

**HARDIN COUNTY WATER DISTRICT No. 1  
Radcliff, Kentucky**

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**FINANCIAL STATEMENTS  
December 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Hardin County Water District No. 1  
Radcliff, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund of the Hardin County Water District No. 1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Hardin County Water District No. 1'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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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 auditors' 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 opinion.

### ***Opinion***

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB schedules on pages 3–6 and 26–31 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hardin County Water District No. 1's basic financial statements. The budgetary comparison schedules and the combining statements of net position, revenues, expenses and changes in net position and cash flows, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and the combining statements of net position, revenues, expenses and changes in net position and cash flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and the combining statements of net position, revenues, expenses and changes in net position and cash flows are fairly stated in all material respects in relation to the basic 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 April 19, 2021, on our consideration of the Hardin County Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hardin County Water District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hardin County Water District No. 1's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
April 19, 2021

# Hardin County Water District No. 1

*Serving Hardin County Since 1952*

1400 Rogersville Road  
Radcliff, KY. 40160

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April 19, 2021

TO: Hardin County Water District No. 1  
Board of Commissioners

**SUBJECT: 2020 Annual Report & Management's Discussion and Analysis**

This report is a joint effort of our staff and RFH, PLLC, Certified Public Accountants. This is the sixteenth year we have retained this firm to complete our annual audit. This report includes the Management Discussion & Analysis, the Independent Auditor's Report, the basic financial statements of the District and related supplemental information and audit notes.

I would like to recognize the contribution of our Finance & Accounting Manager, Mr. Scott Schmuck, CGFM, Ms. Stephanie Strange (Accountant), Ms. Jessica Warren (Accounting Specialist) and Ms. Sara O'Bryant (Accounting Specialist) for their work assisting the auditors in preparing this information. Mr. Kevin Fisher, CPA was the lead auditor for the firm and field staff to complete the audit.

## **Financial Performance & Highlights**

Consolidated Financial Performance: Our financial reports include statements for five distinct enterprise utility funds: County Water, Ft. Knox Water, Ft. Knox Sanitary Sewer, Ft. Knox Storm Sewer and Radcliff Sanitary Sewer. The overall consolidated financial highlights of the year are reviewed first, followed with more specific key items by utility.

For the year, gross plant assets increased by \$10,727,717. Total net position increased by \$2,487,034 (+1.88% [percent changes in parentheses represent change from 2019]). Total revenues, including interest income, decreased by (\$454,210) or (-2.58%) compared to 2019. This decrease is attributable to the inability to charge penalties, late fees and disconnect customers for non-payment due to PSC Order 2020-00085 and decreased earnings on investments due to lower interest rates in 2020. Both of these are the result of COVID-19. Operating income before depreciation was \$4,130,582 (- 17.3%) and operating loss after depreciation (gross of non-operating income and expenses) was (\$506,257). This operating loss is due to the effects of COVID-19, PSC Order 2020-00085 and the settlement payout to Louisville Water Company as the result of self-operations of the FK Muldraugh Water Treatment Plant. Other contributing factors were increases in pension expense as the result of GASB 68, Accounting and Financial Reporting for Pensions and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). Total Net Loss was (\$603,046). Total net position at the end of the year was \$134,557,626 (+ 1.88%).

Cash used for capital construction was \$11,496,790 (+ 11.7%), of which 10.76% was provided by government grants. At year end, consolidated outstanding debt principal was \$4,264,500 (- 15.4%). Total working capital (unrestricted cash + investments) at year end decreased by (-3.60%) to \$30,512,307. Of all reserves (cash + investments), 95.2% were unrestricted and available as working capital for capital construction or operations.

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Individual Fund Highlights:

County Water: Total operating expenses (excluding debt interest and depreciation) were 0.70% more than budgeted mainly due to the Pension/OPEB adjustments offset by the reduction in purchases to only necessary items as a result of the COVID-19 pandemic. Revenues were 15.0% less than budgeted due to the COVID-19 pandemic, PSC Order 2020-00085 and supplying the Fort Knox post with 100% water not starting until November 2020. This was originally budgeted to begin July 2020. Net loss after depreciation and interest expense was (-\$300,644) mainly due to increase in pension expense from changes in net pension liability and net OPEB liability as well as decreased revenues. Water sales increased by 4.1% from 2019 and total net position decreased by 0.60%. The bond coverage ratio was 2.64% (+ 10.3% from 2019) which is approximately 2.19 times the required 1.20.

Ft. Knox Water: Total operating revenues were \$4,510,297 (- 3.14%) including interest income. Operating loss before depreciation was (- \$187,649) due to additional expense for the pension/OPEB annual adjustments and the settlement payout to LWC. Net Loss after depreciation and amortized expenses was (- \$553,196). Net position at year end was \$35,921,642 (+ 4.0%) and construction in progress was valued at \$8,587,647. Working capital and cash available for capital construction was \$16,162,929 (- 15.1%).

Ft. Knox Sewer (Sanitary and Storm): Total operating revenues including interest income decreased by (- 3.1%). Total operating income, before depreciation expense was \$1,892,058 (+ 14.0%). Total net position increased by 2.04%. Total expended for construction was \$1,996,718. At the beginning of 2021, the fund had a balance of \$6,127,704 (+ 11.3%) available for construction projects and capital improvements.

Radcliff Sewer: Total revenues (including interest income) were \$3,852,046 (- 6.2%). This decrease is attributable to the COVID-19 pandemic and PSC Order 2020-00085. Total operating expenses (excluding depreciation) were 8.0% more than budgeted. This is due to Pension/OPEB adjustments relating to GASB 68 and 75. Total net position increased 1.65% to \$34,475,624 and at year end we had construction in progress assets of \$2,201,457. Of the \$2,107,300 expended for construction, 56.2% was funded by state grants. At year end, the total cash & investment reserve balance was \$6,233,639 (+ 17.6%) of which 100% was unrestricted and available for capital construction or operations. At year end, we have expended all available grant funding. The fund had net operating income before depreciation and debt interest of \$1,124,535 (- 5.9%) with a net loss of (\$430,312).

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***Operational Changes & Statistics***

During 2020, a total of 1,729 MG (million gallons) of potable water was treated (- 6.7%) and a total of 219.6 MG was purchased for resale (+ 52.18%). Total water delivered to customers (County and Ft. Knox combined) was 1,949 MG (- 2.46%). The maximum demand day was 6.431 MG (+ 2.5%) and occurred on 12-Nov. The average daily water demand for the year was 5.34 MG (- 2.43%). A total of 65 new water services were installed. Wholesale customers purchased 626.5 MG (+ 13.39%), which was equivalent to 32.14% of total water produced and purchased volume.

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The two wastewater treatment plants (Ft. Knox and Radcliff) treated 1,527 MG (- 11.01%). This resulted in an average daily flow of clean, recycled water into streams of 4.18 MG. The maximum day treated was 11.77 MG and occurred on October 29, 2020.

Other Significant Projects / Changes:

Radcliff Sewer System

Awarded and constructed a SCADA system for the treatment plant and lift station in the amount of \$779,996. This was funded through the balance of the \$9.6 million BRAC Grant.

Constructed the treatment plant splitter box, EQ overflow structure and realigned the Seminole Force Main. This force main sends 1,700 gpm directly to treatment plant eliminating the need to repump from the Lincoln Trail Lift Station. This realignment frees up capacity at Lincoln Trail and provides substantial electrical savings.

Realigned Radcliff's Redmar Force Main to the Fort Knox collections system. This frees up capacity at the Radcliff Treatment Plant and provides substantial electrical savings.

County Water System

As part of the District's Fixed Base Meter Reading System, the distribution staff installed 1,310 100W ERTs and 789 meters in 2020. The fixed base meter reading system is collecting 19% of the monthly meter reads.

Design is complete for a fourth filter construction at Pirtle Spring Water Treatment Plant and rehabilitation of the Grey Lane raw water pump station. This project is to be funded by a U.S. Rural Development Loan. Construction is expected to start in the third quarter of 2021.

Fort Knox Water System

The District has been in contract with the U.S. Government for water system ownership and operations since 2012. An Initial System Deficiency Correction (ISDC) project list was part of the original contract. The District has been working towards the completion of the Revised ISDC Projects with the Defense Logistics Agency Energy (DLA). An amendment to the project list was executed on August 10, 2016, thereby setting a proposed project completion date of August 10, 2019. The majority of the amendment is related to the construction of two new 1.5-million-gallon elevated water storage tanks and major improvements and complete renovation to the Muldraugh Water Treatment Plant (WTP). The proposed tanks provide significant benefits to the water quality and pressure and fire flow (due to their strategic location to promote improved circulation and to their higher elevation).

As a result of the REA concurrence, construction of the two tanks began in January 2020. The Estrada Tank and Frazier Tank are constructed with a completion date anticipated to be April 2021. This should coincide with completion of the Muldraugh WTP, high service pump installation. The new pumps must be installed in order to fill the new, taller tanks. The

contract price for the two tanks is \$5,555,000 and are considered 95% (based on contract dollars) complete as of this report.

The Muldraugh WTP project was bid in December 2020, with notice to proceed for January 2021. The bid amount is \$15,723,526. Final completion of the project is anticipated for February 2022. The high service pumps have been purchased by the District and in storage in a warehouse provided and supervised by the vendor. Central WTP was closed at the end of July 2020.

