

Laurel County Water District No. 2
London, Kentucky

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Independent Auditors' Report
And Financial Statements
For the Years Ended
December 31, 2017 and 2016

Laurel County Water District No. 2
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Independent Auditors' Report

To the Commissioners
Laurel County Water District No. 2
London, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Laurel County Water District No. 2, (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Laurel County Water District No. 2, as of December 31, 2017 and 2016, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Pension Contributions on pages 25-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2018 on our consideration of the Laurel County Water District No. 2'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Laurel County Water District No. 2's internal control over financial reporting and compliance.

Christian Sturgeon & Associates, PSC

Christian Sturgeon & Associates, PSC
London, Kentucky

July 11, 2018

Laurel County Water District No. 2
Statements of Net Position
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,255,972	\$ 1,524,831
Receivables, less allowance	210,810	215,205
Unbilled accounts receivable	122,586	120,591
Inventories	112,984	110,523
Prepaid expenses	6,753	1,686
Other current assets	38	38
Total Current Assets	<u>1,709,143</u>	<u>1,972,874</u>
Noncurrent Assets		
Restricted Assets		
Customer deposits	95,354	89,296
Grant monies	157,733	157,654
Depreciation reserves - cash	579,174	532,464
Depreciation reserves - certificates of deposit	125,100	125,100
Bond and interest funds	196,704	215,725
Plant escrow	31,543	95,643
Total Restricted Assets	<u>1,185,608</u>	<u>1,215,882</u>
Capital Assets		
Land and improvements	511,494	506,586
Buildings and improvements	692,086	692,086
Source of supply and pumping	3,560,392	3,560,392
Water treatment equipment	124,722	124,722
Transmission and distribution plant	15,142,117	14,872,008
Vehicles and other equipment	1,202,747	1,176,804
Construction in progress	9,103	-
Less: accumulated depreciation	<u>(7,357,445)</u>	<u>(6,982,793)</u>
Net Capital Assets	<u>13,885,216</u>	<u>13,949,805</u>
Total Noncurrent Assets	<u>15,070,824</u>	<u>15,165,687</u>
Total Assets	<u>16,779,967</u>	<u>17,138,561</u>
Deferred Outflows of Resources		
Bond issuance costs, net of amortization	5,194	7,212
Differences between expected and actual experience related to pensions	1,826	4,921
Net differences between projected and actual earnings on pension plan investments	18,214	105,972
Changes of assumptions related to pensions	271,719	59,715
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,998	10,000
Pension contributions subsequent to measurement date	54,338	40,017
Total Deferred Outflows of Resources	<u>423,289</u>	<u>227,837</u>

Laurel County Water District No. 2
 Statements of Net Position (Cont'd)
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Liabilities		
Current Liabilities		
Accounts payable	59,700	48,755
Accounts payable - construction	31,427	95,546
Accrued interest payable	226	348
Accrued salaries and taxes payable	25,988	27,479
Current portion of notes payable and long-term debt	154,687	198,349
Other current liabilities	55,802	50,467
Total Current Liabilities	<u>327,830</u>	<u>420,944</u>
Noncurrent Liabilities		
Customer deposits	92,130	86,790
Net pension liability	1,472,516	1,127,240
Notes payable and long-term debt, less current portion	8,254,896	8,400,508
Total Noncurrent Liabilities	<u>9,819,542</u>	<u>9,614,538</u>
Total Liabilities	<u>10,147,372</u>	<u>10,035,482</u>
Deferred Inflows of Resources		
Differences between expected and actual experience related to pensions	37,379	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,056	29,152
Total Deferred Inflows of Resources	<u>54,435</u>	<u>29,152</u>
Net Position		
Net investment in capital assets	5,475,633	5,350,948
Restricted	1,185,608	1,215,882
Unrestricted	340,208	734,934
Total Net Position	<u>\$ 7,001,449</u>	<u>\$ 7,301,764</u>

