 10, 2010, the District entered into an agreement with Rural Development to issue \$798,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvement to the existing waterworks system of the District. Semiannual interest payments at a rate of 2.25% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2021, the principal balance outstanding was \$641,000. Debt Service requirements for year ending December 31, 2021, and thereafter is as follows:

Waterworks Revenue Series 2010

Year Ended December 31	Principal	Interest and Fees
2023	16,500	14,237
2024	17,000	13,860
2025	17,500	13,472
2026	18,000	13,073
2027	18,500	12,662
2028-2032	100,000	56,756
2033-2037	113,500	44,781
2038-2042	129,000	31,140
2043-2047	147,000	15,638
2048-2049	64,000	1,440
	<hr/>	<hr/>
	\$ 641,000	\$ 217,058

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

E. KIA Assistance Loan

On April 1, 2015, the District entered into construction loan agreement with the Kentucky Infrastructure Authority (KIA) to finance upgrades to be made to the District's processing plant in the amount of \$821,721. The loan also included principal forgiveness in the amount of \$205,430 to be given the first two years of the agreement. Semiannual principal and interest payments are required beginning June 1, 2017. Interest is calculated at a rate of .75% for the term of the loan. As of December 31, 2021, the principal balance outstanding was \$470,758.

KIA Assistance Loan

Year Ended December 31	Principal	Interest and Fees
2022	29,766	4,633
2023	29,990	4,335
2024	30,215	4,035
2025	30,442	3,732
2026	30,671	3,427
2027-2031	156,946	12,479
2032-2036	162,728	4,503
	<hr/>	
	\$ 470,758	\$37,144

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

F. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Proprietary Activities:</u>					
Revenue Bonds	1,253,100	-	85,500	1,167,600	
Loans Payable	500,302	-	29,544	470,758	29,766
Proprietary Activities					
Long-Term Liabilities	1,753,402	-	115,044	1,638,358	29,766

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 6: RETIREMENT PLAN

The Garrison-Quincey-Ky-O-Heights Water District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description- CERS is a cost-sharing multiple- employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of- living (COLA) adjustments are provided at the discretion of state legislature.

Contributions- For the year ended December 31, 2021, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actual valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended December 31, 2021, participating employers contributed 24.06%, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 8. Plan members contributed 16.22% to the pension trust through June 30th and 19.30%, thereafter for non-hazardous job classifications for the year ended December 31, 2021. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set of percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended December 31, 2021, the District contributed \$57,647 or 100% of the required contribution for non-hazardous job classifications. Benefits- CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 6: RETIREMENT PLAN (CONTINUED)

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service of 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008- December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or Age 57+ and sum of service years plus age equal to 87+
	Reduced Retirement	Not Available

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At December 31, 2021, the District reported a liability of \$552,334 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and was rolled forward using generally accepted actuarial procedures. The District proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the District's proportion was .008663 percent, which was a decrease of .00085 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the District recognized pension expense of \$53,162. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 6: RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 6,342	\$ 5,361
Changes of Assumptions	7,413	-
Net difference between projected and actual earnings on Plan Investments	-	73,617
Changes in proportion and differences between District contributions and proportionate share of contributions	9,523	38,787
District contributions subsequent to the measurement date	21,353	-
Total	\$ 44,631	\$ 117,765

The \$21,353 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2022	\$ (18,327)
2023	\$ (35,239)
2024	\$ (17,869)
2025	\$ (23,053)

Actuarial Assumptions- The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP- 2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system- specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP- 2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4- year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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 ranged 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 in the following table:

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 6: RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.25%

Discount Rate- The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

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

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	\$708,395
Current discount rate	6.25%	\$552,334
1% increase	7.25%	\$423,198

Payable to the Pension Plan- The district reported a payable of \$5,648.69 as of December 31, 2021, for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description- As more fully described in Note 7, the District participates in the County Employees' Retirement System (CERS). CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions- As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2021, the employer's contribution was 5.2% through June 30th and 4.76% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended December 31, 2021, the District contributed \$10,533, or 100% of the required contribution for non-hazardous job classifications.

