

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

**FINANCIAL STATEMENTS
December 31, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, 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.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hardin County Water District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hardin County Water District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB schedules on pages 4–7 and 27–32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 June 27, 2022, 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 Hardin County Water District No. 1's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
June 27, 2022

Hardin County Water District No. 1

Serving Hardin County Since 1952

1400 Rogersville Road
Radcliff, KY. 40160

June 27, 2022

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

SUBJECT: 2021 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 seventeenth 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. Jessica Warren (Accountant), Ms. Sara O'Bryant (Accounting Specialist) and Ms. Megan Probst (Accounting Specialist) for their work assisting the auditors in preparing this information. Mr. Jordan U'Wren, 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 \$17,350,773. Total net position increased by \$1,944,878 (+1.45%) ([percent changes in parentheses represent change from 2020]). Total revenues, including interest income, increased by \$1,658,016 or 9.68% compared to 2020. This increase is attributable to the rescinding of PSC Order 2020-00085 and the reinstatement to charge penalties, late fees and disconnect customers for non-payment and increased wholesale sales to FK Water. Operating income before depreciation was \$6,524,847 (+ 58.0%) and operating income after depreciation (gross of non-operating income and expenses) was \$1,883,064. This operating income is mainly due to increased revenues mentioned above as well as less of an impact on operating expenses related to the Kentucky Retirement Systems CERS and OPEB adjustments for the proportionate share of the pension liability. These adjustments are required per GASB 68, Accounting and Financial Reporting for Pensions and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). Total Net Income was \$1,793,276. Total net position at the end of the year was \$136,502,504 (+ 1.45%).

Cash used for capital construction was \$17,330,810 (+ 50.7%), of which 0.24% was provided by government grants. At year-end, consolidated outstanding debt principal was \$3,466,000 (- 18.7%). Total working capital (unrestricted cash + investments) at year-end decreased by (-30.3%) to \$21,258,544. Of all reserves (cash + investments), 93.4% 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 (-1.20%) or (-\$55,650) less than budgeted as a result of lower Pension/OPEB adjustments for 2021. Revenues were (-7.4%) less than budgeted due to the Rural Development Loan Rate Adjustment (RD2) not finalized as planned. This was originally budgeted to begin July 2021. Net income after depreciation and interest expense was +\$664,435, (-43.4%) less than budgeted due to lower Pension/OPEB adjustment for 2021 and RD2 rate adjustment not implemented as planned. Water sales increased by 27.1% from 2020 and total net position increased by +2.76%. The bond coverage ratio was 4.36% (+ 65.2% from 2020) which is approximately 3.63 times the required 1.20.

Ft. Knox Water: Total operating revenues were \$4,477,464 (- 0.73%) including interest income. Operating income before depreciation was +\$399,995. Net Loss after depreciation and amortized expenses was (- \$115,684) mainly due to allocation of the Net Pension and OPEB Liability expenses. Net position at year-end was \$35,821,218 (-0.28%) and construction in progress was valued at \$23,720,788. Working capital and cash available for capital construction was \$2,634,268 (- 83.7%) due to contractor payments for the MWTP and two water tanks construction.

Ft. Knox Sewer (Sanitary and Storm): Total operating revenues including interest income decreased by (- 0.68%). Total operating income, before depreciation expense was \$2,177,890 (+ 15.1%). Total net position increased by 2.65%. Total expended for construction was \$864,039. At the beginning of 2022, the fund had a balance of \$8,851,616 (+44.5%) available for construction projects and capital improvements.

Radcliff Sewer: Total revenues (including interest income) were \$4,044,918 (+ 5.0%). This increase is attributable to the lifting of COVID-19 pandemic and PSC Order 2020-00085. Total operating expenses (excluding depreciation) were (-7.3%) less than budgeted. This is due to Pension/OPEB adjustments relating to GASB 68 and 75. Total net position increased 0.89% to \$34,783,875 and at year-end we had construction in progress assets of \$2,445,736. Of the \$715,250 expended for construction, 1.9% was funded by state grants. At year-end, the total cash & investment reserve balance was \$7,374,398 (+18.3%) of which 100% was unrestricted and available for capital construction or operations. The fund had net operating income before depreciation and debt interest of \$1,744,229 (+ 55.1%) with a net income of \$308,251.

Operational Changes & Statistics

During 2021, a total of 1,059 MG (million gallons) of potable water was treated (- 38.7%) and a total of 784.3 MG was purchased for resale (+ 257%). Total water delivered to customers (County and Ft. Knox combined) was 1,844 MG (- 5.4%). The maximum demand day was 8.51 MG (+ 32.3%) and occurred on 16-Feb. The average daily water demand for the year was 5.05 MG (- 5.4%). A total of 68 new water services were installed. Wholesale customers purchased 1,186.8 MG (+ 89.4%), which was equivalent to 64.38% of total water produced and purchased volume.

The two wastewater treatment plants (Ft. Knox and Radcliff) treated 1,526 MG (- 0.01%). This resulted in an average daily flow of clean, recycled water into streams of 4.18 MG. The maximum day treated was 15.1 MG and occurred on 22-Sept.

Other Significant Projects / Changes:

County Water System

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. Delays by the federal government and USDA have pushed the expected construction start to the end of the fourth quarter of 2022.

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).

Construction of the two tanks began in January 2020. The Estrada Tank and Frazier Tank are in service and considered 99%, pending release of retainage with the delivery of Record Drawings. The contract price for the two tanks is \$5,555,000.

The Muldraugh WTP project was bid in December 2020, with notice to proceed given in January 2021. The bid amount is \$15,723,526. Final completion of the project is anticipated for July 2022. The high service pumps have been purchased by the District and are in service.

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 fourth quarter 2022 and anticipated to be complete by July 2023.