Laurel County Water District No. 2
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Water sales	\$ 2,276,435	\$ 2,384,157
Service charges	108,299	105,222
Tap fees	19,666	28,500
Penalties	46,298	46,978
Other revenues	<u>7,323</u>	<u>18,179</u>
 Total Operating Revenues	 <u>2,458,021</u>	 <u>2,583,036</u>
 Operating Expenses		
Salaries and wages	779,117	623,194
Employee benefits	712,615	553,445
Purchased water	799	416
Purchased power	149,329	154,580
Utilities	16,013	22,014
Chemicals	48,973	72,710
Materials and supplies	83,527	63,280
Contracted services	68,586	57,268
Vehicle and equipment expenses	28,841	28,018
Insurance	22,333	33,751
Bad debt expense, net of recoveries	15,217	11,914
Depreciation	439,850	421,809
Amortization	2,018	2,016
Other operating expenses	<u>86,279</u>	<u>90,965</u>
 Total Operating Expenses	 <u>2,453,497</u>	 <u>2,135,380</u>
 Operating Income	 <u>4,524</u>	 <u>447,656</u>
 Non-operating Revenues (Expenses)		
Interest income	3,122	2,211
Grant revenue	-	57,078
Rental income	15,062	15,055
Gain (loss) on disposition of equipment	2,800	4,285
Interest expense	<u>(325,823)</u>	<u>(335,211)</u>
 Total Non-operating Revenues (Expenses)	 <u>(304,839)</u>	 <u>(256,582)</u>
 Change in Net Position	 (300,315)	 191,074
 Net Position, Beginning of Year	 <u>7,301,764</u>	 <u>7,110,690</u>
 Net Position, End of Year	 <u>\$ 7,001,449</u>	 <u>\$ 7,301,764</u>

Laurel County Water District No. 2
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 2,443,221	\$ 2,480,147
Receipts from other activities	7,323	18,179
Payments to employees	(1,320,134)	(508,262)
Payments to suppliers	(409,771)	(933,403)
Payments for other activities	<u>(86,279)</u>	<u>(90,965)</u>
Net Cash Provided by Operating Activities	<u>634,360</u>	<u>965,696</u>
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(439,380)	(401,288)
Proceeds from sales of property, plant and equipment	2,800	4,285
Proceeds from debt	9,075	-
Principal payments on debt	(198,349)	(314,591)
Interest payments on debt	(325,823)	(335,455)
Federal and state grants	-	57,078
Other receipts	<u>15,062</u>	<u>15,055</u>
Net Cash Used by Capital and Related Financing Activities	<u>(936,615)</u>	<u>(974,916)</u>
Cash Flows From Investing Activities		
Interest on certificates of deposits	<u>3,122</u>	<u>2,211</u>
Net Cash Provided by Investing Activities	<u>3,122</u>	<u>2,211</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(299,133)	(7,009)
Cash and Cash Equivalents at Beginning of Year	<u>2,615,613</u>	<u>2,622,622</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,316,480</u>	<u>\$ 2,615,613</u>
Reconciliation of cash per Statements of Net Position to cash per Statements of Cash Flows:		
Cash and cash equivalents	\$ 1,255,972	\$ 1,524,831
Restricted cash and cash equivalents:		
Customer deposits	95,354	89,296
Grant monies	157,733	157,654
Depreciation reserves-cash	579,174	532,464
Plant escrow	31,543	95,643
Bond and interest funds	<u>196,704</u>	<u>215,725</u>
Cash and Equivalents per Statements of Cash Flows	<u>\$ 2,316,480</u>	<u>\$ 2,615,613</u>

See accompanying notes to financial statements.