Benefits- CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

annually	Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
	Tier 1	Participation date Insurance Eligibility Benefit	Before September 1, 2008 but after July 1, 2003 15 years of service credit required Set dollar amount based on service credit accrued, increased
	Tier 2	Participation date Insurance Eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased
	Tier 3	Participation date Insurance Eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At December 31, 2021, the District reported a liability for its proportionate share of the net OPEB liability of \$165,811. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2021 was .008661% percent, which was an decrease of .00085 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the District recognized OPEB expense of \$21,473. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 26,074	\$ 49,506
Changes of Assumptions	43,960	154
Net difference between projected and actual earnings on Plan Investments	-	25,939
Changes in proportion and differences between District contributions and proportionate share of contributions	3,811	13,628
District contributions subsequent to the measurement date	5,267	-
Total	<u>\$ 79,112</u>	<u>\$ 89,227</u>

The \$5,267 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. This includes an adjustment of \$4,903 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

	Year ending December 31,	
2022	\$	1,980
2023	\$	(1,957)
2024	\$	(2,511)
2025	\$	(12,894)
2026	\$	-

Actuarial Assumptions- The total OPEB liability in the June 30, 2021, actuarial validation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Non-hazardous

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS Non-Hazardous and Hazardous, and 0.0% for KERS Non-Hazardous and Hazardous
Salary increases	3.30% to 10.30%, varies by service for CERS Non-Hazardous; 3.55% To 19.05%, varies by service for CERS Hazardous; 3.30% to 15.30%, Varies by service for KERS Non-Hazardous; and, 3.55% to 20.05%, Varies by service for KERS Hazardous
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 2.9% at January 1, 2022, and increasing to 6.30% in 2023 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP- 2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system- specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2021. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP- 2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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 in the following table:

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2021 and 2020

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.25%

Discount Rate- the discount rate used to measure the total OPEB liability was 5.20% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2021, the discount rate determination used an expected rate of return of 6.20%, and a municipal bond rate of 3.13% as reported in Fidelity Index's "20-Year Municipal GO AA Index". As of June 30, 2020, the discount rate determination used an expected rate of return of 6.20%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index". 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.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate- The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage- point lower or 1-percentage- point higher than the current rate:

	Discount rate	Proportionate share of net OPEB liability
1% decrease	4.20%	\$227,657
Current discount rate	5.20%	\$165,811
1% increase	6.20%	\$115,056

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the District's Proportionate Share of the NET OPEB Liability to Changes in the Healthcare Cost Trend Rate- The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability
1% decrease	\$227,657
Current trend rate	\$165,811
1% increase	\$115,056

OPEB plan fiduciary net position- Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 8: 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 worker's compensation and employee health and accident coverage. The District is a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

NOTE 9: CONTINGENCIES

The District had elected to be recognized as a reimbursing employer for state unemployment compensation purposes. Accordingly, the District will become liable for direct payment of unemployment benefits as they become due.

NOTE 10: COVID-19 PANDEMIC

During 2020 and 2021, various restrictions were placed on utilities in the state of Kentucky in response to the COVID-19 pandemic. These restrictions included the cessation of utility shutoffs and the charging of penalties due to nonpayment of bills. As a result of these orders and the impact of COVID-19 on the District's customers, there has been an increase in delinquent billings as of December 31, 2021. The District is working to establish payment plans with customers who have delinquent bills in an attempt to ensure continuous service and the collection of past due balances. The district has a balance of \$68,726 in the allowance for doubtful account as of December 31, 2021, as an estimate of the total amount of accounts receivable that will not be collectible.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of this report and nothing came to attention that should be disclosed.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Proprietary Activities:</u>				
Capital Assets Not Being Depreciated:				
Land & Easements - Water Distribution	\$ 261,788	\$	\$	\$ 261,788
Land & Easements - Sewer Processing	50,000	-	-	50,000
Total Capital Assets Not Being Depreciated	311,788	-	-	311,788
Capital Assets, Being Depreciated:				
Buildings - Water Distribution	388,116	-		388,116
Buildings - Sewer Processing	1,151,175			1,151,175
Wells, Springs, & Reservoirs	1,001,151	-		1,001,151
Pumping Equipment	170,069			170,069
Transmission & Distribution	4,225,539			4,225,539
Water Treatment	542,810			542,810
Sewer Lines	4,100,000			4,100,000
Vehicles & Heavy Equipment	113,229			113,229
Office, Tools, & Other Equipment	30,155	-	-	30,155
Total Capital Assets Being Depreciated	11,722,244	-	-	11,722,245
Less Accumulated Depreciation For:				
Buildings - Water Distribution	(256,195)	(8,673)		(264,868)
Buildings - Sewer Processing	(230,068)	(23,034)		(253,102)
Wells, Springs, & Reservoirs	(177,618)	(22,248)		(199,866)
Pumping Equipment	(168,119)	(279)		(168,398)
Transmission & Distribution	(1,259,678)	(65,008)		(1,324,686)
Water Treatment	(542,810)	-		(542,810)
Sewer Lines	(546,663)	(54,667)		(601,330)
Vehicles & Heavy Equipment	(106,099)	(4,269)		(110,368)
Office, Tools, & Other Equipment	(24,186)	(892)		(25,078)
Total Accumulated Depreciation	(3,311,435)	(179,069)	-	(3,490,506)
Total Capital Assets, Being Depreciated, Net	8,410,809	(179,069)	-	8,231,739
Proprietary Activities Capital Assets, Net	\$ 8,722,597	\$ (179,069)	\$ 0	\$ 8,543,527