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, 2021

	Water Total	Sewer Total	Storm Water	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,165,347	\$ 13,974,671	\$ 1,344,749	\$ 19,484,767
Investments	867,183	517,761	388,833	1,773,777
Customer accounts receivable, net	737,913	488,145	39,813	1,265,871
Interest receivable	1,746	1,042	782	3,570
Other accounts receivable	107,308	1,776	-	109,084
Note receivable - current	13,869	-	-	13,869
Lease receivable - current	45,879	-	-	45,879
Due to (from) other funds	302,903	(397,928)	95,025	-
Inventory - materials and supplies	332,038	10,423	-	342,461
Current portion of interfund receivable (payable)	(433,137)	433,137	-	-
Prepaid expenses	89,398	32,439	1,189	123,026
Total current assets	6,230,447	15,061,466	1,870,391	23,162,304
Non-current assets				
Note receivable	8,250	-	-	8,250
Lease receivable	405,843	-	-	405,843
Interfund receivable (payable)	(1,129,011)	1,129,011	-	-
Restricted investments - reserve funds	1,503,273	-	-	1,503,273
Unamortized acquisition costs	-	120,200	-	120,200
Total non-current assets	788,355	1,249,211	-	2,037,566
Capital assets				
Land and easements	338,807	9,544	-	348,351
Construction in progress	24,576,814	2,874,980	-	27,451,794
Plant and lines	69,043,236	140,901,810	7,126,648	217,071,694
Vehicles and equipment	7,442,098	3,245,565	159,355	10,847,018
Leased equipment	42,311	8,059	-	50,370
Total capital assets	101,443,266	147,039,958	7,286,003	255,769,227
Less: accumulated depreciation and amortization	(27,383,100)	(93,636,252)	(1,066,618)	(122,085,970)
Total capital assets, net	74,060,166	53,403,706	6,219,385	133,683,257
Total assets	81,078,968	69,714,383	8,089,776	158,883,127
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	550,708	383,207	-	933,915
Deferred outflows of resources - OPEB	1,055,457	734,433	-	1,789,890
Total deferred outflows of resources	1,606,165	1,117,640	-	2,723,805
Total assets and deferred outflows of resources	\$ 82,685,133	\$ 70,832,023	\$ 8,089,776	\$ 161,606,932
LIABILITIES				
Current liabilities				
Accounts payable	\$ 2,685,171	\$ 524,290	\$ -	\$ 3,209,461
Accrued expenses	138,589	50,051	719	189,359
Unearned revenue	39,908	-	-	39,908
Customers' deposits	220,396	221,931	-	442,327
Current portion of lease liability	10,337	1,969	-	12,306
Reserve for unclaimed funds - escheatment	9,805	-	-	9,805
Liabilities payable from restricted assets:				
Current portion of long-term debt	760,000	-	-	760,000
Accrued interest on long-term debt	11,463	-	-	11,463
Total current liabilities	3,875,669	798,241	719	4,674,629
Long-term liabilities				
Compensated absences	216,557	47,663	-	264,220
Lease liability	24,422	4,652	-	29,074
Line of credit	1,222,348	-	-	1,222,348
Bonds payable	2,706,000	-	-	2,706,000
Net pension liability	5,855,286	4,074,360	-	9,929,646
Net OPEB liability	1,757,754	1,223,121	-	2,980,875
Total long-term liabilities	11,782,367	5,349,796	-	17,132,163
Total liabilities	15,658,036	6,148,037	719	21,806,792
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	859,123	597,814	-	1,456,937
Deferred inflows of resources - OPEB	819,048	569,929	-	1,388,977
Deferred inflows of resources - leases	451,722	-	-	451,722
Total deferred inflows of resources	2,129,893	1,167,743	-	3,297,636
NET POSITION				
Net investment in capital assets	69,337,059	53,397,085	6,219,385	128,953,529
Restricted	1,503,273	-	-	1,503,273
Unrestricted	(5,943,128)	10,119,158	1,869,672	6,045,702
Total net position	64,897,204	63,516,243	8,089,057	136,502,504
Total liabilities, deferred inflows of resources and net position	\$ 82,685,133	\$ 70,832,023	\$ 8,089,776	\$ 161,606,932

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, 2021

	Water Total	Sewer Total	Storm Water	Total
OPERATING REVENUE				
Metered water sales	\$ 8,002,176	\$ -	\$ -	\$ 8,002,176
Wholesale sales	2,801,660	-	-	2,801,660
Sewer billing contract revenue	86,809	-	-	86,809
Sewer service revenue	-	6,702,352	-	6,702,352
Stormwater service revenue	-	-	477,792	477,792
Penalties, service fees and reimbursements	399,525	233,298	-	632,823
Total operating revenue	11,290,170	6,935,650	477,792	18,703,612
OPERATING EXPENSES				
Treatment	1,601,991	1,215,633	-	2,817,624
Transmission and distribution	1,909,685	1,236,899	46,639	3,193,223
Customer service	316,282	657,975	755	975,012
General and administrative expenses	2,896,630	245,717	-	3,142,347
Purchased water	1,878,087	-	-	1,878,087
General maintenance	65,221	55,256	-	120,477
Source of supply	19,546	-	-	19,546
Stormwater	-	-	32,449	32,449
Total operating expense	8,687,442	3,411,480	79,843	12,178,765
Operating income before depreciation	2,602,728	3,524,170	397,949	6,524,847
Depreciation and amortization expense	(1,965,640)	(2,526,759)	(149,384)	(4,641,783)
OPERATING INCOME (LOSS)	637,088	997,411	248,565	1,883,064
Non-operating income (expenses)				
Interest income	58,116	22,687	4,978	85,781
Interest expense	(134,893)	(2,151)	-	(137,044)
Gain (loss) on disposal of equipment	(11,560)	(26,965)	-	(38,525)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	548,751	990,982	253,543	1,793,276
Capital contributions				
Tap fees	100,074	-	-	100,074
Customer contributions	32,167	19,361	-	51,528
CHANGE IN NET POSITION	680,992	1,010,343	253,543	1,944,878
Net position, beginning of year	64,216,212	62,505,900	7,835,514	134,557,626
NET POSITION, END OF YEAR	\$ 64,897,204	\$ 63,516,243	\$ 8,089,057	\$ 136,502,504

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, 2021

	Water Total	Sewer Total	Storm Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 11,335,039	\$ 7,403,454	\$ 557,426	\$ 19,295,919
Payments to suppliers	(5,277,137)	(1,270,345)	(79,866)	(6,627,348)
Payments for employee services and benefits	<u>(2,225,910)</u>	<u>(1,786,092)</u>	<u>-</u>	<u>(4,012,002)</u>
Net cash provided by operating activities	<u>3,831,992</u>	<u>4,347,017</u>	<u>477,560</u>	<u>8,656,569</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Receipts (payments) on interfund loans	<u>(554,665)</u>	<u>628,143</u>	<u>(70,643)</u>	<u>2,835</u>
Net cash provided by (used in) non-capital financing activities	<u>(554,665)</u>	<u>628,143</u>	<u>(70,643)</u>	<u>2,835</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	(798,500)	-	-	(798,500)
Line of credit proceeds	71,095	-	-	71,095
Payments on line of credit	(25,096)	-	-	(25,096)
Payments on leased equipment	(8,428)	(1,605)	-	(10,033)
Interest paid on long-term debt	(154,001)	(1,984)	-	(155,985)
Contributions in aid of construction	115,334	22,914	-	138,248
Grants received	27,997	13,576	-	41,573
Acquisition and construction of capital assets	<u>(15,751,521)</u>	<u>(1,576,128)</u>	<u>(3,161)</u>	<u>(17,330,810)</u>
Net cash (used in) capital and related financing activities	<u>(16,523,120)</u>	<u>(1,543,227)</u>	<u>(3,161)</u>	<u>(18,069,508)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	89,693	23,440	5,544	118,677
Redemption of investments	7,948,619	511,166	383,879	8,843,664
Purchase of investments	<u>(867,183)</u>	<u>(517,761)</u>	<u>(388,833)</u>	<u>(1,773,777)</u>
Net cash provided by (used in) investing activities	<u>7,171,129</u>	<u>16,845</u>	<u>590</u>	<u>7,188,564</u>
NET INCREASE (DECREASE) IN CASH	(6,074,664)	3,448,778	404,346	(2,221,540)
Cash and cash equivalents, beginning of year	<u>10,240,011</u>	<u>10,525,893</u>	<u>940,403</u>	<u>21,706,307</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,165,347</u>	<u>\$ 13,974,671</u>	<u>\$ 1,344,749</u>	<u>\$ 19,484,767</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 637,088	\$ 997,411	\$ 248,565	\$ 1,883,064
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	1,965,640	2,526,759	149,384	4,641,783
Net change in pension liability	581,845	16,821	-	598,666
Net change in OPEB liability	185,694	3,626	-	189,320
Change in assets and liabilities:				
Accounts receivable	56,777	467,804	79,632	604,213
Notes receivable	13,830	-	-	13,830
Prepaid expenses	4,577	2,825	(21)	7,381
Inventory	(49,550)	(6,057)	-	(55,607)
Accounts payable	487,460	354,143	-	841,603
Unearned revenue	(25,738)	-	-	(25,738)
Accrued expenses	838	(7,745)	-	(6,907)
Compensated absences	(28,452)	(11,683)	-	(40,135)
Other payables	<u>1,983</u>	<u>3,113</u>	<u>-</u>	<u>5,096</u>
Net cash provided by operating activities	<u>\$ 3,831,992</u>	<u>\$ 4,347,017</u>	<u>\$ 477,560</u>	<u>\$ 8,656,569</u>
Schedule of non-cash capital and financing activities:				
Leased equipment additions, net	\$ 42,311	\$ 8,059	\$ -	\$ 50,370
Capital asset additions included in accounts payable, net	<u>352,916</u>	<u>(266,092)</u>	<u>-</u>	<u>86,824</u>
Net non-cash capital and financing activities	<u>\$ 395,227</u>	<u>\$ (258,033)</u>	<u>\$ -</u>	<u>\$ 137,194</u>