Laurel County Water District No. 2
 Statements of Cash Flows (Continued)
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities:		
Operating income	\$ 4,524	\$ 447,656
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	441,868	423,825
(Increase) decrease in operating assets		
Accounts receivable	2,400	(74,436)
Inventory	(2,461)	34,633
Prepaid expenses	(5,067)	3,454
Deferred pension outflows	(197,470)	(17,167)
Increase (decrease) in operating liabilities		
Accounts payable	10,945	(7,389)
Accrued expenses	3,722	28,218
Customer deposits	5,340	1,640
Deferred pension inflows	25,283	29,152
Net pension liability	345,276	96,110
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Net Cash Provided by Operating Activities	<u>\$ 634,360</u>	<u>\$ 965,696</u>

Laurel County Water District No. 2
Notes to Financial Statements
December 31, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Laurel County Water District No. 2, of Laurel County, Kentucky (“District”) was created in 1963 under Chapter 74 of the Kentucky Revised Statutes. The District is governed by a five-person Board of Commissioners appointed by the Laurel County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

Laurel County Water District No. 2’s financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. There are no other entities that are subject to the District’s oversight responsibility as indicated above.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District. The statements distinguish between governmental and business-type activities. The District does not have any governmental activities.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

The District considers demand deposits and certificates of deposits with maturities of 90 days or less to be cash equivalents.

Inventories and Prepaid Expenses

Inventories consist of expendable supplies held for consumption stated on a weighted average cost basis. They are reported at cost and are recorded as an expenditure at the time individual items are used. Prepaid expenses include payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Asset Classification	Range of Lives
Structures and improvements	35-40 years
Transmission distribution mains	50-75 years
Plant equipment	20-60 years
Meters and services	30-60 years
Other equipment and vehicles	7-25 years

Accounts Receivable

Receivables include amounts due from customers for water services. These receivables are due at the time the services are billed. Billing is completed monthly and accounts are considered past due on the sixteenth day after the end of each billing period. Accounts receivable are presented net of uncollectible accounts. The allowance amount is estimated using a percentage of accounts past due more than 90 days. The balance of the allowance at December 31, 2017 and 2016 was \$10,000.

Unbilled Accounts Receivable

Estimated unbilled revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year.

Net Position

Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. Restricted assets are those with limits on their use that are externally imposed constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the restricted component of net position.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District would typically use restricted assets first, but reserves the right to selectively spend unrestricted assets first.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring 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's 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 the benefit terms. The plan's financial statements are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds. Investments are reported at fair value.

Note 2 – Restricted Assets

Under the terms of all loan resolutions, the District is required to maintain certain accounts and funds for the benefit and protection of the creditors. In addition, the District is also required to collect reasonable and sufficient rates and charges for services rendered, prohibited from selling, leasing or mortgaging any part of the system without prior approval, required to maintain the operating system in good condition and to carry adequate insurance on all properties to protect against loss or damage.

The resolutions require the District to establish a depreciation fund or reserve to be used to finance the cost of unusual repairs, renewals and replacements not included in the annual budget and to pay for future system extensions. The balance of these accounts at December 31, 2017 and 2016 was \$932,521 and \$968,932, respectively. Restricted assets also include customer deposits of \$95,354 and \$89,296 held at December 31, 2017 and 2016, respectively and grant monies of \$157,733 and \$157,654 held at December 31, 2017 and 2016, respectively.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 3 – Kentucky Revised Statute

At December 31, 2017 and 2016, all of the cash of the District was covered by federal depository insurance and securities pledged as collateral on behalf of the District. In accordance with Kentucky Revised Statute (KRS) 91A.060, the deposits are to be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), financial institutions shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS 91A.060, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, interest bearing deposits of insured savings and loans, or interest bearing deposits of insured national or state banks. For additional cash descriptive information, see Note 1.

Note 4 – Concentrations of Credit Risks

At December 31, 2017 and 2016, 9.25% and 12.35%, respectively, of the District's accounts receivable were due from one customer.