Proprietary Activities:

Proprietary Activities	179,069
Total Depreciation Expense - Proprietary Activities	\$ 179,069

SOI: Referenced

REQUIRED SUPPLEMENTAL INFORMATION

GARRISON-QUINCEY-KY-O-HEIGHT WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Six Calendar Years

	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability	0.09380%	0.00974%	0.00974%	0.00908%	0.00915%	0.00951%	0.008663%
District's proportionate share of the net pension liability (asset)	\$294,000	\$403,216	\$479,531	\$527,559	\$643,453	\$729,563	\$ 552,334
District's covered employee payroll	\$234,905	\$232,145	\$229,556	\$226,292	\$238,633	\$235,837	\$ 221,092
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	125.16%	173.69%	208.89%	233.13%	269.64%	309.35%	249.82%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2021 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

The above schedule will present 10 years of historical data, once available.

GARRISON -QUINCEY-KY-O-HEIGHTS WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS-PENSION
Last Seven Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 28,566.00	\$ 2,800.00	\$ 27,898.00	\$ 27,670.00	\$ 30,611.00	\$ 37,430.00	\$ 47,023.00	\$ 42,705.00
Contributions relative to contractually required employer contribution	\$ 28,566.00	\$ 2,800.00	\$ 27,898.00	\$ 27,670.00	\$ 30,611.00	\$ 37,430.00	\$ 47,023.00	\$ 42,705.00
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered employee payroll	\$ 201,284.00	\$221,661.00	\$220,216.00	\$229,556.00	\$226,293.00	\$238,633.00	\$235,837.00	\$221,092.00
Plan fiduciary net position as a percentage of the total pension liability	14.19%	1.26%	12.67%	12.05%	13.53%	15.69%	19.94%	19.32%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2021 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS.
The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

The District's covered payroll reported above is payroll for the District's corresponding calendar year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Four Calendar Years

	2017	2018	2019	2020	2021
District's proportion of the net OPEB liability	0.00000%	0.00901%	0.00915%	0.009509%	0.008661%
District's proportionate share of the net OPEB liability (asset)	\$ 142,122.00	\$181,192.00	\$153,832.00	\$ 229,613.00	\$ 165,811.00
District's covered employee payroll	\$ 229,556.00	\$226,293.00	\$238,633.00	\$ 235,837.00	\$ 221,092.00
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	61.91%	80.07%	64.46%	97.36%	75.00%
Plan fiduciary net position as a percentage of the total OPEB liability.	52.39%	57.62%	60.44%	51.67%	62.91%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2021 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net OPEB liability is 6 months preceding the calendar year of the District.

RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS- OPEB
Last Seven Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 9,200.00	\$ 9,988.00	\$ 9,884.00	\$ 10,302.00	\$ 10,379.00	\$ 10,592.00	\$ 12,138.00	\$ 11,597.00
Contributions relative to contractually required employer contribution	\$ 9,200.00	\$ 9,988.00	\$ 9,884.00	\$ 10,302.00	\$ 10,379.00	\$ 10,592.00	\$ 12,138.00	\$ 11,597.00
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered employee payroll	\$ 201,284.00	\$ 221,661.00	\$ 220,216.00	\$ 229,556.00	\$ 226,293.00	\$ 238,633.00	\$ 235,837.00	\$ 221,092.00
Employer contributions as a percentage of covered-employee payroll	4.57%	4.51%	4.49%	4.49%	4.59%	4.44%	5.15%	5.25%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2021 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the District's corresponding calendar year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

131 E. ELECTRIC AVENUE
FLEMINGSBURG, KY 41041
(606)845-5210

550 W. FIRST ST., P.O. BOX 449
MOREHEAD, KY 40351
(606) 784-4451
(606) 784-8224 (FAX)

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

To the Board of Commissioners
Garrison-Quincy-KY-O-Heights Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards, applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Garrison-Quincy-KY-O-Heights Water District as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Garrison-Quincy-KY-O-Heights Water District, Kentucky's basic financial statements and have issued our report thereon dated January 26, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garrison-Quincy-KY-O-Heights Water District, Kentucky'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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

January 26, 2023