The accompanying notes are an integral part of the financial statements

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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 \$13,049 at December 31, 2021. 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, 2021

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, 2021, 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, 2021

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 June 27, 2022, 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, 2021, 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, 2021, were covered by federal depository insurance or by collateral held by the custodial banks in the District's name. At December 31, 2021, the District had \$23,117,215 in banks, of which \$1,582,268 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, 2021:

FDIC insured (or equivalent)	\$ 753,086
Collateralized by securities held by the bank in the District's name	20,781,861
Uncollateralized certificates of deposit	<u>1,582,268</u>
Total cash and investments in banks	<u>\$ 23,117,215</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments are classified as follows as of December 31, 2021:

Unrestricted:	
Cash and cash equivalents:	
Revenue fund	\$ 19,479,981
Other	<u>4,786</u>
	19,484,767
Short-term investments:	
Certificates of deposit	<u>1,773,777</u>
Total unrestricted	<u>21,258,544</u>
Restricted:	
Long-term reserved funds:	
Bond reserve fund	100,000
2016 Sinking fund interest	10,795
2016 Sinking fund principal	153,334
2016 Debt service reserve	419,485
2016 Depreciation fund	761,168
2019 RD Depreciation reserve	<u>58,491</u>
Total restricted	<u>1,503,273</u>
Total reported cash and investments	<u>\$ 22,761,817</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
2022	\$ 45,879	\$ 2,834	\$ 48,713
2023	40,163	1,816	41,979
2024	41,232	3,029	44,261
2025	42,068	3,973	46,041
2026	42,657	4,661	47,318
2027-2031	159,293	10,148	169,441
2032-2035	<u>80,430</u>	<u>4,605</u>	<u>85,035</u>
Total	<u>\$ 451,722</u>	<u>\$ 31,066</u>	<u>\$ 482,788</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

Additionally, the District recognized deferred inflows of resources related to the above leases that totaled \$451,722 as of December 31, 2021. The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2021, the District recognized \$4,669 of interest revenue and \$55,650 of lease revenue from the lease agreements.

4. CAPITAL ASSETS

A summary of capital asset activity during the year follows:

	Balance				Balance
	Jan. 1, 2021	Additions	Retirements		Dec. 31, 2021
Capital assets not depreciated:					
Land and easements	\$ 348,351	\$ -	\$ -		\$ 348,351
Construction in process	11,118,501	17,051,106	(717,814)		27,451,793
Capital assets that are depreciated:					
Plant and lines	216,315,241	830,347	(73,893)		217,071,695
Vehicles and equipment	10,636,361	241,246	(30,589)		10,847,018
Leased equipment	<u>-</u>	<u>50,370</u>	<u>-</u>		<u>50,370</u>
Total plant and equipment	238,418,454	18,173,069	(822,296)		255,769,227
Less: accumulated amortization	-	9,444	-		9,444
Less: accumulated depreciation	<u>117,529,158</u>	<u>4,623,241</u>	<u>(75,873)</u>		<u>122,076,526</u>
Capital assets, net	<u>\$ 120,889,296</u>	<u>\$ 13,540,384</u>	<u>\$ (746,423)</u>		<u>\$ 133,683,257</u>

Depreciation and amortization expense for all combined funds totaled \$4,641,783 for the year ended December 31, 2021.

5. LONG-TERM LIABILITIES

Bonds payable

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 payable of the County Water Fund consist of the following at December 31, 2021:

2017 Revenue bonds, various semi-annual principal, and interest payments at 2.75% through January 1, 2059, secured by the revenues of the District.	\$ 1,261,000
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.	1,905,000

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

5. LONG-TERM LIABILITIES (CONTINUED)

Bonds payable (continued)

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.

\$ 300,000

Total debt
Less: current portion

3,466,000
760,000

Total long-term debt

\$ 2,706,000

Debt maturities for the County Water Fund are as follows:

Calendar Year	Principal	Interest	Total
2022	\$ 760,000	\$ 74,061	\$ 834,061
2023	495,000	58,968	553,968
2024	500,500	50,336	550,836
2025	511,000	41,605	552,605
2026	22,000	32,684	54,684
2027-2031	118,500	153,938	272,438
2032-2036	135,500	136,503	272,003
2037-2041	155,000	116,545	271,545
2042-2046	177,500	93,741	271,241
2047-2051	203,500	67,587	271,087
2052-2056	233,000	37,606	270,606
2057-2059	<u>154,500</u>	<u>6,414</u>	<u>160,914</u>
	<u>\$ 3,466,000</u>	<u>\$ 869,988</u>	<u>\$ 4,335,988</u>

Lease liability – office phones

During 2021, the District entered into a lease agreement for office phones. The District has recorded a leased equipment asset and a related lease liability for the office phones totaling \$50,370. Payments on the lease will be made over a period of four years. The liability and related leased equipment asset have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 3%.

Amortization expense for the office phones during 2021 totaled \$9,444.