The additional ISDC projects to follow completion of the Muldraugh WTP are the demolition of the six existing elevated water storage tanks. The demolition is expected to start in August 2021 and anticipated to be complete by February 2022.

Completed a study and reconfiguration of radio path(s) for integration of Muldraugh WTP and new tanks into the SCADA network.

Completed major changes to IT infrastructure to comply with U.S. Department of the Army Cyber Security requirements.

#### Fort Knox Sewer System

Several capital wastewater improvement projects were completed in 2020, including the Hospital 30" gravity sewer main replacement and rebuilding of the Clarifier center columns.

Completed major changes to IT infrastructure to comply with U.S. Department of the Army requirements.

#### Fort Knox Storm System

Completed realignment and improvements to the Water Street stormwater piping and catch basins.

In closing, the District was ranked, for a third year, by the Kentucky Chamber of Commerce as a 2021 "Best Places to Work in the State of Kentucky"!

Sincerely,



Mr. Stephen M. Hogan  
General Manager



Mr. Scott Schmuck, CGFM  
Finance & Accounting Manager



**HARDIN COUNTY WATER DISTRICT No. 1**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	Water Total	Sewer Total	Storm Water	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 10,240,011	\$ 10,525,893	\$ 940,403	\$ 21,706,307
Investments	7,910,953	511,166	383,881	8,806,000
Customer accounts receivable, net	741,441	955,949	119,443	1,816,833
Interest receivable	33,323	1,795	1,348	36,466
Other accounts receivable	172,123	18,905	-	191,028
Note receivable - current	13,393	-	-	13,393
Lease receivable - current	50,952	-	-	50,952
Due to (from) other funds	151,746	(176,129)	24,383	-
Inventory - materials and supplies	282,488	4,366	-	286,854
Current portion of interfund receivable (payable)	(430,977)	430,977	-	-
Prepaid expenses	93,975	35,264	1,167	130,406
Total current assets	<u>19,259,428</u>	<u>12,308,186</u>	<u>1,470,625</u>	<u>33,038,239</u>
Non-current assets				
Note receivable	22,080	-	-	22,080
Lease receivable	454,926	-	-	454,926
Interfund receivable (payable)	(1,562,148)	1,562,148	-	-
Restricted investments - reserve funds	1,540,935	-	-	1,540,935
Unamortized acquisition costs	-	129,300	-	129,300
Total non-current assets	<u>455,793</u>	<u>1,691,448</u>	<u>-</u>	<u>2,147,241</u>
Capital assets				
Land and easements	338,807	9,544	-	348,351
Construction in progress	8,892,405	2,226,096	-	11,118,501
Plant and lines	68,763,442	140,425,151	7,126,648	216,315,241
Vehicles and equipment	7,346,292	3,133,875	156,194	10,636,361
Total capital assets	85,340,946	145,794,666	7,282,842	238,418,454
Less: accumulated depreciation	(25,422,859)	(91,189,064)	(917,235)	(117,529,158)
Total capital assets, net	<u>59,918,087</u>	<u>54,605,602</u>	<u>6,365,607</u>	<u>120,889,296</u>
Total assets	<u>79,633,308</u>	<u>68,605,236</u>	<u>7,836,232</u>	<u>156,074,776</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension	1,067,274	816,852	-	1,884,126
Deferred outflows of resources - OPEB	1,084,123	856,315	-	1,940,438
Total deferred outflows of resources	<u>2,151,397</u>	<u>1,673,167</u>	<u>-</u>	<u>3,824,564</u>
Total assets and deferred outflows of resources	<u>\$ 81,784,705</u>	<u>\$ 70,278,403</u>	<u>\$ 7,836,232</u>	<u>\$ 159,899,340</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,844,795	\$ 436,239	\$ -	\$ 2,281,034
Accrued expenses	137,751	57,795	718	196,264
Unearned revenue	65,646	-	-	65,646
Customers' deposits	218,408	218,818	-	437,226
Line of credit	1,176,349	-	-	1,176,349
Reserve for unclaimed funds - escheatment	9,810	-	-	9,810
Liabilities payable from restricted assets:				
Current portion of long-term debt	779,000	-	-	779,000
Accrued interest on long-term debt	31,447	-	-	31,447
Total current liabilities	<u>4,263,206</u>	<u>712,852</u>	<u>718</u>	<u>4,976,776</u>
Long-term liabilities				
Compensated absences	245,006	59,344	-	304,350
Bonds payable	3,485,500	-	-	3,485,500
Net pension liability	6,609,671	5,058,801	-	11,668,472
Net OPEB liability	2,051,818	1,620,669	-	3,672,487
Total long-term liabilities	<u>12,391,995</u>	<u>6,738,814</u>	<u>-</u>	<u>19,130,809</u>
Total liabilities	<u>16,655,201</u>	<u>7,451,666</u>	<u>718</u>	<u>24,107,585</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension	39,457	30,199	-	69,656
Deferred inflows of resources - OPEB	367,957	290,638	-	658,595
Deferred inflows of resources - leases	505,878	-	-	505,878
Total deferred inflows of resources	<u>913,292</u>	<u>320,837</u>	<u>-</u>	<u>1,234,129</u>
<b>NET POSITION</b>				
Net investment in capital assets	54,445,791	54,605,602	6,365,607	115,417,000
Restricted	1,540,935	-	-	1,540,935
Unrestricted	8,229,486	7,900,298	1,469,907	17,599,691
Total net position	<u>64,216,212</u>	<u>62,505,900</u>	<u>7,835,514</u>	<u>134,557,626</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 81,784,705</u>	<u>\$ 70,278,403</u>	<u>\$ 7,836,232</u>	<u>\$ 159,899,340</u>

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

**HARDIN COUNTY WATER DISTRICT No. 1**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**for the year ended December 31, 2020**

	<b>Water Total</b>	<b>Sewer Total</b>	<b>Storm Water</b>	<b>Total</b>
<b>OPERATING REVENUE</b>				
Metered water sales	\$ 7,884,570	\$ -	\$ -	\$ 7,884,570
Wholesale sales	1,478,621	-	-	1,478,621
Sewer billing contract revenue	52,593	-	-	52,593
Sewer service revenue	-	6,585,175	-	6,585,175
Stormwater service revenue	-	-	477,792	477,792
Penalties, service fees and reimbursements	234,075	140,567	-	374,642
	<u>9,649,859</u>	<u>6,725,742</u>	<u>477,792</u>	<u>16,853,393</u>
<b>Total operating revenue</b>				
<b>OPERATING EXPENSES</b>				
Treatment	1,543,874	1,289,676	-	2,833,550
Transmission and distribution	2,014,741	1,604,230	63,870	3,682,841
Customer service	438,174	744,228	933	1,183,335
General and administrative expenses	3,940,873	386,276	-	4,327,149
Purchased water	456,586	-	-	456,586
General maintenance	123,938	66,623	-	190,561
Source of supply	17,684	-	-	17,684
Stormwater	-	-	31,105	31,105
	<u>8,535,870</u>	<u>4,091,033</u>	<u>95,908</u>	<u>12,722,811</u>
<b>Total operating expense</b>				
<b>Operating income before depreciation</b>	1,113,989	2,634,709	381,884	4,130,582
Depreciation and amortization expense	<u>(1,937,717)</u>	<u>(2,557,083)</u>	<u>(142,039)</u>	<u>(4,636,839)</u>
<b>OPERATING INCOME (LOSS)</b>	(823,728)	77,626	239,845	(506,257)
Non-operating income (expenses)				
Interest income	210,099	57,224	10,661	277,984
Interest expense	(152,461)	(3,041)	-	(155,502)
Transfer in (out)	827	(668)	(159)	-
Gain (loss) on disposal of equipment	<u>(88,577)</u>	<u>(130,682)</u>	<u>(12)</u>	<u>(219,271)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(853,840)	459	250,335	(603,046)
Capital contributions				
Grants	-	965,431	-	965,431
Tap fees	66,873	-	-	66,873
Customer contributions	<u>1,999,183</u>	<u>58,593</u>	<u>-</u>	<u>2,057,776</u>
<b>CHANGE IN NET POSITION</b>	1,212,216	1,024,483	250,335	2,487,034
Net position, beginning of year	<u>63,003,996</u>	<u>61,481,417</u>	<u>7,585,179</u>	<u>132,070,592</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 64,216,212</u>	<u>\$ 62,505,900</u>	<u>\$ 7,835,514</u>	<u>\$ 134,557,626</u>

