

Laurel County Water District No. 2
London, Kentucky

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Independent Auditors' Report
And Financial Statements
For the Years Ended
December 31, 2018 and 2017

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, 2018 and 2017, 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 business-type activities of Laurel County Water District No. 2, as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 8 to the financial statements, during the year ended December 31, 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Accordingly, an adjustment has been made to net position as of December 31, 2017 to record the District's share of net OPEB liability. Our opinion is not modified with respect to this matter.

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, the Schedule of the District's Proportionate Share of the Net OPEB Liability, the Schedule of District's Pension Contributions, and the Schedule of the District's OPEB Contributions on pages 39-42 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Laurel County Water District No. 2's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is 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 July 17, 2019 on our consideration of 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, PLLC

Christian Sturgeon, PLLC
London, Kentucky

July 17, 2019

Laurel County Water District No. 2
 Statements of Net Position
 December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 858,667	\$ 1,255,972
Receivables, less allowance	207,587	210,810
Unbilled accounts receivable	124,062	122,586
Grants receivable	58,838	-
Inventories	108,576	112,984
Prepaid expenses	14,020	6,753
Other current assets	38	38
Total Current Assets	<u>1,371,788</u>	<u>1,709,143</u>
Noncurrent Assets		
Restricted Assets		
Customer deposits	99,377	95,354
Grant monies	149,270	157,733
Depreciation reserves - cash	626,628	579,174
Depreciation reserves - certificates of deposit	125,100	125,100
Bond and interest funds	179,715	196,704
Plant escrow	125	31,543
Total Restricted Assets	<u>1,180,215</u>	<u>1,185,608</u>
Capital Assets, Net of Depreciation	<u>16,196,090</u>	<u>13,885,216</u>
Total Noncurrent Assets	<u>17,376,305</u>	<u>15,070,824</u>
Total Assets	<u>18,748,093</u>	<u>16,779,967</u>
Deferred Outflows of Resources		
Bond issuance costs, net of amortization	4,912	5,194
Differences between expected and actual experience related to pensions	60,204	1,826
Net differences between projected and actual earnings on pension plan investments	-	18,214
Changes of assumptions related to pensions	180,387	271,719
Changes of assumptions related to OPEB	107,458	110,046
Changes in proportion and differences between employer pension contributions and proportionate share of contributions	218,656	71,998
Changes in proportion and differences between employer OPEB contributions and proportionate share of contributions	70,406	-
Pension contributions subsequent to measurement date	60,789	54,338
OPEB contributions subsequent to measurement date	19,713	17,637
Total Deferred Outflows of Resources	<u>722,525</u>	<u>550,972</u>

Laurel County Water District No. 2
Statements of Net Position (Cont'd)
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities		
Current Liabilities		
Accounts payable	64,723	59,700
Accounts payable - construction	97,196	31,427
Accrued interest payable	175	226
Accrued salaries and taxes payable	32,909	25,988
Current portion of notes payable and long-term debt	169,879	154,687
Other current liabilities	59,112	55,802
Total Current Liabilities	<u>423,994</u>	<u>327,830</u>
Noncurrent Liabilities		
Customer deposits	95,735	92,130
Net pension liability	1,845,789	1,472,516
Net OPEB liability	538,059	505,742
Notes payable and long-term debt, less current portion	9,431,018	8,254,896
Total Noncurrent Liabilities	<u>11,910,601</u>	<u>10,325,284</u>
Total Liabilities	<u>12,334,595</u>	<u>10,653,114</u>
Deferred Inflows of Resources		
Differences between expected and actual experience related to pensions	27,018	37,379
Differences between expected and actual experience related to OPEB	62,704	1,405
Net differences between projected and actual earnings on pension plan investments	22,132	23,901
Net differences between projected and actual earnings on OPEB plan investments	37,062	-
Changes of assumptions related to OPEB	1,243	-
Changes in proportion and differences between employer contributions and proportionate share of pension contributions	4,960	17,056
Changes in proportion and differences between employer contributions and proportionate share of OPEB contributions	951	1,174
Total Deferred Inflows of Resources	<u>156,070</u>	<u>80,915</u>
Net Position		
Net investment in capital assets	6,595,193	5,475,633
Restricted	1,180,215	1,185,608
Unrestricted (as restated)	(795,455)	(64,331)
Total Net Position	<u>\$ 6,979,953</u>	<u>\$ 6,596,910</u>