10.22% and 13.85% of the District's water sales during 2017 and 2016, respectively, were generated from one customer.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017 and 2016, \$2,241,256 and \$2,576,290, respectively, of the District's total deposits at banks of \$2,741,256 and \$3,076,290, respectively, were exposed to custodial credit risk as follows:

	<u>2017</u>	<u>2016</u>
Uninsured and uncollateralized	\$ -	\$ -
Uninsured and collateral held by pledging bank	2,241,256	2,576,290
Uninsured and collateral held by pledging bank's trust department not in the District's name	-	-
Total	<u>\$ 2,241,256</u>	<u>\$ 2,576,290</u>

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 5 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2017:

	Balance Dec. 31, 2016	Additions	Dispositions	Balance Dec. 31, 2017
Land and improvements	\$ 506,586	\$ 4,908	\$ -	\$ 511,494
Building and improvements	692,086	-	-	692,086
Source of supply and pumping	3,560,392	-	-	3,560,392
Water treatment equipment	124,722	-	-	124,722
Transmission and distribution plant	14,872,008	335,307	65,198	15,142,117
Vehicles and other equipment	1,176,804	25,943	-	1,202,747
Construction in progress	-	9,103	-	9,103
Totals at historical cost	<u>20,932,598</u>	<u>375,261</u>	<u>65,198</u>	<u>21,242,661</u>
Less accumulated depreciation for:				
Land and improvements	7,248	1,123	-	8,371
Building and improvements	444,703	8,718	-	453,421
Source of supply and pumping	634,792	68,366	-	703,158
Water treatment equipment	96,071	3,720	-	99,791
Transmission and distribution plant	5,223,302	296,981	65,198	5,455,085
Vehicles and other equipment	576,677	60,942	-	637,619
Total accumulated depreciation	<u>6,982,793</u>	<u>439,850</u>	<u>65,198</u>	<u>7,357,445</u>
Capital assets - net	<u>\$ 13,949,805</u>	<u>\$ (64,589)</u>	<u>\$ -</u>	<u>\$ 13,885,216</u>

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 5 – Capital Assets (Continued)

The following is a summary of capital asset transactions for the year ended December 31, 2016:

	Balance Dec. 31, 2015	Additions	Dispositions	Balance Dec. 31, 2016
Land and improvements	\$ 506,586	\$ -	\$ -	\$ 506,586
Building and improvements	662,936	29,150	-	692,086
Source of supply and pumping	3,560,392	-	-	3,560,392
Water treatment equipment	123,333	1,389	-	124,722
Transmission and distribution plant	14,590,949	281,059	-	14,872,008
Vehicles and other equipment	1,111,790	107,752	42,738	1,176,804
Construction in progress	18,063	84,779	102,842	-
Totals at historical cost	<u>20,574,049</u>	<u>504,129</u>	<u>145,580</u>	<u>20,932,598</u>
Less accumulated depreciation for:				
Land and improvements	6,171	1,077	-	7,248
Building and improvements	436,613	8,090	-	444,703
Source of supply and pumping	566,424	68,368	-	634,792
Water treatment equipment	92,105	3,966	-	96,071
Transmission and distribution plant	4,932,767	290,535	-	5,223,302
Vehicles and other equipment	569,642	49,773	42,738	576,677
Total accumulated depreciation	<u>6,603,722</u>	<u>421,809</u>	<u>42,738</u>	<u>6,982,793</u>
Capital assets - net	<u>\$ 13,970,327</u>	<u>\$ 82,320</u>	<u>\$ 102,842</u>	<u>\$ 13,949,805</u>

Note 6 – Notes Payable and Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2017:

	Balance Dec. 31, 2016	Additions	Payments	Balance Dec. 31, 2017	Due Within One Year
Loan payable to Kentucky Infrastructure Authority, principal and interest at the rate of 1.6%, payable on a semi-annual basis, with final payment due December 1, 2025.	\$ 166,357	\$ -	\$ 16,349	\$ 150,008	\$ 16,612
Loan payable to Kentucky Infrastructure Authority, payable monthly in varying principal amounts, with final payment due June 1, 2017; interest payable on semi-annual basis at rates graduated from 3.75% to 5.325% over the life of the loan.	30,000	-	30,000	-	-

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 6 – Notes Payable and Long-Term Debt (Continued)