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

**HARDIN COUNTY WATER DISTRICT No. 1**  
**STATEMENT OF CASH FLOWS**  
**for the year ended December 31, 2020**

	<b>Water Total</b>	<b>Sewer Total</b>	<b>Storm Water</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 9,855,307	\$ 6,706,318	\$ 477,792	\$ 17,039,417
Payments to suppliers	(3,909,867)	(1,573,637)	(96,827)	(5,580,331)
Payments for employee services and benefits	<u>(2,412,004)</u>	<u>(1,780,746)</u>	<u>-</u>	<u>(4,192,750)</u>
<b>Net cash provided by operating activities</b>	<u>3,533,436</u>	<u>3,351,935</u>	<u>380,965</u>	<u>7,266,336</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Receipts (payments) on interfund loans	<u>(431,014)</u>	<u>620,256</u>	<u>(33,655)</u>	<u>155,587</u>
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>(431,014)</u>	<u>620,256</u>	<u>(33,655)</u>	<u>155,587</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on long-term debt	(773,500)	-	-	(773,500)
Line of credit proceeds	178,388	-	-	178,388
Payments on line of credit	(5,000)	-	-	(5,000)
Interest paid on long-term debt	(154,195)	(3,041)	-	(157,236)
Contributions in aid of construction	2,003,573	81,669	-	2,085,242
Grants received	51,850	1,184,996	-	1,236,846
Proceeds from sale of equipment	28,169	4,760	-	32,929
Acquisition and construction of capital assets	<u>(7,392,772)</u>	<u>(3,744,320)</u>	<u>(359,698)</u>	<u>(11,496,790)</u>
<b>Net cash (used in) capital and related financing activities</b>	<u>(6,063,487)</u>	<u>(2,475,936)</u>	<u>(359,698)</u>	<u>(8,899,121)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	215,225	58,918	11,933	286,076
Redemption of investments	(2,839,874)	499,602	375,196	(1,965,076)
Purchase of investments	<u>2,723,599</u>	<u>(511,166)</u>	<u>(383,881)</u>	<u>1,828,552</u>
<b>Net cash provided by (used in) investing activities</b>	<u>98,950</u>	<u>47,354</u>	<u>3,248</u>	<u>149,552</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(2,862,115)	1,543,609	(9,140)	(1,327,646)
Cash and cash equivalents, beginning of year	<u>13,102,126</u>	<u>8,982,284</u>	<u>949,543</u>	<u>23,033,953</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 10,240,011</u>	<u>\$ 10,525,893</u>	<u>\$ 940,403</u>	<u>\$ 21,706,307</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (823,728)	\$ 77,626	\$ 239,845	\$ (506,257)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	1,937,717	2,557,083	142,039	4,636,839
Net change in pension liability	1,031,924	575,227	-	1,607,151
Net change in OPEB liability	179,064	115,237	-	294,301
Change in assets and liabilities:				
Accounts receivable	183,491	(19,424)	-	164,067
Notes receivable	13,208	-	-	13,208
Prepaid expenses	32	7,329	(145)	7,216
Inventory	8,740	376	-	9,116
Accounts payable	940,112	11,657	(774)	950,995
Unearned revenue	8,749	-	-	8,749
Accrued expenses	41,954	9,282	-	51,236
Compensated absences	4,538	7,313	-	11,851
Other payables	<u>7,635</u>	<u>10,229</u>	<u>-</u>	<u>17,864</u>
<b>Net cash provided by operating activities</b>	<u>\$ 3,533,436</u>	<u>\$ 3,351,935</u>	<u>\$ 380,965</u>	<u>\$ 7,266,336</u>
Schedule of non-cash capital and financing activities:				
Capital asset additions included in accounts payable, net	<u>\$ 307,421</u>	<u>\$ 30,628</u>	<u>\$ -</u>	<u>\$ 338,049</u>

The accompanying notes are an integral part of the financial statements

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Hardin County Water District No. 1 (the District) is organized pursuant to provision of Chapter 74 of the Kentucky Revised Statutes in order to provide a water supply for citizens and residents of Radcliff, Kentucky and parts of Hardin, Meade, and Breckinridge Counties. The District also provides water, sanitary and storm water services to the Fort Knox Army Post adjacent to Radcliff. The District is regulated by the Kentucky Public Service Commission.

**Reporting Entity**

Hardin County Water District No. 1's financial statements include the operations of all entities for which the District exercises oversight responsibilities. 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. The only entity included in these financial statements are the general operations of Hardin County Water District No. 1.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

The District reports all revenue and expenses as operating, except interest income and expense, gains and losses on asset sales or disposals and capital contributions.

**Fund Accounting**

The District reports three major funds: Water, Sewer and Storm Water. The Water Fund consists of the County Water and Ft. Knox Water operations. The Sewer Fund consists of the Ft. Knox Sewer and Radcliff Sewer operations. The Storm Water Fund consists of the Ft. Knox Storm Water operations.

**Accounts Receivable**

The County Water Fund's accounts receivable is net of an allowance for uncollectible accounts of \$2,193 at December 31, 2020. The allowance is increased by charges to bad debts and decreased by write-offs. Management's periodic evaluation of the adequacy of the allowance is based on the District's aged accounts receivable balances. The Ft. Knox Water Fund, both sewer funds and the Storm Water Fund do not carry an allowance for doubtful accounts based upon historical experience.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interfund Transactions**

The asset “due from other funds” and the liability “due to other funds” represent amounts transferred between the funds owed for personnel and other operating and non-operating expenses. The “due to” and “due from” are offset in the statement of net position.

The asset “interfund receivable” and the liability “interfund payable” represent interfund obligations. The “receivable” and “payable” are offset in the statement of net position.

**Inventory**

The Water Fund’s inventory is composed of chemicals, equipment and supply-type items used for routine maintenance and repairs and new water lines. The sewer fund’s inventory consists of chemicals. The inventory is stated at the lower of cost (first-in, first-out method) or market.

**Restricted Assets**

The Water Fund’s restricted assets consist of certificates of deposit and non-interest-bearing accounts.

When both restricted and unrestricted resources are available for use, the District’s Board of Commissioners makes a determination as to which resource should first be used.

**Investments**

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and District regulations governing the investment of public funds. As of December 31, 2020, all investments of the District were in certificates of deposit or bank accounts restricted for debt service and were valued at cost.

**Capital Assets**

The Water, Sewer and Storm Water Funds’ property and equipment assets are recorded at cost or, if contributed, at donor cost or appraised value at date of acquisition. Depreciation is computed by the straight-line method based on the estimated useful life of the depreciable property. Plant and lines are capitalized with lives ranging from 5-65 years and vehicles and equipment are capitalized with lives ranging from 5-35 years. Land is not subject to depreciation. Expenditures for maintenance and repairs are charged to expense as incurred whereas expenditures, including associated labor, for installation, renewals or betterments are generally capitalized.

**Amortization**

The Sewer Fund’s City of Radcliff sewer acquisition costs are being amortized using the straight-line method over a period of twenty-five years. The costs are being amortized in the Radcliff Sewer Fund.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Investments classified as restricted assets are not included as cash and cash equivalents. Short-term certificates of deposit mature during the upcoming year, but do not meet the definition of a cash equivalent and therefore, are not classified as such.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

**Management's Review of Subsequent Events**

The District has evaluated and considered the need to recognize or disclose subsequent events through April 19, 2021, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2020, have not been evaluated by the District.

**2. CASH AND INVESTMENTS**

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The majority of the District's deposits and investments at December 31, 2020, were covered by federal depository insurance or by collateral held by the custodial banks in the District's name. At December 31, 2020, the District had \$32,379,853 in banks, of which \$8,613,816 was uncollateralized. The entire uncollateralized balance consisted of certificates of deposit held at a single financial institution which is rated in one of the three highest categories by a nationally recognized rating agency.

The following is a detail of the District's deposit coverage at December 31, 2020:

FDIC insured (or equivalent)	\$ 753,086
Collateralized by securities held by the bank in the District's name	23,012,951
Uncollateralized certificates of deposit	<u>8,613,816</u>
Total cash and investments in banks	<u>\$ 32,379,853</u>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**2. CASH AND INVESTMENTS (CONTINUED)**

Cash and investments are classified as follows as of December 31, 2020:

Unrestricted:	
Cash and cash equivalents:	
Revenue fund	\$ 21,701,521
Other	<u>4,786</u>
	21,706,307
Short-term investments:	
Certificates of deposit	<u>8,806,000</u>
Total unrestricted	<u>30,512,307</u>
Restricted:	
Long-term reserved funds:	
Bond reserve fund	100,000
2016 Sinking fund interest	12,942
2016 Sinking fund principal	153,333
2016 Debt service reserve	419,244
2016 Depreciation fund	760,732
2019 RD Sinking fund	36,868
2019 RD Depreciation reserve	<u>57,816</u>
Total restricted	<u>1,540,935</u>
Total reported cash and investments	<u>\$ 32,053,242</u>

**3. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES**

During 2019, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. Based on the status of existing lease agreements with Sprint and T-Mobile as of January 1, 2019, the District recognized both a lease receivable and a deferred inflow of resources related to various cell phone tower lease agreements totaling \$610,589. Each lease agreement has an initial term of five years, with various five-year renewal options at the option of the lessee. The District is reasonably certain that all options will be exercised and has calculated the present value of future lease payments based on an incremental borrowing rate of 3%. The present value of expected future minimum leases payments are as follows:

Calendar Year	Principal	Interest	Total
2021	\$ 50,952	\$ 4,669	\$ 55,621
2022	49,083	3,128	52,211
2023	40,164	1,816	41,980
2024	41,232	3,029	44,261
2025	42,068	3,973	46,041
2026-2030	181,505	12,063	193,568
2031-2035	<u>100,874</u>	<u>7,352</u>	<u>108,226</u>
Total	<u>\$ 505,878</u>	<u>\$ 36,030</u>	<u>\$ 541,908</u>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**3. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)**

Additionally, the District recognized deferred inflows of resources related to the above leases that totaled \$505,878 as of December 31, 2020. The deferred inflows of resources will be recognized over the term of the lease agreements as interest and lease revenue. During 2020, the District recognized \$4,403 of interest revenue and \$54,460 of lease revenue from the lease agreements.