Laurel County Water District No. 2
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Water sales	\$ 2,315,469	\$ 2,276,435
Service charges	109,614	108,299
Tap fees	26,445	19,666
Penalties	46,674	46,298
Other revenues	13,904	7,323
	<hr/>	<hr/>
Total Operating Revenues	2,512,106	2,458,021
	<hr/>	<hr/>
Operating Expenses		
Salaries and wages	846,896	779,117
Employee benefits	880,391	712,615
Purchased water	15	799
Purchased power	153,454	149,329
Utilities	17,070	16,013
Chemicals	64,926	48,973
Materials and supplies	68,172	83,527
Contracted services	73,890	68,586
Vehicle and equipment expenses	26,701	28,841
Insurance	22,420	22,333
Bad debt expense, net of recoveries	25,259	15,217
Depreciation	452,493	439,850
Amortization	282	2,018
Other operating expenses	88,067	86,279
	<hr/>	<hr/>
Total Operating Expenses	2,720,036	2,453,497
	<hr/>	<hr/>
Operating Income (Loss)	(207,930)	4,524
	<hr/>	<hr/>
Non-operating Revenues (Expenses)		
Interest income	3,192	3,122
Grant revenue	891,712	-
Rental income	14,665	15,062
Gain (loss) on disposition of equipment	13,179	2,800
Interest expense	(331,775)	(325,823)
	<hr/>	<hr/>
Total Non-operating Revenues (Expenses)	590,973	(304,839)
	<hr/>	<hr/>
Change in Net Position	383,043	(300,315)
	<hr/>	<hr/>
Beginning Net Position (as previously reported)	6,596,910	7,301,764
Prior period adjustment	-	(404,539)
Beginning Net Position (as restated)	6,596,910	6,897,225
	<hr/>	<hr/>
Net Position, End of Year	\$ 6,979,953	\$ 6,596,910
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Laurel County Water District No. 2
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 2,478,295	\$ 2,443,221
Receipts from other activities	13,904	7,323
Payments to employees	(1,411,456)	(1,320,134)
Payments to suppliers	(421,225)	(409,771)
Payments for other activities	<u>(88,067)</u>	<u>(86,279)</u>
Net Cash Provided by Operating Activities	<u>571,451</u>	<u>634,360</u>
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(2,697,598)	(439,380)
Proceeds from sales of property, plant and equipment	13,179	2,800
Proceeds from debt	1,365,000	9,075
Principal payments on debt	(173,686)	(198,349)
Interest payments on debt	(331,775)	(325,823)
Federal and state grants	832,874	-
Other receipts	<u>14,665</u>	<u>15,062</u>
Net Cash Used by Capital and Related Financing Activities	<u>(977,341)</u>	<u>(936,615)</u>
Cash Flows From Investing Activities		
Interest on certificates of deposits	<u>3,192</u>	<u>3,122</u>
Net Cash Provided by Investing Activities	<u>3,192</u>	<u>3,122</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(402,698)	(299,133)
Cash and Cash Equivalents at Beginning of Year	<u>2,316,480</u>	<u>2,615,613</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,913,782</u>	<u>\$ 2,316,480</u>
Reconciliation of cash per Statements of Net Position to cash per Statements of Cash Flows:		
Cash and cash equivalents	\$ 858,667	\$ 1,255,972
Restricted cash and cash equivalents:		
Customer deposits	99,377	95,354
Grant monies	149,270	157,733
Depreciation reserves-cash	626,628	579,174
Plant escrow	125	31,543
Bond and interest funds	<u>179,715</u>	<u>196,704</u>
Cash and Equivalents per Statements of Cash Flows	<u>\$ 1,913,782</u>	<u>\$ 2,316,480</u>

See accompanying notes to financial statements.