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to GMAC Commercial Mortgage Corporation, payable annually in varying principal amounts, with final payment due January 1, 2019; interest payable on a semi-annual basis at the rate of 5.0%.	28,000	-	28,000	-	-
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2036; interest payable on a semi-annual basis at the rate of 4.5%.	393,500	-	12,500	381,000	13,000
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts with final payment due January 1, 2051. Interest payable on semi-annual basis at the rate of 4.125%.	5,795,000	-	75,500	5,719,500	78,500
Loan payable to Kentucky Rural Water Finance Corporation, payable in full on October 1, 2018; interest at the rate of 2.95%.	-	9,075	-	9,075	9,075
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts with final payment due January 1, 2051. Interest payable on semi-annual basis at the rate of 3.00%.	<u>2,186,000</u>	<u>-</u>	<u>36,000</u>	<u>2,150,000</u>	<u>37,500</u>
	<u>\$ 8,598,857</u>	<u>\$ 9,075</u>	<u>\$ 198,349</u>	<u>\$ 8,409,583</u>	<u>\$ 154,687</u>

During 2017, the District began a water system improvements construction project. The total estimated cost of the project is \$1,950,000, of which \$585,000 will be provided by a grant from the United States Department of Agriculture (USDA) and the remaining \$1,365,000 will be financed through USDA. Interim financing was obtained through Kentucky Rural Water Finance Corporation (KRWFC) not to exceed \$1,365,000. The principal balance plus interest at the rate of 2.95% will be due to KRWFC by October 1, 2018. At December 31, 2017, draws against the interim financing totaled \$9,075. USDA Rural Development was awarded the bid for the sale of \$1,365,000 of Laurel County Water District No. 2 Waterworks Revenue Bonds, Series 2018 with an interest rate not to exceed 2.75% per annum with scheduled maturity dates of January 1 in each of the respective years 2019 through 2058.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 6 – Notes Payable and Long-Term Debt (Continued)

The following is a summary of long-term debt transactions for the year ended December 31, 2016:

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 1.6%, payable on a semi-annual basis, with final payment due December 1, 2025.	\$ 182,448	\$ -	\$ 16,091	\$ 166,357	\$ 16,349
Loan payable to Kentucky Infrastructure Authority, payable monthly in varying principal amounts, with final payment due June 1, 2017; interest payable on a semi-annual basis at rates graduated from 3.75% to 5.325% over the life of the loan.	90,000	-	60,000	30,000	30,000
Loan payable to GMAC Commercial Mortgage Corporation, payable annually in varying principal amounts, with final payment due January 1, 2019; interest payable on a semi-annual basis at the rate of 5.0%.	55,000	-	27,000	28,000	28,000
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2036; interest payable on a semi-annual basis at the rate of 4.5%.	405,500	-	12,000	393,500	12,500
Line of credit payable to the First National Bank of London, payable monthly at a rate of 66% of the Wall Street prime rate, maturing March 15, 2015.	92,500	-	92,500	-	-

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 6 – Notes Payable and Long-Term Debt (Continued)

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts with final payment due January 1, 2051. Interest payable on semi- annual basis at the rate of 4.125%.	5,867,000	-	72,000	5,795,000	75,500
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts with final payment due January 1, 2051. Interest payable on semi- annual basis at the rate of 3.00%.	<u>2,221,000</u>	<u>-</u>	<u>35,000</u>	<u>2,186,000</u>	<u>36,000</u>
	<u>\$ 8,913,448</u>	<u>\$ -</u>	<u>\$ 314,591</u>	<u>\$ 8,598,857</u>	<u>\$ 198,349</u>

All revenues from water sales are pledged as collateral on the loans payable to the Kentucky Infrastructure Authority.