The annual principal and interest requirements to maturity for the lease liability is as follows:

Calendar Year	Principal	Interest	Total
2022	\$ 12,306	\$ 1,074	\$ 13,380
2023	12,680	700	13,380
2024	13,067	313	13,380
2025	<u>3,327</u>	<u>17</u>	<u>3,344</u>
	<u>\$ 41,380</u>	<u>\$ 2,104</u>	<u>\$ 43,484</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

5. LONG-TERM LIABILITIES (CONTINUED)

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

	Balance Jan. 1, 2021	Additions	Retirements	Balance Dec. 31, 2021	Due within one year
Bonds payable	\$ 4,264,500	\$ -	\$ (798,500)	\$ 3,466,000	\$ 760,000
Lease liability	-	50,370	(8,990)	41,380	12,306
Net pension liability	11,668,472	-	(1,738,826)	9,929,646	-
Net OPEB liability	3,672,487	-	(691,612)	2,980,875	-
Compensated absences	<u>304,350</u>	<u>-</u>	<u>(40,130)</u>	<u>264,220</u>	<u>-</u>
Total long-term liabilities	<u>\$ 19,909,809</u>	<u>\$ 50,370</u>	<u>\$ (3,278,058)</u>	<u>\$ 16,682,121</u>	<u>\$ 772,306</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, 2021, was \$164,129. 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. In 2021, the Sinking Fund for the 2017 issue had an early bank draft for the upcoming debt service of \$37,107. The amount held in the Sinking Fund for the 2017 issue as of December 31, 2021, was \$0.

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, 2021, was \$416,500. The amount held in the Debt Service Reserve Fund for the 2016 revenue bond issue as of December 31, 2021, was \$419,485. 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, 2021, was \$58,491.

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, 2021, the District was fully funded with a balance of \$761,168.

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.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

6. COMPLIANCE WITH BOND INDENTURE (CONTINUED)

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, 2021, 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, 2021, the Water Fund ratio was 4.36.

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 determined by the Wall Street Journal Prime Rate which can change daily, not to decrease below the initial interest rate of 3.25% at the time of renewal. 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 2021 and matures in September 2024. The entire balance of the line of credit as of December 31, 2021, is considered long-term debt.

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

	Balance			Balance
	Jan. 1, 2021	Additions	Payments	Dec. 31, 2021
Line of credit	<u>\$ 1,176,349</u>	<u>\$ 71,095</u>	<u>\$ (25,096)</u>	<u>\$ 1,222,348</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 Public Pensions Authority administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority’s website.

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

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

9. RETIREMENT PLAN (CONTINUED)

Contributions – For the year ended December 31, 2021, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent 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, 2021, participating employers contributed 24.06% through June 30th and 26.95% thereafter, 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, 2021, plan members contributed 19.30% through June 30th and 21.17% thereafter to the pension for non-hazardous job classifications. Administrative costs of Kentucky Public Pensions Authority 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, 2021, the District contributed \$803,870 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
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

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

9. RETIREMENT PLAN (CONTINUED)

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, 2021, the District reported a liability of \$9,929,646 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and was rolled forward using generally accepted actuarial procedures. The District'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, 2021, the District's proportion was .155740 percent, which was an increase of .003607 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the District recognized pension expense of \$1,395,370. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 114,023	\$ 96,375
Changes of assumptions	133,268	-
Net difference between projected and actual earnings on Plan investments	-	1,323,456
Changes in proportion and differences between District contributions and proportionate share of contributions	267,999	37,106
District contributions subsequent to the measurement date	418,625	-
Total	\$ 933,915	\$ 1,456,937

The \$418,625 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,		
2022	\$	(7,723)
2023	\$	(228,321)
2024	\$	(291,164)
2025	\$	(414,439)

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

9. RETIREMENT PLAN (CONTINUED)

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

Inflation	2.30%
Salary increases	3.30% to 10.30%, 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 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, 2021, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	5.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		7.30%

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 30-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.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

9. RETIREMENT PLAN (CONTINUED)

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:

	<u>Discount rate</u>	<u>District's proportionate share of net pension liability</u>
1% decrease	5.25%	\$ 12,735,243
Current discount rate	6.25%	\$ 9,929,646
1% increase	7.25%	\$ 7,608,082

Payable to the Pension Plan – The District reported a payable of \$104,871 as of December 31, 2021, for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

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, 2021, the employer's contribution was 4.76% through June 30th and 5.78% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

For the year ended December 31, 2021, the District contributed \$209,310 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, 2021, the District reported a liability for its proportionate share of the net OPEB liability of \$2,980,875. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2021 was .155704 percent, which was an increase of .003615 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the District recognized OPEB expense of \$492,954. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 468,743	\$ 889,990
Changes of assumptions	790,287	2,772
Net difference between projected and actual earnings on Plan investments	-	466,317
Changes in proportion and differences between District contributions and proportionate share of contributions	318,482	29,898
District contributions subsequent to the measurement date	<u>212,378</u>	<u>-</u>
Total	<u>\$ 1,789,890</u>	<u>\$ 1,388,977</u>

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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

The \$212,378 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, 2022. This includes an adjustment of \$98,083 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending December 31,	
2022	\$ 182,562
2023	\$ 111,458
2024	\$ 50,903
2025	\$ (156,388)

Actuarial Assumptions – The total OPEB liability in the June 30, 2021, 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 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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, 2021, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	5.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		7.30%

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2021, was 5.20%, for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2021, the discount rate determination used an expected rate of return of 6.25%, 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	4.20%	\$ 4,092,719
Current discount rate	5.20%	\$ 2,980,875
1% increase	6.20%	\$ 2,068,423

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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:

		Proportionate share of net OPEB liability
1% decrease	\$	2,145,876
Current trend rate	\$	2,980,875
1% increase	\$	3,988,732

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

11. CONSTRUCTION COMMITMENTS

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).

Construction of the two tanks began in January 2020. The Estrada Tank and Frazier Tank are in service and considered 99% complete, pending release of retainage with the delivery of Record Drawings. The contract price for the two tanks is \$5,555,000.

The Muldraugh WTP project was bid in December 2020, with notice to proceed given in January 2021. The bid amount is \$15,723,526. Completion of the project is anticipated for July 2022. The high service pumps have been purchased by the District and are in service.

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 fourth quarter 2022 and anticipated to be complete by July 2023.