**4. CAPITAL ASSETS**

A summary of capital asset activity during the year follows:

	<b>Balance</b>			<b>Balance</b>
	<b>Jan. 1, 2020</b>	<b>Additions</b>	<b>Retirements</b>	<b>Dec. 31, 2020</b>
Capital assets not depreciated:				
Land and easements	\$ 348,351	\$ -	\$ -	\$ 348,351
Construction in process	13,575,609	11,461,920	(13,919,028)	11,118,501
Capital assets that are depreciated:				
Plant and lines	203,641,706	13,538,907	(865,372)	216,315,241
Vehicles and equipment	<u>10,125,071</u>	<u>582,876</u>	<u>(71,586)</u>	<u>10,636,361</u>
Total plant and equipment	227,690,737	25,583,703	(14,855,986)	238,418,454
Less: accumulated depreciation	<u>113,600,754</u>	<u>4,627,739</u>	<u>(699,335)</u>	<u>117,529,158</u>
Capital assets, net	<u>\$ 114,089,983</u>	<u>\$ 20,955,964</u>	<u>\$ (14,156,651)</u>	<u>\$ 120,889,296</u>

Depreciation expense for all combined funds totaled \$4,627,739 for the year ended December 31, 2020.

**5. LONG-TERM LIABILITIES**

Some of the construction costs of the District's water and sewer facilities have been financed by issuance of revenue bonds and revolving notes authorized under Kentucky Revised Statutes.

Bonds and notes payable of the County Water Fund consist of the following at December 31, 2020:

2017 Revenue bonds, various semi-annual principal, and interest payments at 2.75% through January 1, 2059, secured by the revenues of the District.	\$ 1,299,500
2016 Revenue bonds, various semi-annual principal, and interest payments at 1.4% - 1.7% through September 1, 2025, secured by the revenues of the District.	2,365,000
2002 Revenue bonds, various semi-annual principal payments with monthly interest payments at a weekly variable rate which is to be the lowest interest rate on the determination date at which the bonds can be remarketed at par for the interest rate period through September 1, 2022, secured by a letter of credit issued from Cecilian Bank.	<u>600,000</u>
Total debt	4,264,500
Less: current portion	<u>779,000</u>
Total long-term debt	<u>\$ 3,485,500</u>



**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**5. LONG-TERM LIABILITIES (CONTINUED)**

Debt maturities for the County Water Fund are as follows:

Calendar Year	Principal	Interest	Total
2021	\$ 779,000	\$ 94,532	\$ 873,532
2022	779,500	74,061	853,561
2023	495,000	58,968	553,968
2024	500,500	50,336	550,836
2025	511,000	41,605	552,605
2026-2030	115,500	157,156	272,656
2031-2035	132,000	140,181	272,181
2036-2040	151,000	120,753	271,753
2041-2045	172,500	98,553	271,053
2046-2050	198,000	73,109	271,109
2051-2055	227,000	43,930	270,930
2056-2059	<u>203,500</u>	<u>11,337</u>	<u>214,837</u>
	<u>\$ 4,264,500</u>	<u>\$ 964,521</u>	<u>\$ 5,229,021</u>

Changes in long-term liabilities for the District are as follows:

	Balance Jan. 1, 2020	Additions	Retirements	Balance Dec. 31, 2020	Due within one year
Long-term debt	\$ 5,038,000	\$ -	\$ (773,500)	\$ 4,264,500	\$ 779,000
Net pension liability	10,846,221	822,251	-	11,668,472	-
Net OPEB liability	2,593,205	1,079,282	-	3,672,487	-
Compensated absences	<u>292,500</u>	<u>11,850</u>	<u>-</u>	<u>304,350</u>	<u>-</u>
Total long-term liabilities	<u>\$ 18,769,926</u>	<u>\$ 1,913,383</u>	<u>\$ (773,500)</u>	<u>\$ 19,909,809</u>	<u>\$ 779,000</u>

**6. COMPLIANCE WITH BOND INDENTURE**

Under covenants of the bond ordinance, certain funds have been established. These funds and their current financial requirements are presented in summary as follows:

**Sinking Funds** – There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2016 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2016 issue as of December 31, 2020, was \$166,275. There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the 2017 issue. These funds are used to pay maturing bond and interest coupons on the aforementioned issue. The amount held in the Sinking Fund for the 2017 issue as of December 31, 2020, was \$36,868.

**Debt Service Reserve Funds** – A fund was established with the 2016 revenue bond issue and is required to have an amount equal to the lesser of: 10% of the proceeds of the bond issue, the maximum annual debt service of the bond issue, or 125% of the average annual debt service of the issue. The amount required to be held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2020, was \$416,500. The amount held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2020, was \$419,244. Additionally, a fund was established for the 2017 bond issue and is required to deposit \$470 a month until the account reaches \$56,400. The amount held in the Debt Service Reserve Fund for the 2017 bond issue as of December 31, 2020, was \$57,816.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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**6. COMPLIANCE WITH BOND INDENTURE (CONTINUED)**

**Depreciation Fund** – This fund receives \$8,500 monthly after the above transfers have been made until the total sum of \$750,000 has been established and maintained. This fund also receives the proceeds from the sale of any property and equipment. This fund may be used to purchase new or replacement property and equipment. Monies from this account are held by the bond custodian. At December 31, 2020, the District was fully funded with a balance of \$760,732.

**Operating and Maintenance Fund** – This fund receives, on a monthly basis, the remaining balance in the Revenue Fund after the above transfers have been made. This fund is used to pay operating expenditures. Any surplus left, after operating expenses have been met, may be added to the Debt Service Reserve.

**2002 Adjustable Revenue Bonds Sinking Fund** – The District filed Supplement No. 1 to Trust Indenture dated April 1, 2010. This supplement allows for a letter of credit to be issued by Cecilian Bank via a wrap around letter of credit from the Federal Home Loan Bank of Cincinnati as collateral for the original bond issue. As a result, the District is no longer required to fulfill the debt service reserve and depreciation fund requirements with the Bank of New York Mellon Trust Company. However, as of December 31, 2020, the District had reserved \$100,000 for future principal payments.

The bond ordinance calls for “net annual revenues” to exceed the maximum annual debt requirements of fixed rate bonds by 1.20 for the Water Fund. For the year ended December 31, 2020, the Water Fund ratio was 2.64.

**7. LINE OF CREDIT**

During 2016, the District opened up a line of credit at a local bank with a limit of \$5,000,000 that bears interest at a variable rate. The line of credit was opened to provide short-term financing for various projects taken on by the District and is expected to be paid down shortly after each draw is taken. The line of credit was renewed in September 2020 and matures in September 2021. The initial rate of interest after renewal, was 3.25%. The entire balance of the line of credit as of December 31, 2020, is considered short-term debt.

Activity for the line of credit during the year is as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>Jan. 1, 2020</b>	<b>Additions</b>	<b>Payments</b>	<b>Dec. 31, 2020</b>
Line of credit	<u>\$ 1,002,961</u>	<u>\$ 178,388</u>	<u>\$ (5,000)</u>	<u>\$ 1,176,349</u>

**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 accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

**9. RETIREMENT PLAN**

Hardin County Water District No. 1 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.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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**9. RETIREMENT PLAN (CONTINUED)**

*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, 2020, 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 actuarial 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, 2020, 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 10. For the year ended December 31, 2020, plan members contributed 19.30% to the pension for non-hazardous job classifications. 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 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, 2020, the District contributed \$760,991 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.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old 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

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**9. RETIREMENT PLAN (CONTINUED)**

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

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At December 31, 2020, the District reported a liability of \$11,668,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the District's proportion was .152133 percent, which was a decrease of .002085 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized pension expense of \$2,368,165. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 290,975	\$ -
Changes of assumptions	455,634	-
Net difference between projected and actual earnings on Plan investments	291,989	-
Changes in proportion and differences between District contributions and proportionate share of contributions	455,857	69,656
District contributions subsequent to the measurement date	<u>389,671</u>	<u>-</u>
Total	<u>\$ 1,884,126</u>	<u>\$ 69,656</u>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**9. RETIREMENT PLAN (CONTINUED)**

The \$389,671 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:

<b>Year ending December 31,</b>	
2021	\$ 817,507
2022	\$ 353,314
2023	\$ 136,708
2024	\$ 117,270

*Actuarial Assumptions* – The total pension liability in the June 30, 2020, 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%, varies by service
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, 2020, 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, 2019) to the plan's fiscal year ending June 30, 2020.

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. As of December 31, 2020, the target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.25%</b>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**9. RETIREMENT PLAN (CONTINUED)**

*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 the actuarially determined contribution rate of projected compensation over the closed 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate 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:

	<b>Discount rate</b>	<b>District's proportionate share of net pension liability</b>
1% decrease	5.25%	\$ 14,389,815
Current discount rate	6.25%	\$ 11,668,472
1% increase	7.25%	\$ 9,415,170

*Payable to the Pension Plan* – The District reported a payable of \$99,944 as of December 31, 2020, 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.