The aggregate annual principal repayments on long-term debt are summarized as follows:

<u>Due the year</u> <u>ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 154,687	\$ 320,200	\$ 474,887
2019	150,879	314,951	465,830
2020	157,650	309,502	467,152
2021	163,425	303,792	467,217
2022	169,705	297,860	467,565
2023-2027	923,738	1,391,821	2,315,559
2028-2032	1,054,000	1,209,048	2,263,048
2033-2037	1,264,500	986,811	2,251,311
2038-2042	1,416,500	734,636	2,151,136
2043-2047	1,737,500	439,821	2,177,321
2048-2052	<u>1,216,999</u>	<u>94,663</u>	<u>1,311,662</u>
	<u>\$ 8,409,583</u>	<u>\$ 6,403,105</u>	<u>\$ 14,812,688</u>

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 – Retirement Plan

Laurel County Water District No. 2 is a participating employer of the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement Systems (KRS) administers CERS. The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be downloaded from the Kentucky Retirement Systems website or may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description

CERS is a cost sharing, multiple-employer, defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of each participating state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate in the System. CERS also administers the CERS Insurance Fund which is a cost sharing, multiple-employer, defined benefit Other Postemployment Benefits (OPEB) plan that covers the same employees who are eligible for the retirement plan.

Benefits Provided

The plan provides for retirement, disability, and death benefits to plan members. The CERS Insurance Fund provides for health insurance benefits to plan members. Retirement and OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the Plan documents. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions

Funding for the plan is provided through payroll withholdings and contributions by the District. All employees meeting the requirements for membership are required to contribute a percentage of their gross wages. For the years ended December 31, 2017 and 2016, plan members in non-hazardous positions were required to contribute 5% of the employee's total compensation subject to contribution. 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 61.565, normal contribution and past service contribution rates shall be determined by the Kentucky Retirement Systems Board of Trustees on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of July 1 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 in accordance with the actuarial basis adopted by the Board. The District's required contribution rates for the year ended December 31, 2017 were 18.68% (January through June 2017) and 19.18% (July through December 2017). The District's required contribution rates for the year ended December 31, 2016 were 17.06% (January through June 2016) and 18.68% (July through December 2016). Required contribution rates were actuarially determined and adopted by the KRS Board of Trustees. Administrative costs of the Kentucky Retirement System are financed through employer contributions and investment earnings.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 – Retirement Plan (Continued)

Contributions (continued)

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. A Cash Balance Plan resembles a defined contribution plan because it determines the value of benefits for each participant based on individual accounts. However, the assets of the plan remain in a single investment pool like a traditional defined benefit plan. A Cash Balance Plan resembles a defined benefit plan since it uses a specific formula to determine benefits. Members and employers contribute specified percentages of the member's wages each month to the member's account. Non-hazardous plan members are required to contribute 5% of wages to their individual account. All members are required to contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. 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. The account earns a guaranteed amount of interest, 4% on both the member contributions and the Employer Pay Credit balance, at the end of each fiscal year. If the member contributed to the plan during the fiscal year, there may be additional interest credit added to the member's account depending on Kentucky Retirement Systems' investment returns. This "upside" interest sharing is based on the 5-year average geometric investment return. If it exceeds 4% the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year. For the years ended June 30, 2017 and 2016, the interest earned on CERS non-hazardous plans was 7.85% and 4.87%, respectively.

The District's payroll for the years ended December 31, 2017, 2016, and 2015 was \$770,387, \$623,781, and \$611,970, respectively, of which \$741,387, \$590,264, and \$578,096, respectively was covered by CERS. The District's contribution requirements for CERS for the years ended December 31, 2017, 2016, and 2015 were \$140,475 (\$105,527 allocated to the CERS pension fund and \$34,948 allocated to the CERS insurance fund), \$105,609 (\$77,948 allocated to the CERS pension fund and \$27,661 allocated to the CERS insurance fund), and \$100,359 (\$72,739 allocated to the CERS pension fund and \$27,620 allocated to the CERS insurance fund), respectively. The District contributed 100% of their required contributions for the years ended December 31, 2017, 2016, and 2015.