12. COVID-19 PANDEMIC

Since 2020, various restrictions have been placed on utilities in the state of Kentucky in response to the COVID-19 pandemic. These restrictions include the cessation of utility shutoffs and the charging of penalties due to nonpayment of bills for a period in 2020. As a result of these orders and the impact of COVID-19 on the District's customers, the District established 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 Eight Years**

Reporting Year End (Measurement Date)	December 31, 2014 (June 30, 2014)	December 31, 2015 (June 30, 2015)	December 31, 2016 (June 30, 2016)	December 31, 2017 (June 30, 2017)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)
District's proportion of the net pension liability	0.087998%	0.087805%	0.112389%	0.113469%	0.142783%	0.154218%	0.152133%	0.155740%
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	\$ 9,929,646
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	\$ 4,015,112
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%	247.31%
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%	57.33%

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 Nine Calendar Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 244,914	\$ 278,406	\$ 275,816	\$ 350,063	\$ 438,748	\$ 586,243	\$ 695,909	\$ 760,991	\$ 803,870
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>	<u>803,870</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 3,973,535
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%	20.23%

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 Six Years**

Reporting Year End (Measurement Date)	December 31, 2016 (June 30, 2016)	December 31, 2017 (June 30, 2017)	December 31, 2018 (June 30, 2018)	December 31, 2019 (June 30, 2019)	December 31, 2020 (June 30, 2020)	December 31, 2021 (June 30, 2021)
District's proportion of the net OPEB liability	0.113469%	0.113469%	0.142777%	0.154177%	0.152089%	0.155704%
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	\$ 2,980,875
District's covered employee payroll	\$ 2,675,993	\$ 2,758,851	\$ 3,538,859	\$ 3,890,025	\$ 3,896,779	\$ 4,015,112
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%	74.24%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%	62.91%

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 Nine Calendar Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 134,489	\$ 104,351	\$ 110,888	\$ 132,117	\$ 147,156	\$ 190,193	\$ 196,108	\$ 187,685	\$ 209,310
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>	<u>209,310</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 3,973,535
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%	5.27%

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, 2021

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, 2021 – Pension and OPEB

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

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.

HARDIN COUNTY WATER DISTRICT No. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

2. CHANGES OF ASSUMPTIONS (CONTINUED)

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.

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, 2021

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Metered water sales	\$ 4,197,600	\$ 4,197,600	\$ 3,603,354	\$ (594,246)
Wholesale sales	2,765,100	2,765,100	2,801,660	36,560
Sewer billing contract revenue	83,600	83,600	86,809	3,209
Penalties, service fees and reimbursements	<u>354,852</u>	<u>354,852</u>	<u>358,521</u>	<u>3,669</u>
Total operating revenue	<u>7,401,152</u>	<u>7,401,152</u>	<u>6,850,344</u>	<u>(550,808)</u>
OPERATING EXPENSES				
Treatment	1,190,235	1,190,235	1,123,101	(67,134)
Transmission and distribution	962,336	962,336	894,186	(68,150)
Customer service	393,807	393,807	316,282	(77,525)
General and administrative expenses	416,671	416,671	351,188	(65,483)
Purchased water	1,651,800	1,651,800	1,878,087	226,287
General maintenance	69,412	69,412	65,221	(4,191)
Source of supply	<u>19,000</u>	<u>19,000</u>	<u>19,546</u>	<u>546</u>
Total operating expense	<u>4,703,261</u>	<u>4,703,261</u>	<u>4,647,611</u>	<u>(55,650)</u>
Operating income (loss) before depreciation	2,697,891	2,697,891	2,202,733	(495,158)
Depreciation and amortization expense	<u>(1,401,600)</u>	<u>(1,401,600)</u>	<u>(1,412,601)</u>	<u>(11,001)</u>
OPERATING INCOME (LOSS)	1,296,291	1,296,291	790,132	(506,159)
Non-operating income (expenses)				
Interest income	25,900	25,900	20,478	(5,422)
Interest expense	(148,400)	(148,400)	(134,695)	13,705
Loss on sale of equipment	<u>-</u>	<u>-</u>	<u>(11,480)</u>	<u>(11,480)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,173,791	1,173,791	664,435	(509,356)
Capital contributions				
Grants	31,000	31,000	-	(31,000)
Tap fees	26,500	26,500	100,074	73,574
Customer contributions	<u>-</u>	<u>-</u>	<u>16,907</u>	<u>16,907</u>
CHANGE IN NET POSITION	<u>\$ 1,231,291</u>	<u>\$ 1,231,291</u>	<u>\$ 781,416</u>	<u>\$ (449,875)</u>

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
FORT KNOX WATER FUND
for the year ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Metered water sales	\$ 4,561,700	\$ 4,561,700	\$ 4,398,822	\$ (162,878)
Penalties, service fees and reimbursements	<u>1,000</u>	<u>1,000</u>	<u>41,004</u>	<u>40,004</u>
Total operating revenue	<u>4,562,700</u>	<u>4,562,700</u>	<u>4,439,826</u>	<u>(122,874)</u>
OPERATING EXPENSES				
Treatment	367,166	367,166	478,890	111,724
Transmission and distribution	721,207	721,207	1,015,499	294,292
General and administrative expenses	<u>1,844,701</u>	<u>1,844,701</u>	<u>2,545,442</u>	<u>700,741</u>
Total operating expense	<u>2,933,074</u>	<u>2,933,074</u>	<u>4,039,831</u>	<u>1,106,757</u>
Operating income (loss) before depreciation	1,629,626	1,629,626	399,995	(1,229,631)
Depreciation and amortization expense	<u>(640,600)</u>	<u>(640,600)</u>	<u>(553,039)</u>	<u>87,561</u>
OPERATING INCOME (LOSS)	989,026	989,026	(153,044)	(1,142,070)
Non-operating income				
Interest income	33,000	33,000	37,638	4,638
Interest expense	-	-	(198)	(198)
Gain on disposal of equipment	<u>-</u>	<u>-</u>	<u>(80)</u>	<u>(80)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,022,026	1,022,026	(115,684)	(1,137,710)
Capital contributions				
Tap fees	-	-	-	-
Customer contribution	<u>6,000</u>	<u>6,000</u>	<u>15,260</u>	<u>9,260</u>
CHANGE IN NET POSITION	<u>\$ 1,028,026</u>	<u>\$ 1,028,026</u>	<u>\$ (100,424)</u>	<u>\$ (1,128,450)</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 \$879,268. 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 SEWER FUND
for the year ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Sewer service revenue	\$ 2,911,527	\$ 2,911,527	\$ 2,906,502	\$ (5,025)
Penalties, service fees and reimbursements	<u>1,000</u>	<u>1,000</u>	<u>1,317</u>	<u>317</u>
Total operating revenue	<u>2,912,527</u>	<u>2,912,527</u>	<u>2,907,819</u>	<u>(4,708)</u>
OPERATING EXPENSES				
Treatment	606,586	606,586	616,419	9,833
Transmission and distribution	411,648	411,648	305,368	(106,280)
Sewer administration	60,151	60,151	34,878	(25,273)
Professional services	17,508	17,508	13,148	(4,360)
Insurance	24,800	24,800	25,919	1,119
Customer service	92,521	92,521	111,477	18,956
Other	<u>27,747</u>	<u>27,747</u>	<u>20,669</u>	<u>(7,078)</u>
Total operating expense	<u>1,240,961</u>	<u>1,240,961</u>	<u>1,127,878</u>	<u>(113,083)</u>
Operating income (loss) before depreciation	1,671,566	1,671,566	1,779,941	108,375
Depreciation and amortization expense	<u>(1,063,200)</u>	<u>(1,063,200)</u>	<u>(1,092,550)</u>	<u>(29,350)</u>
OPERATING INCOME (LOSS)	608,366	608,366	687,391	79,025
Non-operating income (expenses)				
Interest income	44,400	44,400	5,600	(38,800)
Interest expense	(600)	(600)	(466)	134
Loss on disposal of equipment	<u>-</u>	<u>-</u>	<u>(9,794)</u>	<u>(9,794)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	652,166	652,166	682,731	30,565
Capital contributions				
Customer contributions	<u>19,300</u>	<u>19,300</u>	<u>19,361</u>	<u>61</u>
CHANGE IN NET POSITION	<u>\$ 671,466</u>	<u>\$ 671,466</u>	<u>\$ 702,092</u>	<u>\$ 30,626</u>