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description* – As more fully described in Note 9, 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 9, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2020, the employer's contribution was 4.76% 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 basis 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.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

For the year ended December 31, 2020, the District contributed \$187,685, 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:

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 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
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 annually
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 annually

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At December 31, 2020, the District reported a liability for its proportionate share of the net OPEB liability of \$3,672,487. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, 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, 2020 was .152089 percent, which was a decrease of .002088 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized OPEB expense of \$592,868. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 613,595	\$ 614,077
Changes of assumptions	638,797	3,885
Net difference between projected and actual earnings on Plan investments	122,064	-
Changes in proportion and differences between District contributions and proportionate share of contributions	379,746	40,633
District contributions subsequent to the measurement date	<u>186,236</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,940,438</u></b>	<b><u>\$ 658,595</u></b>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

The \$186,236 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 \$90,131 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,**

2021	\$	296,799
2022	\$	332,923
2023	\$	263,487
2024	\$	203,123
2025	\$	(725)

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

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
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 2.90% 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 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2020, 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, 2019) to the plan’s fiscal year ending June 30, 2020.

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.



**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.25%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability as of June 30, 2020, was 5.34%, 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, 2020, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index”. 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	4.34%	\$ 4,718,067
Current discount rate	5.34%	\$ 3,672,487
1% increase	6.34%	\$ 2,813,717

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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**10. 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 lower or 1-percentage-point higher than the current healthcare cost trend rates:

		<b>Proportionate share of net OPEB liability</b>
1% decrease	\$	2,843,423
Current trend rate	\$	3,672,487
1% increase	\$	4,678,576

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

**11. SUBSEQUENT EVENTS**

Initial System Deficiency Correction Project

The District has been in contract with the U.S. Government for water system ownership and operations since 2012. An Initial System Deficiency Correction (ISDC) project list was part of the original contract. The District has been working towards the completion of the Revised ISDC Projects with the Defense Logistics Agency Energy (DLA). An amendment to the project list was executed on August 10, 2016, thereby setting a proposed project completion date of August 10, 2019. The majority of the amendment is related to the construction of two new 1.5-million-gallon elevated water storage tanks and major improvements and complete renovation to the Muldraugh Water Treatment Plant (WTP). The proposed tanks provide significant benefits to the water quality (due to their strategic location to promote improved circulation) and pressure and fire flow (due to their higher elevation).

Initial System Deficiency Correction Project, continued

As a result of the REA concurrence, construction of the two tanks began in January 2020. The Estrada Tank and Frazier Tank are constructed with a completion date anticipated to be April 2021. This should coincide with completion of the Muldraugh WTP, high service pump installation. The new pumps must be installed in order to fill the new, taller tanks. The contract price for the two tanks is \$5,555,000 and are considered 89% complete as of this report.

The Muldraugh WTP project was bid in December 2020, with notice to proceed anticipated for January 2021. The bid amount is \$15,723,526. Final completion of the project is anticipated for February 2022. The high service pumps have been purchased by the District and in storage in a warehouse provided and supervised by the vendor. Central WTP was closed at the end of July 2020.

The additional ISDC projects to follow completion of the Muldraugh WTP are the demolition of the six existing elevated water storage tanks. The demolition is expected to start in August 2021 and anticipated to be complete by February 2022.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

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**12. 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, 2020. 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 expects to substantially collect the delinquent bills on payment plans and has not estimated an allowance for doubtful accounts as a result.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HARDIN COUNTY WATER DISTRICT No. 1  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Last Seven Years**

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<b>Reporting Year End (Measurement Date)</b>	<b>December 31, 2014 (June 30, 2014)</b>	<b>December 31, 2015 (June 30, 2015)</b>	<b>December 31, 2016 (June 30, 2016)</b>	<b>December 31, 2017 (June 30, 2017)</b>	<b>December 31, 2018 (June 30, 2018)</b>	<b>December 31, 2019 (June 30, 2019)</b>	<b>December 31, 2020 (June 30, 2020)</b>
District's proportion of the net pension liability	0.087998%	0.087805%	0.112389%	0.113469%	0.142783%	0.154218%	0.152133%
District's proportionate share of the net pension liability (asset)	\$ 2,855,000	\$ 3,775,211	\$ 5,533,595	\$ 6,641,690	\$ 8,695,921	\$ 10,846,221	\$ 11,668,472
District's covered employee payroll	\$ 2,018,811	\$ 2,045,178	\$ 2,675,993	\$ 2,758,851	\$ 3,538,859	\$ 3,890,025	\$ 3,896,779
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	141.42%	184.59%	206.79%	240.74%	245.73%	278.82%	299.44%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%

Notes:

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

**HARDIN COUNTY WATER DISTRICT No. 1**  
**REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS - PENSION**  
**Last Eight Calendar Years**

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 244,914	\$ 278,406	\$ 275,816	\$ 350,063	\$ 438,748	\$ 586,243	\$ 695,909	\$ 760,991
Contributions relative to contractually required employer contribution	<u>244,914</u>	<u>278,406</u>	<u>275,816</u>	<u>350,063</u>	<u>438,748</u>	<u>586,243</u>	<u>695,909</u>	<u>760,991</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,981,572	\$ 2,097,077	\$ 2,291,730	\$ 2,696,840	\$ 3,066,388	\$ 3,814,416	\$ 3,915,602	\$ 3,942,959
Employer contributions as a percentage of covered-employee payroll	12.36%	13.28%	12.04%	12.98%	14.31%	15.37%	17.77%	19.30%

**Notes:**

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

**HARDIN COUNTY WATER DISTRICT No. 1  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
Last Five Years**

<b>Reporting Year End (Measurement Date)</b>	<b>December 31, 2016 (June 30, 2016)</b>	<b>December 31, 2017 (June 30, 2017)</b>	<b>December 31, 2018 (June 30, 2018)</b>	<b>December 31, 2019 (June 30, 2019)</b>	<b>December 31, 2020 (June 30, 2020)</b>
District's proportion of the net OPEB liability	0.113469%	0.113469%	0.142777%	0.154177%	0.152089%
District's proportionate share of the net OPEB liability (asset)	\$ 1,789,239	\$ 2,281,115	\$ 2,534,975	\$ 2,593,205	\$ 3,672,487
District's covered employee payroll	\$ 2,675,993	\$ 2,758,851	\$ 3,538,859	\$ 3,890,025	\$ 3,896,779
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	66.86%	82.68%	71.63%	66.66%	94.24%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%

Notes:

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

**HARDIN COUNTY WATER DISTRICT No. 1**  
**REQUIRED SUPPLEMENTARY SCHEDULE OF CONTRIBUTIONS - OPEB**  
**Last Eight Calendar Years**

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	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually required employer contribution	\$ 134,489	\$ 104,351	\$ 110,888	\$ 132,117	\$ 147,156	\$ 190,193	\$ 196,108	\$ 187,685
Contributions relative to contractually required employer contribution	<u>134,489</u>	<u>104,351</u>	<u>110,888</u>	<u>132,117</u>	<u>147,156</u>	<u>190,193</u>	<u>196,108</u>	<u>187,685</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 1,981,572	\$ 2,097,077	\$ 2,291,730	\$ 2,696,840	\$ 3,066,388	\$ 3,814,416	\$ 3,915,602	\$ 3,942,959
Employer contributions as a percentage of covered-employee payroll	6.79%	4.98%	4.84%	4.90%	4.80%	4.99%	5.01%	4.76%

Notes:

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



**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**1. GENERAL INFORMATION**

**Contributions**

Contractually required employer contributions reported on the Schedule of Contributions - Pensions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of Contributions - OPEB.

**Payroll**

The District's covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Proportionate Share of the Net OPEB Liability is for the corresponding measurement date of the net liabilities and differs from the District's calendar year payroll as reported on the Schedule of Contributions for Pension and OPEB.

**2. CHANGES OF ASSUMPTIONS**

**December 31, 2020 – Pension and OPEB**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023.

**December 31, 2019 – Pension and OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

**December 31, 2018 – Pension and OPEB**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

**December 31, 2017 – Pension**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

**December 31, 2016 – Pension and OPEB**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2020**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**December 31, 2015 – Pension**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**December 31, 2014 – Pension**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

**December 31, 2013 – Pension**

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

## **SUPPLEMENTARY INFORMATION**

**HARDIN COUNTY WATER DISTRICT No. 1**  
**SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET**  
**COUNTY WATER FUND**  
**for the year ended December 31, 2020**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING REVENUE</b>				
Metered water sales	\$ 3,841,300	\$ 3,841,300	\$ 3,562,094	\$ (279,206)
Wholesale sales	1,984,693	1,984,693	1,478,621	(506,072)
Sewer billing contract revenue	75,900	75,900	52,593	(23,307)
Penalties, service fees and reimbursements	<u>358,700</u>	<u>358,700</u>	<u>227,400</u>	<u>(131,300)</u>
<b>Total operating revenue</b>	<u>6,260,593</u>	<u>6,260,593</u>	<u>5,320,708</u>	<u>(939,885)</u>
<b>OPERATING EXPENSES</b>				
Treatment	1,254,547	1,254,547	1,379,387	124,840
Transmission and distribution	947,324	947,324	1,078,263	130,939
Customer service	386,413	386,413	438,174	51,761
General and administrative expenses	494,123	494,123	525,038	30,915
Purchased water	773,012	773,012	456,586	(316,426)
General maintenance	113,989	113,989	123,938	9,949
Source of supply	<u>21,800</u>	<u>21,800</u>	<u>17,684</u>	<u>(4,116)</u>
<b>Total operating expense</b>	<u>3,991,208</u>	<u>3,991,208</u>	<u>4,019,070</u>	<u>27,862</u>
<b>Operating income (loss) before depreciation</b>	2,269,385	2,269,385	1,301,638	(967,747)
Depreciation and amortization expense	<u>(1,410,200)</u>	<u>(1,410,200)</u>	<u>(1,379,813)</u>	<u>30,387</u>
<b>OPERATING INCOME (LOSS)</b>	859,185	859,185	(78,175)	(937,360)
Non-operating income (expenses)				
Interest income	52,700	52,700	28,953	(23,747)
Interest expense	(141,000)	(141,000)	(152,461)	(11,461)
Transfer in (out)	-	-	(2,568)	(2,568)
Loss on sale of equipment	<u>-</u>	<u>-</u>	<u>(96,393)</u>	<u>(96,393)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	770,885	770,885	(300,644)	(1,071,529)
Capital contributions				
Grants	19,500	19,500	-	(19,500)
Tap fees	26,500	26,500	66,873	40,373
Customer contributions	<u>-</u>	<u>-</u>	<u>62,483</u>	<u>62,483</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 816,885</u>	<u>\$ 816,885</u>	<u>\$ (171,288)</u>	<u>\$ (988,173)</u>