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

At December 31, 2017 and 2016, the District reported a liability of \$1,472,516 and \$1,127,240, respectively for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of those dates. 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 plan members, as actuarially determined. At the June 30, 2017 and 2016 measurement dates, the District's proportion was 0.025169% and 0.02289%, respectively.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 – Retirement Plan (Continued)

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

For financial reporting, the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 were based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the total pension liability and net pension liability as of June 30, 2017:

Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%

The District recognized pension expense of \$312,453 and \$213,597 for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,826	\$ 37,379
Net difference between projected and actual investment earnings on pension plan investments	18,214	-
Changes of assumptions	271,719	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,998	17,056
Employer contributions subsequent to the measurement date	54,338	-
Total	<u>\$ 418,095</u>	<u>\$ 54,435</u>

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred outflows and inflows related to experience gains/losses, the impact of changes in actuarial assumptions, changes in the employer's proportionate share of net pension liability, and differences between employer contributions and the proportionate share of contributions are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 – Retirement Plan (Continued)

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

\$54,338 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

	2018	\$	131,280
	2019		133,828
	2020		63,121
	201		(18,907)
	2022		-
	Thereafter		-
Total		<u>\$</u>	<u>309,322</u>

At December 31, 2016, 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
Difference between expected and actual experience	\$ 4,921	\$ -
Net difference between projected and actual investment earnings on pension plan investments	105,972	-
Changes of assumptions	59,715	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,000	29,152
Employer contributions subsequent to the measurement date	40,017	-
Total	<u>\$ 220,625</u>	<u>\$ 29,152</u>

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 – Retirement Plans (Continued)

Actuarial Assumptions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2017:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	28 years, closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%

The mortality table used for active members is 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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real 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
US Equity*	17.50%	5.97%
International Equity*	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate*	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return*	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	6.56%

*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 – Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District's CERS pension plan, calculated using the discount rate of 6.25 percent, as well as what the District's 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:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's net pension liability	\$ 1,857,161	\$ 1,472,516	\$ 1,150,763

Payable to the Pension Plan

At December 31, 2017 and 2016, the District reported payables of \$15,547 and \$15,217 for the outstanding amounts of contributions to the pension plan required for the years ended December 31, 2017 and 2016, respectively.

Note 8 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Note 9 - Subsequent Events

Date of Management Evaluation

Management of the District has evaluated subsequent events through July 11, 2018, the date on which the financial statements were available to be issued.



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

To the Commissioners
Laurel County Water District No. 2
London, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Laurel County Water District No. 2 as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Laurel County Water District No. 2's basic financial statements, and have issued our report thereon dated July 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Laurel County Water District No. 2'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Laurel County Water District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Laurel County Water District No. 2'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.

Christian Sturgeon & Associates, PSC

Christian Sturgeon & Associates, PSC
London, Kentucky

July 11, 2018

Laurel County Water District No. 2
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees Retirement System (CERS) Pension Plan
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.02516%	0.02289%	0.02398%	0.02334%
District's proportionate share of the net pension liability (asset)	\$ 1,472,516	\$ 1,127,240	\$ 1,031,130	\$ 757,169
District's covered-employee payroll	\$ 741,387	\$ 590,264	\$ 578,096	\$ 598,382
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.62%	190.97%	178.37%	126.54%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%

Source: Kentucky Retirement Systems

Notes: There were no changes in benefit terms, size or composition of the population covered by the benefit terms since the prior year. See the notes to the financial statements for a description of changes in actuarial assumptions from the prior year.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

* The amounts presented for each year were determined (measured) as of the fiscal year-end that occurred within the previous calendar year.

Laurel County Water District No. 2
Schedule of the District's Pension Contributions
County Employees Retirement System (CERS) Pension Plan
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 105,527	\$ 77,948	\$ 72,739	\$ 79,184
Contributions in relation to the contractually required contribution	<u>(105,527)</u>	<u>(77,948)</u>	<u>(72,739)</u>	<u>(79,184)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 741,387	\$ 590,264	\$ 578,096	\$ 598,382
Contributions as a percentage of covered-employee payroll	14.23%	13.21%	12.58%	13.23%

Source: Kentucky Retirement Systems

Notes: There were no changes in benefit terms, size, or composition of the population covered by the benefit terms since the prior year. See the notes to the financial statements for a description of changes in actuarial assumptions from the prior year.

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

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

* The amounts presented for each calendar year were determined as of the fiscal year-end that occurred within the calendar year.