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
RADCLIFF SEWER FUND
for the year ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Sewer service revenue	\$ 3,895,825	\$ 3,895,825	\$ 3,795,850	\$ (99,975)
Penalties, service fees and reimbursements	<u>235,300</u>	<u>235,300</u>	<u>231,981</u>	<u>(3,319)</u>
Total operating revenue	<u>4,131,125</u>	<u>4,131,125</u>	<u>4,027,831</u>	<u>(103,294)</u>
OPERATING EXPENSES				
Treatment	604,783	604,783	599,214	(5,569)
Transmission and distribution	1,036,242	1,036,242	931,531	(104,711)
Professional services	16,508	16,508	12,772	(3,736)
Insurance	28,400	28,400	28,469	69
Customer service	580,249	580,249	546,498	(33,751)
Sewer administration	122,761	122,761	93,409	(29,352)
Sewer commission	16,302	16,302	16,453	151
System maintenance	<u>56,858</u>	<u>56,858</u>	<u>55,256</u>	<u>(1,602)</u>
Total operating expense	<u>2,462,103</u>	<u>2,462,103</u>	<u>2,283,602</u>	<u>(178,501)</u>
Operating income (loss) before depreciation	1,669,022	1,669,022	1,744,229	75,207
Depreciation and amortization expense	<u>(1,548,900)</u>	<u>(1,548,900)</u>	<u>(1,434,209)</u>	<u>114,691</u>
OPERATING INCOME (LOSS)	120,122	120,122	310,020	189,898
Non-operating income (expenses)				
Interest income	68,600	68,600	17,087	(51,513)
Interest expense	(2,400)	(2,400)	(1,685)	715
Loss on disposal of equipment	<u>-</u>	<u>-</u>	<u>(17,171)</u>	<u>(17,171)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	186,322	186,322	308,251	121,929
Capital contributions				
Tap fees	<u>300</u>	<u>300</u>	<u>-</u>	<u>(300)</u>
CHANGE IN NET POSITION	<u>\$ 186,622</u>	<u>\$ 186,622</u>	<u>\$ 308,251</u>	<u>\$ 121,629</u>

HARDIN COUNTY WATER DISTRICT No. 1
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET
STORMWATER FUND
for the year ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Stormwater service revenue	\$ 477,800	\$ 477,800	\$ 477,792	\$ (8)
Total operating revenue	<u>477,800</u>	<u>477,800</u>	<u>477,792</u>	<u>(8)</u>
OPERATING EXPENSES				
Transmission and distribution	63,218	63,218	46,639	(16,579)
Professional services	5,168	5,168	3,399	(1,769)
Insurance	3,400	3,400	3,426	26
Customer service	1,029	1,029	755	(274)
Other	29,600	29,600	25,624	(3,976)
Total operating expense	<u>102,415</u>	<u>102,415</u>	<u>79,843</u>	<u>(22,572)</u>
Operating income before depreciation	375,385	375,385	397,949	22,564
Depreciation and amortization expense	<u>(149,000)</u>	<u>(149,000)</u>	<u>(149,384)</u>	<u>(384)</u>
OPERATING INCOME	<u>226,385</u>	<u>226,385</u>	<u>248,565</u>	<u>22,180</u>
Non-operating income (expenses)				
Interest income	<u>14,000</u>	<u>14,000</u>	<u>4,978</u>	<u>(9,022)</u>
CHANGE IN NET POSITION	<u>\$ 240,385</u>	<u>\$ 240,385</u>	<u>\$ 253,543</u>	<u>\$ 13,158</u>

COMBINING FUND STATEMENTS

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF NET POSITION
December 31, 2021

	County Water	Ft. Knox Water	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,531,079	\$ 2,634,268	\$ 4,165,347
Investments	867,183	-	867,183
Customer accounts receivable, net	472,327	265,586	737,913
Interest receivable	1,746	-	1,746
Other accounts receivable	5,721	101,587	107,308
Note receivable - current	13,869	-	13,869
Lease receivable - current	45,879	-	45,879
Due from other funds	-	612,457	612,457
Inventory - materials and supplies	218,766	113,272	332,038
Prepaid expenses	66,246	23,152	89,398
Total current assets	3,222,816	3,750,322	6,973,138
Other assets			
Note receivable	8,250	-	8,250
Lease receivable	405,843	-	405,843
Restricted investments - reserve funds	1,503,273	-	1,503,273
Total other assets	1,917,366	-	1,917,366
Capital assets			
Land and easements	338,807	-	338,807
Construction in progress	856,026	23,720,788	24,576,814
Plant and lines	52,910,904	16,132,332	69,043,236
Vehicles and equipment	4,998,955	2,443,143	7,442,098
Leased equipment	32,741	9,570	42,311
Total capital assets	59,137,433	42,305,833	101,443,266
Less: accumulated depreciation and amortization	(22,781,529)	(4,601,571)	(27,383,100)
Total capital assets, net	36,355,904	37,704,262	74,060,166
Total assets	41,496,086	41,454,584	82,950,670
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	315,881	234,827	550,708
Deferred outflows of resources - OPEB	605,401	450,056	1,055,457
Total deferred outflows of resources	921,282	684,883	1,606,165
Total assets and deferred outflows of resources	\$ 42,417,368	\$ 42,139,467	\$ 84,556,835
LIABILITIES			
Current liabilities			
Accounts payable	\$ 404,907	\$ 2,280,264	\$ 2,685,171
Accrued expenses	100,751	37,838	138,589
Due to other funds	309,554	-	309,554
Unearned revenue	39,908	-	39,908
Customers' deposits	220,396	-	220,396
Current portion of interfund loan	433,137	-	433,137
Current portion of lease liability	7,999	2,338	10,337
Reserve for unclaimed funds - escheatment	9,805	-	9,805
Liabilities payable from restricted assets:			
Current portion of long-term debt	760,000	-	760,000
Accrued interest on long-term debt	11,463	-	11,463
Total current liabilities	2,297,920	2,320,440	4,618,360
Long-term liabilities			
Compensated absences	186,130	30,427	216,557
Lease liability	18,898	5,524	24,422
Line of credit	1,222,348	-	1,222,348
Bonds payable	2,706,000	-	2,706,000
Net pension liability	3,358,538	2,496,748	5,855,286
Net OPEB liability	1,008,232	749,522	1,757,754
Interfund loan	1,129,011	-	1,129,011
Total long-term liabilities	9,629,157	3,282,221	12,911,378
Total liabilities	11,927,077	5,602,661	17,529,738
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	492,785	366,338	859,123
Deferred inflows of resources - OPEB	469,798	349,250	819,048
Deferred inflows of resources - leases	451,722	-	451,722
Total deferred inflows of resources	1,414,305	715,588	2,129,893
NET POSITION			
Net investment in capital assets	31,640,659	37,696,400	69,337,059
Restricted	1,503,273	-	1,503,273
Unrestricted	(4,067,946)	(1,875,182)	(5,943,128)
Total net position	29,075,986	35,821,218	64,897,204
Total liabilities, deferred inflows of resources and net position	\$ 42,417,368	\$ 42,139,467	\$ 84,556,835