Note 1: Adjustments to account for the changes in the net pension and net OPEB liabilities resulted in an increase in pension expense of \$655,056. Due to the uncertainty of the impact of the required net pension and OPEB liability adjustments on expense, an amount was not included in the enacted budget for the current year change in the net pension and OPEB liability.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET**  
**FORT KNOX WATER FUND**  
**for the year ended December 31, 2020**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING REVENUE</b>				
Metered water sales	\$ 4,404,200	\$ 4,404,200	\$ 4,322,476	\$ (81,724)
Penalties, service fees and reimbursements	<u>1,000</u>	<u>1,000</u>	<u>6,675</u>	<u>5,675</u>
<b>Total operating revenue</b>	<u>4,405,200</u>	<u>4,405,200</u>	<u>4,329,151</u>	<u>(76,049)</u>
<b>OPERATING EXPENSES</b>				
Treatment	-	-	164,487	164,487
Transmission and distribution	695,763	695,763	936,478	240,715
General and administrative expenses	<u>2,307,724</u>	<u>2,307,724</u>	<u>3,415,835</u>	<u>1,108,111</u>
<b>Total operating expense</b>	<u>3,003,487</u>	<u>3,003,487</u>	<u>4,516,800</u>	<u>1,513,313</u>
<b>Operating income (loss) before depreciation</b>	1,401,713	1,401,713	(187,649)	(1,589,362)
Depreciation and amortization expense	<u>(569,800)</u>	<u>(569,800)</u>	<u>(557,904)</u>	<u>11,896</u>
<b>OPERATING INCOME (LOSS)</b>	831,913	831,913	(745,553)	(1,577,466)
Non-operating income				
Interest income	405,600	405,600	181,146	(224,454)
Transfer in (out)	-	-	3,395	3,395
Gain on disposal of equipment	<u>-</u>	<u>-</u>	<u>7,816</u>	<u>7,816</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	1,237,513	1,237,513	(553,196)	(1,790,709)
Capital contributions				
Tap fees	-	-	-	-
Customer contribution	<u>1,940,200</u>	<u>1,940,200</u>	<u>1,936,700</u>	<u>(3,500)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 3,177,713</u>	<u>\$ 3,177,713</u>	<u>\$ 1,383,504</u>	<u>\$ (1,794,209)</u>

Note 1: Adjustments to account for the changes in the net pension and net OPEB liabilities resulted in an increase in pension expense of \$555,932. Due to the uncertainty of the impact of the required net pension and OPEB liability adjustments on expense, an amount was not included in the enacted budget for the current year change in the net pension and OPEB liability.

Note 2: During 2020, the Board agreed to buy out the contract with Louisville Water Company. As part of the agreement the District paid the remaining balance of the contract which totaled \$982,180. The buy out agreement was not included in the budget.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET**  
**FORT KNOX SEWER FUND**  
**for the year ended December 31, 2020**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING REVENUE</b>				
Sewer service revenue	\$ 2,923,827	\$ 2,923,827	\$ 2,909,078	\$ (14,749)
Penalties, service fees and reimbursements	<u>1,000</u>	<u>1,000</u>	<u>735</u>	<u>(265)</u>
<b>Total operating revenue</b>	<u>2,924,827</u>	<u>2,924,827</u>	<u>2,909,813</u>	<u>(15,014)</u>
<b>OPERATING EXPENSES</b>				
Treatment	636,355	636,355	619,295	(17,060)
Transmission and distribution	443,265	443,265	481,196	37,931
Sewer administration	51,127	51,127	86,850	35,723
Professional services	15,839	15,839	12,738	(3,101)
Insurance	24,600	24,600	24,121	(479)
Customer service	112,374	112,374	160,180	47,806
Other	<u>30,756</u>	<u>30,756</u>	<u>15,259</u>	<u>(15,497)</u>
<b>Total operating expense</b>	<u>1,314,316</u>	<u>1,314,316</u>	<u>1,399,639</u>	<u>85,323</u>
<b>Operating income (loss) before depreciation</b>	1,610,511	1,610,511	1,510,174	(100,337)
Depreciation and amortization expense	<u>(1,019,600)</u>	<u>(1,019,600)</u>	<u>(1,042,498)</u>	<u>(22,898)</u>
<b>OPERATING INCOME (LOSS)</b>	590,911	590,911	467,676	(123,235)
Non-operating income (expenses)				
Interest income	102,200	102,200	21,107	(81,093)
Interest expense	(800)	(800)	(570)	230
Transfer in (out)	-	-	(795)	(795)
Loss on disposal of equipment	<u>-</u>	<u>-</u>	<u>(56,647)</u>	<u>(56,647)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	692,311	692,311	430,771	(261,540)
Capital contributions				
Customer contributions	<u>100,100</u>	<u>100,100</u>	<u>34,208</u>	<u>(65,892)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 792,411</u>	<u>\$ 792,411</u>	<u>\$ 464,979</u>	<u>\$ (327,432)</u>

Note 1: Adjustments to account for the changes in the net pension and net OPEB liabilities resulted in an increase in pension expense of \$243,792. Due to the uncertainty of the impact of the required net pension and OPEB liability adjustments on expense, an amount was not included in the enacted budget for the current year change in the net pension and OPEB liability.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET**  
**RADCLIFF SEWER FUND**  
**for the year ended December 31, 2020**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING REVENUE</b>				
Sewer service revenue	\$ 3,857,125	\$ 3,857,125	\$ 3,676,097	\$ (181,028)
Penalties, service fees and reimbursements	<u>235,000</u>	<u>235,000</u>	<u>139,832</u>	<u>(95,168)</u>
<b>Total operating revenue</b>	<u>4,092,125</u>	<u>4,092,125</u>	<u>3,815,929</u>	<u>(276,196)</u>
<b>OPERATING EXPENSES</b>				
Treatment	620,946	620,946	670,381	49,435
Transmission and distribution	1,014,489	1,014,489	1,123,034	108,545
Professional services	16,439	16,439	12,187	(4,252)
Insurance	29,000	29,000	21,986	(7,014)
Customer service	583,656	583,656	584,048	392
Sewer administration	151,230	151,230	192,699	41,469
Sewer commission	17,422	17,422	20,365	2,943
System maintenance	58,991	58,991	66,623	7,632
Other	<u>-</u>	<u>-</u>	<u>71</u>	<u>71</u>
<b>Total operating expense</b>	<u>2,492,173</u>	<u>2,492,173</u>	<u>2,691,394</u>	<u>199,221</u>
<b>Operating income (loss) before depreciation</b>	1,599,952	1,599,952	1,124,535	(475,417)
Depreciation and amortization expense	<u>(1,285,300)</u>	<u>(1,285,300)</u>	<u>(1,514,585)</u>	<u>(229,285)</u>
<b>OPERATING INCOME (LOSS)</b>	314,652	314,652	(390,050)	(704,702)
Non-operating income (expenses)				
Interest income	109,300	109,300	36,117	(73,183)
Interest expense	(3,300)	(3,300)	(2,471)	829
Transfer in (out)	-	-	127	127
Loss on disposal of equipment	<u>-</u>	<u>-</u>	<u>(74,035)</u>	<u>(74,035)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	420,652	420,652	(430,312)	(850,964)
Capital contributions				
Grants	779,546	779,546	965,431	185,885
Tap fees	<u>750</u>	<u>750</u>	<u>24,385</u>	<u>23,635</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 1,200,948</u>	<u>\$ 1,200,948</u>	<u>\$ 559,504</u>	<u>\$ (641,444)</u>

Note 1: Adjustments to account for the changes in the net pension and net OPEB liabilities resulted in an increase in pension expense of \$446,672. Due to the uncertainty of the impact of the required net pension and OPEB liability adjustments on expense, an amount was not included in the enacted budget for the current year change in the net pension and OPEB liability.

**HARDIN COUNTY WATER DISTRICT No. 1**  
**SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET**  
**STORMWATER FUND**  
**for the year ended December 31, 2020**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING REVENUE</b>				
Stormwater service revenue	\$ 477,800	\$ 477,800	\$ 477,792	\$ (8)
<b>Total operating revenue</b>	<u>477,800</u>	<u>477,800</u>	<u>477,792</u>	<u>(8)</u>
<b>OPERATING EXPENSES</b>				
Transmission and distribution	86,011	86,011	63,870	(22,141)
Professional services	4,388	4,388	2,944	(1,444)
Insurance	3,300	3,300	3,202	(98)
Customer service	1,004	1,004	933	(71)
Other	26,947	26,947	24,959	(1,988)
<b>Total operating expense</b>	<u>121,650</u>	<u>121,650</u>	<u>95,908</u>	<u>(25,742)</u>
<b>Operating income before depreciation</b>	356,150	356,150	381,884	25,734
Depreciation and amortization expense	<u>(142,300)</u>	<u>(142,300)</u>	<u>(142,039)</u>	<u>261</u>
<b>OPERATING INCOME</b>	<u>213,850</u>	<u>213,850</u>	<u>239,845</u>	<u>25,995</u>
Non-operating income (expenses)				
Interest income	28,200	28,200	10,661	(17,539)
Transfer in (out)	-	-	(159)	(159)
Loss on disposal of equipment	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 242,050</u>	<u>\$ 242,050</u>	<u>\$ 250,335</u>	<u>\$ 8,285</u>



**COMBINING FUND STATEMENTS**

**HARDIN COUNTY WATER DISTRICT No. 1**  
**COMBINING WATER STATEMENT OF NET POSITION**  
**December 31, 2020**

	<b>County Water</b>	<b>Ft. Knox Water</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,130,863	\$ 9,109,148	\$ 10,240,011
Investments	857,172	7,053,781	7,910,953
Customer accounts receivable, net	480,430	261,011	741,441
Interest receivable	2,686	30,637	33,323
Other accounts receivable	16,811	155,312	172,123
Note receivable - current	13,393	-	13,393
Lease receivable - current	50,952	-	50,952
Due from other funds	-	245,496	245,496
Inventory - materials and supplies	205,960	76,528	282,488
Prepaid expenses	72,910	21,065	93,975
Total current assets	2,831,177	16,952,978	19,784,155
Other assets			
Note receivable	22,080	-	22,080
Lease receivable	454,926	-	454,926
Restricted investments - reserve funds	1,540,935	-	1,540,935
Total other assets	2,017,941	-	2,017,941
Capital assets			
Land and easements	338,807	-	338,807
Construction in progress	304,758	8,587,647	8,892,405
Plant and lines	52,652,158	16,111,284	68,763,442
Vehicles and equipment	4,968,803	2,377,489	7,346,292
Total capital assets	58,264,526	27,076,420	85,340,946
Less: accumulated depreciation	(21,374,327)	(4,048,532)	(25,422,859)
Total capital assets, net	36,890,199	23,027,888	59,918,087
Total assets	41,739,317	39,980,866	81,720,183
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension	693,066	374,208	1,067,274
Deferred outflows of resources - OPEB	726,500	357,623	1,084,123
Total deferred outflows of resources	1,419,566	731,831	2,151,397
Total assets and deferred outflows of resources	\$ 43,158,883	\$ 40,712,697	\$ 83,871,580
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 251,938	\$ 1,592,857	\$ 1,844,795
Accrued expenses	104,888	32,863	137,751
Due to other funds	93,750	-	93,750
Unearned revenue	65,646	-	65,646
Customers' deposits	218,408	-	218,408
Line of credit	1,176,349	-	1,176,349
Current portion of interfund loan	430,977	-	430,977
Reserve for unclaimed funds - escheatment	9,810	-	9,810
Liabilities payable from restricted assets:			
Current portion of long-term debt	779,000	-	779,000
Accrued interest on long-term debt	31,447	-	31,447
Total current liabilities	3,162,213	1,625,720	4,787,933
Long-term liabilities			
Compensated absences	209,206	35,800	245,006
Bonds payable	3,485,500	-	3,485,500
Net pension liability	4,292,188	2,317,483	6,609,671
Net OPEB liability	1,374,979	676,839	2,051,818
Interfund loan	1,562,148	-	1,562,148
Total long-term liabilities	10,924,021	3,030,122	13,954,143
Total liabilities	14,086,234	4,655,842	18,742,076
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension	25,623	13,834	39,457
Deferred inflows of resources - OPEB	246,578	121,379	367,957
Deferred inflows of resources - leases	505,878	-	505,878
Total deferred inflows of resources	778,079	135,213	913,292
<b>NET POSITION</b>			
Net investment in capital assets	31,417,903	23,027,888	54,445,791
Restricted	1,540,935	-	1,540,935
Unrestricted	(4,664,268)	12,893,754	8,229,486
Total net position	28,294,570	35,921,642	64,216,212
Total liabilities, deferred inflows of resources and net position	\$ 43,158,883	\$ 40,712,697	\$ 83,871,580

**HARDIN COUNTY WATER DISTRICT No. 1**  
**COMBINING WATER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**for the year ended December 31, 2020**

	<b>County Water</b>	<b>Fort Knox Water</b>	<b>Total</b>
<b>OPERATING REVENUE</b>			
Metered water sales	\$ 3,562,094	\$ 4,322,476	\$ 7,884,570
Wholesale sales	1,478,621	-	1,478,621
Sewer billing contract revenue	52,593	-	52,593
Penalties, service fees and reimbursements	<u>227,400</u>	<u>6,675</u>	<u>234,075</u>
<b>Total operating revenue</b>	<u>5,320,708</u>	<u>4,329,151</u>	<u>9,649,859</u>
<b>OPERATING EXPENSES</b>			
Treatment	1,379,387	164,487	1,543,874
Transmission and distribution	1,078,263	936,478	2,014,741
Customer service	438,174	-	438,174
General and administrative expenses	525,038	3,415,835	3,940,873
Purchased water	456,586	-	456,586
General maintenance	123,938	-	123,938
Source of supply	<u>17,684</u>	<u>-</u>	<u>17,684</u>
<b>Total operating expense</b>	<u>4,019,070</u>	<u>4,516,800</u>	<u>8,535,870</u>
<b>Operating income (loss) before depreciation</b>	1,301,638	(187,649)	1,113,989
Depreciation and amortization expense	<u>(1,379,813)</u>	<u>(557,904)</u>	<u>(1,937,717)</u>
<b>OPERATING INCOME (LOSS)</b>	(78,175)	(745,553)	(823,728)
Non-operating income (expenses)			
Interest income	28,953	181,146	210,099
Interest expense	(152,461)	-	(152,461)
Transfers in (out)	(2,568)	3,395	827
Gain (loss) on sale of equipment	<u>(96,393)</u>	<u>7,816</u>	<u>(88,577)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(300,644)	(553,196)	(853,840)
Capital contributions			
Tap fees	66,873	-	66,873
Customer contributions	<u>62,483</u>	<u>1,936,700</u>	<u>1,999,183</u>
<b>CHANGE IN NET POSITION</b>	(171,288)	1,383,504	1,212,216
Net position, beginning of year	<u>28,465,858</u>	<u>34,538,138</u>	<u>63,003,996</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 28,294,570</u>	<u>\$ 35,921,642</u>	<u>\$ 64,216,212</u>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**COMBINING WATER STATEMENT OF CASH FLOWS**  
for the year ended December 31, 2020

	<b>County Water</b>	<b>Ft. Knox Water</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 5,233,477	\$ 4,621,830	\$ 9,855,307
Payments to suppliers	(1,620,691)	(2,289,176)	(3,909,867)
Payments for employee services and benefits	<u>(1,808,557)</u>	<u>(603,447)</u>	<u>(2,412,004)</u>
<b>Net cash provided by operating activities</b>	<u>1,804,229</u>	<u>1,729,207</u>	<u>3,533,436</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Receipts (payments) on interfund loans	<u>(281,377)</u>	<u>(149,637)</u>	<u>(431,014)</u>
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>(281,377)</u>	<u>(149,637)</u>	<u>(431,014)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on long-term debt	(773,500)	-	(773,500)
Line of credit proceeds	178,388	-	178,388
Payments on line of credit	(5,000)	-	(5,000)
Interest paid on long-term debt	(154,195)	-	(154,195)
Contributions in aid of construction	66,873	1,936,700	2,003,573
Grants received	51,850	-	51,850
Proceeds from sale of equipment	17,369	10,800	28,169
Acquisition and construction of capital assets	<u>(806,374)</u>	<u>(6,586,398)</u>	<u>(7,392,772)</u>
<b>Net cash (used in) capital and related financing activities</b>	<u>(1,424,589)</u>	<u>(4,638,898)</u>	<u>(6,063,487)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	32,124	183,101	215,225
Redemption of investments	883,761	(3,723,635)	(2,839,874)
Purchase of investments	<u>(857,172)</u>	<u>3,580,771</u>	<u>2,723,599</u>
<b>Net cash (used in) investing activities</b>	<u>58,713</u>	<u>40,237</u>	<u>98,950</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	156,976	(3,019,091)	(2,862,115)
Cash and cash equivalents, beginning of year	<u>973,887</u>	<u>12,128,239</u>	<u>13,102,126</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,130,863</u>	<u>\$ 9,109,148</u>	<u>\$ 10,240,011</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (78,175)	\$ (745,553)	\$ (823,728)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,379,813	557,904	1,937,717
Net change in pension liability	543,299	488,625	1,031,924
Net change in OPEB liability	111,757	67,307	179,064
Change in assets and liabilities:			
Accounts receivable	(109,188)	292,679	183,491
Notes receivable	13,208	-	13,208
Prepaid expenses	(1,147)	1,179	32
Inventory	4,996	3,744	8,740
Accounts payable	(113,927)	1,054,039	940,112
Unearned revenue	8,749	-	8,749
Accrued expenses	29,390	12,564	41,954
Compensated absences	7,819	(3,281)	4,538
Other payables	<u>7,635</u>	<u>-</u>	<u>7,635</u>
<b>Net cash provided by operating activities</b>	<u>\$ 1,804,229</u>	<u>\$ 1,729,207</u>	<u>\$ 3,533,436</u>
Schedule of non-cash capital and financing activities:			
Capital asset additions included in accounts payable, net	<u>\$ (47,144)</u>	<u>\$ 354,565</u>	<u>\$ 307,421</u>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**COMBINING SEWER STATEMENT OF NET POSITION**  
**December 31, 2020**