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2021

	County Water	Fort Knox Water	Total
OPERATING REVENUE			
Metered water sales	\$ 3,603,354	\$ 4,398,822	\$ 8,002,176
Wholesale sales	2,801,660	-	2,801,660
Sewer billing contract revenue	86,809	-	86,809
Penalties, service fees and reimbursements	<u>358,521</u>	<u>41,004</u>	<u>399,525</u>
Total operating revenue	<u>6,850,344</u>	<u>4,439,826</u>	<u>11,290,170</u>
OPERATING EXPENSES			
Treatment	1,123,101	478,890	1,601,991
Transmission and distribution	894,186	1,015,499	1,909,685
Customer service	316,282	-	316,282
General and administrative expenses	351,188	2,545,442	2,896,630
Purchased water	1,878,087	-	1,878,087
General maintenance	65,221	-	65,221
Source of supply	<u>19,546</u>	<u>-</u>	<u>19,546</u>
Total operating expense	<u>4,647,611</u>	<u>4,039,831</u>	<u>8,687,442</u>
Operating income (loss) before depreciation	2,202,733	399,995	2,602,728
Depreciation and amortization expense	<u>(1,412,601)</u>	<u>(553,039)</u>	<u>(1,965,640)</u>
OPERATING INCOME (LOSS)	790,132	(153,044)	637,088
Non-operating income (expenses)			
Interest income	20,478	37,638	58,116
Interest expense	(134,695)	(198)	(134,893)
Gain (loss) on sale of equipment	<u>(11,480)</u>	<u>(80)</u>	<u>(11,560)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	664,435	(115,684)	548,751
Capital contributions			
Tap fees	100,074	-	100,074
Customer contributions	<u>16,907</u>	<u>15,260</u>	<u>32,167</u>
CHANGE IN NET POSITION	781,416	(100,424)	680,992
Net position, beginning of year	<u>28,294,570</u>	<u>35,921,642</u>	<u>64,216,212</u>
NET POSITION, END OF YEAR	<u>\$ 29,075,986</u>	<u>\$ 35,821,218</u>	<u>\$ 64,897,204</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING WATER STATEMENT OF CASH FLOWS
for the year ended December 31, 2021

	County Water	Ft. Knox Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 6,846,063	\$ 4,488,976	\$ 11,335,039
Payments to suppliers	(2,965,913)	(2,311,224)	(5,277,137)
Payments for employee services and benefits	(1,671,836)	(554,074)	(2,225,910)
Net cash provided by operating activities	<u>2,208,314</u>	<u>1,623,678</u>	<u>3,831,992</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Receipts (payments) on interfund loans	(195,084)	(359,581)	(554,665)
Net cash provided by (used in) non-capital financing activities	<u>(195,084)</u>	<u>(359,581)</u>	<u>(554,665)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(798,500)	-	(798,500)
Line of credit proceeds	71,095	-	71,095
Payments on line of credit	(25,096)	-	(25,096)
Payments on leased equipment	(6,522)	(1,906)	(8,428)
Interest paid on long-term debt	(154,001)	-	(154,001)
Contributions in aid of construction	100,074	15,260	115,334
Grants received	27,997	-	27,997
Acquisition and construction of capital assets	(877,134)	(14,874,387)	(15,751,521)
Net cash (used in) capital and related financing activities	<u>(1,662,087)</u>	<u>(14,861,033)</u>	<u>(16,523,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	21,418	68,275	89,693
Redemption of investments	894,838	7,053,781	7,948,619
Purchase of investments	(867,183)	-	(867,183)
Net cash provided by (used in) investing activities	<u>49,073</u>	<u>7,122,056</u>	<u>7,171,129</u>
NET INCREASE (DECREASE) IN CASH			
	400,216	(6,474,880)	(6,074,664)
Cash and cash equivalents, beginning of year	<u>1,130,863</u>	<u>9,109,148</u>	<u>10,240,011</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,531,079</u>	<u>\$ 2,634,268</u>	<u>\$ 4,165,347</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 790,132	\$ (153,044)	\$ 637,088
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,412,601	553,039	1,965,640
Net change in pension liability	(89,302)	671,147	581,845
Net change in OPEB liability	(22,427)	208,121	185,694
Change in assets and liabilities:			
Accounts receivable	7,627	49,150	56,777
Notes receivable	13,830	-	13,830
Prepaid expenses	6,664	(2,087)	4,577
Inventory	(12,806)	(36,744)	(49,550)
Accounts payable	152,969	334,491	487,460
Unearned revenue	(25,738)	-	(25,738)
Accrued expenses	(4,137)	4,975	838
Compensated absences	(23,082)	(5,370)	(28,452)
Other payables	1,983	-	1,983
Net cash provided by operating activities	<u>\$ 2,208,314</u>	<u>\$ 1,623,678</u>	<u>\$ 3,831,992</u>
Schedule of non-cash capital and financing activities:			
Leased equipment additions, net	\$ 32,741	\$ 9,570	\$ 42,311
Capital asset additions included in accounts payable, net	<u>-</u>	<u>352,916</u>	<u>352,916</u>
Net non-cash capital and financing activities	<u>\$ 32,741</u>	<u>\$ 362,486</u>	<u>\$ 395,227</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF NET POSITION
December 31, 2021