	<b>Ft. Knox Sewer</b>	<b>Radcliff Sewer</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 4,717,174	\$ 5,808,719	\$ 10,525,893
Investments	86,246	424,920	511,166
Customer accounts receivable, net	713,590	242,359	955,949
Interest receivable	303	1,492	1,795
Other accounts receivable	5,329	13,576	18,905
Inventory - material and supplies	2,611	1,755	4,366
Current portion of interfund receivable	-	430,977	430,977
Due from other funds	-	196,951	196,951
Prepaid expenses	<u>18,713</u>	<u>16,551</u>	<u>35,264</u>
Total current assets	<u>5,543,966</u>	<u>7,137,300</u>	<u>12,681,266</u>
Other assets			
Interfund receivable	-	1,562,148	1,562,148
Unamortized Radcliff acquisition costs, net	<u>-</u>	<u>129,300</u>	<u>129,300</u>
Total other assets	<u>-</u>	<u>1,691,448</u>	<u>1,691,448</u>
Capital assets			
Land and easements	-	9,544	9,544
Construction in progress	24,639	2,201,457	2,226,096
Plant and lines	92,427,331	47,997,820	140,425,151
Vehicles and equipment	<u>1,423,479</u>	<u>1,710,396</u>	<u>3,133,875</u>
Total capital assets	93,875,449	51,919,217	145,794,666
Less: accumulated depreciation	<u>(68,577,151)</u>	<u>(22,611,913)</u>	<u>(91,189,064)</u>
Total capital assets, net	<u>25,298,298</u>	<u>29,307,304</u>	<u>54,605,602</u>
Total assets	<u>30,842,264</u>	<u>38,136,052</u>	<u>68,978,316</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension	347,179	469,673	816,852
Deferred outflows of resources - OPEB	<u>364,026</u>	<u>492,289</u>	<u>856,315</u>
Total deferred outflows of resources	<u>711,205</u>	<u>961,962</u>	<u>1,673,167</u>
Total assets and deferred outflows of resources	<u>\$ 31,553,469</u>	<u>\$ 39,098,014</u>	<u>\$ 70,651,483</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 116,631	\$ 319,608	\$ 436,239
Accrued expenses	27,728	30,067	57,795
Due to other funds	373,080	-	373,080
Customers' deposits	<u>-</u>	<u>218,818</u>	<u>218,818</u>
Total current liabilities	<u>517,439</u>	<u>568,493</u>	<u>1,085,932</u>
Long-term liabilities			
Compensated absences	30,314	29,030	59,344
Net pension liability	2,150,094	2,908,707	5,058,801
Net OPEB liability	<u>688,959</u>	<u>931,710</u>	<u>1,620,669</u>
Total long-term liabilities	<u>2,869,367</u>	<u>3,869,447</u>	<u>6,738,814</u>
Total liabilities	<u>3,386,806</u>	<u>4,437,940</u>	<u>7,824,746</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension	12,835	17,364	30,199
Deferred inflows of resources - OPEB	<u>123,552</u>	<u>167,086</u>	<u>290,638</u>
Total deferred inflows of resources	<u>136,387</u>	<u>184,450</u>	<u>320,837</u>
<b>NET POSITION</b>			
Net investment in capital assets	25,298,298	29,307,304	54,605,602
Unrestricted	<u>2,731,978</u>	<u>5,168,320</u>	<u>7,900,298</u>
Total net position	<u>28,030,276</u>	<u>34,475,624</u>	<u>62,505,900</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 31,553,469</u>	<u>\$ 39,098,014</u>	<u>\$ 70,651,483</u>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**COMBINING SEWER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**for the year ended December 31, 2020**

	<b>Ft. Knox Sewer</b>	<b>Radcliff Sewer</b>	<b>Total</b>
<b>OPERATING REVENUE</b>			
Sewer service revenue	\$ 2,909,078	\$ 3,676,097	\$ 6,585,175
Penalties, service fees and reimbursements	<u>735</u>	<u>139,832</u>	<u>140,567</u>
<b>Total operating revenue</b>	<u>2,909,813</u>	<u>3,815,929</u>	<u>6,725,742</u>
<b>OPERATING EXPENSES</b>			
Treatment	619,295	670,381	1,289,676
Transmission and distribution	481,196	1,123,034	1,604,230
Customer service	160,180	584,048	744,228
General and administrative expenses	138,968	247,308	386,276
General maintenance	<u>-</u>	<u>66,623</u>	<u>66,623</u>
<b>Total operating expenses</b>	<u>1,399,639</u>	<u>2,691,394</u>	<u>4,091,033</u>
<b>Operating income before depreciation</b>	1,510,174	1,124,535	2,634,709
Depreciation and amortization expense	<u>(1,042,498)</u>	<u>(1,514,585)</u>	<u>(2,557,083)</u>
<b>OPERATING INCOME (LOSS)</b>	467,676	(390,050)	77,626
Non-operating income (expenses)			
Interest income	21,107	36,117	57,224
Interest expense	(570)	(2,471)	(3,041)
Transfers in (out)	(795)	127	(668)
(Loss) on sale of equipment	<u>(56,647)</u>	<u>(74,035)</u>	<u>(130,682)</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	430,771	(430,312)	459
Capital Contributions			
Grants	-	965,431	965,431
Customer contributions	<u>34,208</u>	<u>24,385</u>	<u>58,593</u>
<b>CHANGE IN NET POSITION</b>	464,979	559,504	1,024,483
Net position, beginning of year	<u>27,565,297</u>	<u>33,916,120</u>	<u>61,481,417</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 28,030,276</u>	<u>\$ 34,475,624</u>	<u>\$ 62,505,900</u>

**HARDIN COUNTY WATER DISTRICT No. 1**  
**COMBINING SEWER STATEMENT OF CASH FLOWS**  
for the year ended December 31, 2020

	Ft. Knox Sewer	Radcliff Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,905,685	\$ 3,800,633	\$ 6,706,318
Payments to suppliers	(408,957)	(1,164,680)	(1,573,637)
Payments for employee services and benefits	(642,793)	(1,137,953)	(1,780,746)
<b>Net cash provided by operating activities</b>	<u>1,853,935</u>	<u>1,498,000</u>	<u>3,351,935</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Receipts (payments) on interfund loans	<u>326,720</u>	<u>293,536</u>	<u>620,256</u>
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>326,720</u>	<u>293,536</u>	<u>620,256</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid on long-term debt	(570)	(2,471)	(3,041)
Contributions in aid of construction	57,284	24,385	81,669
Grants received	-	1,184,996	1,184,996
Proceeds from sale of equipment	-	4,760	4,760
Acquisition and construction of capital assets	(1,637,020)	(2,107,300)	(3,744,320)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1,580,306)</u>	<u>(895,630)</u>	<u>(2,475,936)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	21,393	37,525	58,918
Redemption of investments	84,295	415,307	499,602
Purchase of investments	(86,246)	(424,920)	(511,166)
<b>Net cash provided by investing activities</b>	<u>19,442</u>	<u>27,912</u>	<u>47,354</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	619,791	923,818	1,543,609
Cash and cash equivalents, beginning of year	<u>4,097,383</u>	<u>4,884,901</u>	<u>8,982,284</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,717,174</u>	<u>\$ 5,808,719</u>	<u>\$ 10,525,893</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 467,676	\$ (390,050)	\$ 77,626
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	1,042,498	1,514,585	2,557,083
Net change in pension liability	204,807	370,420	575,227
Net change in OPEB liability	38,985	76,252	115,237
Change in assets and liabilities:			
Accounts receivable	(4,128)	(15,296)	(19,424)
Prepaid expenses	6,316	1,013	7,329
Inventory	(1,203)	1,579	376
Accounts payable	88,009	(76,352)	11,657
Accrued expenses	6,872	2,410	9,282
Compensated absences	4,103	3,210	7,313
Other payables	-	10,229	10,229
<b>Net cash provided by operating activities</b>	<u>\$ 1,853,935</u>	<u>\$ 1,498,000</u>	<u>\$ 3,351,935</u>
Schedule of non-cash capital and financing activities:			
Fixed asset additions included in accounts payable, net	<u>\$ (90,684)</u>	<u>\$ 121,312</u>	<u>\$ 30,628</u>



**INDEPENDENT AUDITORS' 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**

Board of Commissioners  
Hardin County Water District No. 1

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 each major fund of the Hardin County Water District No. 1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Hardin County Water District No. 1's basic financial statements and have issued our report thereon dated April 19, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hardin County Water District No. 1'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 the Hardin County Water District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Water District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the Hardin County Water District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
April 19, 2021