	Ft. Knox Sewer	Radcliff Sewer	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,030,675	\$ 6,943,996	\$ 13,974,671
Investments	87,359	430,402	517,761
Customer accounts receivable, net	236,305	251,840	488,145
Interest receivable	176	866	1,042
Other accounts receivable	1,776	-	1,776
Inventory - material and supplies	6,669	3,754	10,423
Current portion of interfund receivable	-	433,137	433,137
Due from other funds	-	549,434	549,434
Prepaid expenses	16,317	16,122	32,439
Total current assets	<u>7,379,277</u>	<u>8,629,551</u>	<u>16,008,828</u>
Other assets			
Interfund receivable	-	1,129,011	1,129,011
Unamortized Radcliff acquisition costs, net	-	120,200	120,200
Total other assets	<u>-</u>	<u>1,249,211</u>	<u>1,249,211</u>
Capital assets			
Land and easements	-	9,544	9,544
Construction in progress	429,244	2,445,736	2,874,980
Plant and lines	92,760,844	48,140,966	140,901,810
Vehicles and equipment	1,510,160	1,735,405	3,245,565
Leased equipment	4,533	3,526	8,059
Total capital assets	<u>94,704,781</u>	<u>52,335,177</u>	<u>147,039,958</u>
Less: accumulated depreciation and amortization	<u>(69,632,012)</u>	<u>(24,004,240)</u>	<u>(93,636,252)</u>
Total capital assets, net	<u>25,072,769</u>	<u>28,330,937</u>	<u>53,403,706</u>
Total assets	<u>32,452,046</u>	<u>38,209,699</u>	<u>70,661,745</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	162,237	220,970	383,207
Deferred outflows of resources - OPEB	310,934	423,499	734,433
Total deferred outflows of resources	<u>473,171</u>	<u>644,469</u>	<u>1,117,640</u>
Total assets and deferred outflows of resources	<u>\$ 32,925,217</u>	<u>\$ 38,854,168</u>	<u>\$ 71,779,385</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 465,382	\$ 58,908	\$ 524,290
Accrued expenses	18,599	31,452	50,051
Due to other funds	947,362	-	947,362
Customers' deposits	-	221,931	221,931
Current portion of lease liability	1,108	861	1,969
Total current liabilities	<u>1,432,451</u>	<u>313,152</u>	<u>1,745,603</u>
Long-term liabilities			
Compensated absences	20,626	27,037	47,663
Lease liability	2,616	2,036	4,652
Net pension liability	1,724,946	2,349,414	4,074,360
Net OPEB liability	517,828	705,293	1,223,121
Total long-term liabilities	<u>2,266,016</u>	<u>3,083,780</u>	<u>5,349,796</u>
Total liabilities	<u>3,698,467</u>	<u>3,396,932</u>	<u>7,095,399</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	253,094	344,720	597,814
Deferred inflows of resources - OPEB	241,288	328,641	569,929
Total deferred inflows of resources	<u>494,382</u>	<u>673,361</u>	<u>1,167,743</u>
NET POSITION			
Net investment in capital assets	25,069,045	28,328,040	53,397,085
Unrestricted	3,663,323	6,455,835	10,119,158
Total net position	<u>28,732,368</u>	<u>34,783,875</u>	<u>63,516,243</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 32,925,217</u>	<u>\$ 38,854,168</u>	<u>\$ 71,779,385</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended December 31, 2021

	Ft. Knox Sewer	Radcliff Sewer	Total
OPERATING REVENUE			
Sewer service revenue	\$ 2,906,502	\$ 3,795,850	\$ 6,702,352
Penalties, service fees and reimbursements	<u>1,317</u>	<u>231,981</u>	<u>233,298</u>
Total operating revenue	<u>2,907,819</u>	<u>4,027,831</u>	<u>6,935,650</u>
OPERATING EXPENSES			
Treatment	616,419	599,214	1,215,633
Transmission and distribution	305,368	931,531	1,236,899
Customer service	111,477	546,498	657,975
General and administrative expenses	94,614	151,103	245,717
General maintenance	<u>-</u>	<u>55,256</u>	<u>55,256</u>
Total operating expenses	<u>1,127,878</u>	<u>2,283,602</u>	<u>3,411,480</u>
Operating income before depreciation	1,779,941	1,744,229	3,524,170
Depreciation and amortization expense	<u>(1,092,550)</u>	<u>(1,434,209)</u>	<u>(2,526,759)</u>
OPERATING INCOME (LOSS)	687,391	310,020	997,411
Non-operating income (expenses)			
Interest income	5,600	17,087	22,687
Interest expense	(466)	(1,685)	(2,151)
(Loss) on sale of equipment	<u>(9,794)</u>	<u>(17,171)</u>	<u>(26,965)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	682,731	308,251	990,982
Capital Contributions			
Customer contributions	<u>19,361</u>	<u>-</u>	<u>19,361</u>
CHANGE IN NET POSITION	702,092	308,251	1,010,343
Net position, beginning of year	<u>28,030,276</u>	<u>34,475,624</u>	<u>62,505,900</u>
NET POSITION, END OF YEAR	<u>\$ 28,732,368</u>	<u>\$ 34,783,875</u>	<u>\$ 63,516,243</u>

HARDIN COUNTY WATER DISTRICT No. 1
COMBINING SEWER STATEMENT OF CASH FLOWS
for the year ended December 31, 2021

	Ft. Knox Sewer	Radcliff Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,385,104	\$ 4,018,350	\$ 7,403,454
Payments to suppliers	(125,989)	(1,144,356)	(1,270,345)
Payments for employee services and benefits	(673,868)	(1,112,224)	(1,786,092)
Net cash provided by operating activities	<u>2,585,247</u>	<u>1,761,770</u>	<u>4,347,017</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Receipts (payments) on interfund loans	<u>562,879</u>	<u>65,264</u>	<u>628,143</u>
Net cash provided by (used in) non-capital financing activities	<u>562,879</u>	<u>65,264</u>	<u>628,143</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on leased equipment	(903)	(702)	(1,605)
Interest paid on long-term debt	(372)	(1,612)	(1,984)
Contributions in aid of construction	22,914	-	22,914
Grants received	-	13,576	13,576
Acquisition and construction of capital assets	(860,878)	(715,250)	(1,576,128)
Net cash provided by (used in) capital and related financing activities	<u>(839,239)</u>	<u>(703,988)</u>	<u>(1,543,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	5,727	17,713	23,440
Redemption of investments	86,246	424,920	511,166
Purchase of investments	(87,359)	(430,402)	(517,761)
Net cash provided by investing activities	<u>4,614</u>	<u>12,231</u>	<u>16,845</u>
NET INCREASE (DECREASE) IN CASH	2,313,501	1,135,277	3,448,778
Cash and cash equivalents, beginning of year	<u>4,717,174</u>	<u>5,808,719</u>	<u>10,525,893</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,030,675</u>	<u>\$ 6,943,996</u>	<u>\$ 13,974,671</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 687,391	\$ 310,020	\$ 997,411
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	1,092,550	1,434,209	2,526,759
Net change in pension liability	54	16,767	16,821
Net change in OPEB liability	(302)	3,928	3,626
Change in assets and liabilities:			
Accounts receivable	477,285	(9,481)	467,804
Prepaid expenses	2,396	429	2,825
Inventory	(4,058)	(1,999)	(6,057)
Accounts payable	348,751	5,392	354,143
Accrued expenses	(9,129)	1,384	(7,745)
Compensated absences	(9,691)	(1,992)	(11,683)
Other payables	-	3,113	3,113
Net cash provided by operating activities	<u>\$ 2,585,247</u>	<u>\$ 1,761,770</u>	<u>\$ 4,347,017</u>
Schedule of non-cash capital and financing activities:			
Leased equipment additions, net	\$ 4,533	\$ 3,526	\$ 8,059
Fixed asset additions included in accounts payable, net	<u>-</u>	<u>(266,092)</u>	<u>(266,092)</u>
Net non-cash capital and financing activities	<u>\$ 4,533</u>	<u>\$ (262,566)</u>	<u>\$ (258,033)</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, 2021, 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 June 27, 2022.

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
June 27, 2022