Laurel County Water District No. 2
 Statements of Cash Flows (Continued)
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities:		
Operating income (loss)	\$ (207,930)	\$ 4,524
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	452,775	441,868
(Increase) decrease in operating assets		
Accounts receivable	1,747	2,400
Inventory	4,408	(2,461)
Prepaid expenses	(7,267)	(5,067)
Deferred pension & OPEB outflows	(171,835)	(197,470)
Increase (decrease) in operating liabilities		
Accounts payable	5,023	10,945
Accrued expenses	10,180	3,722
Customer deposits	3,605	5,340
Deferred pension & OPEB inflows	75,155	25,283
Net pension & OPEB liabilities	405,590	345,276
	\$ 571,451	\$ 634,360
Net Cash Provided by Operating Activities	\$ 571,451	\$ 634,360

Laurel County Water District No. 2
Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017 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, 2018 and 2017

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, 2018 and 2017 was \$931,568 and \$932,521, respectively. Restricted assets also include customer deposits of \$99,377 and \$95,354 held at December 31, 2018 and 2017, respectively and grant monies of \$149,270 and \$157,733 held at December 31, 2018 and 2017, respectively.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 3 – Kentucky Revised Statute

At December 31, 2018 and 2017, 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

10.54% and 10.22% of the District's water sales during 2018 and 2017, 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, 2018 and 2017, \$1,884,991 and \$2,241,256, respectively, of the District's total deposits at banks of \$2,384,991 and \$2,741,256, respectively, were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Uninsured and uncollateralized	\$ -	\$ -
Uninsured and collateral held by pledging bank	1,884,991	2,241,256
Uninsured and collateral held by pledging bank's trust department not in the District's name	-	-
Total	<u>\$ 1,884,991</u>	<u>\$ 2,241,256</u>

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 5 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2018:

	Balance Dec. 31, 2017	Additions	Dispositions	Balance Dec. 31, 2018
Land and improvements	\$ 511,494	\$ -	\$ -	\$ 511,494
Building and improvements	692,086	2,190	-	694,276
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	344,793	110,753	15,376,157
Vehicles and other equipment	1,202,747	84,077	33,592	1,253,232
Construction in progress	9,103	2,332,307	-	2,341,410
Totals at historical cost	<u>21,242,661</u>	<u>2,763,367</u>	<u>144,345</u>	<u>23,861,683</u>
Less accumulated depreciation for:				
Land and improvements	8,371	1,216	-	9,587
Building and improvements	453,421	8,587	-	462,008
Source of supply and pumping	703,158	66,721	-	769,879
Water treatment equipment	99,791	3,555	-	103,346
Transmission and distribution plant	5,455,085	306,357	110,753	5,650,689
Vehicles and other equipment	637,619	66,057	33,592	670,084
Total accumulated depreciation	<u>7,357,445</u>	<u>452,493</u>	<u>144,345</u>	<u>7,665,593</u>
Capital assets - net	<u>\$ 13,885,216</u>	<u>\$ 2,310,874</u>	<u>\$ -</u>	<u>\$ 16,196,090</u>

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 5 – Capital Assets (Continued)

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>

Note 6 – Notes Payable and Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

	Balance Dec. 31, 2017	Additions	Payments	Balance Dec. 31, 2018	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.	\$ 150,008	\$ -	\$ 16,611	\$ 133,397	\$ 16,879
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payment due June 1, 2036; interest payable on semi-annual basis at the rate of 4.5%.	381,000	-	13,000	368,000	13,500

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2018</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%.	5,719,500	-	78,500	5,641,000	82,000
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 3.00%.	2,150,000	-	37,500	2,112,500	38,500
Loan payable to Kentucky Rural Water Finance Corporation, payable in full on October 1, 2018; interest at the rate of 2.95%.	9,075	1,320,925	1,330,000	-	-
Loan payable to United States Department of Agriculture, payable annually in varying principal amounts with final payment due January 1, 2058. Interest payable on semi- annual basis at the rate of 2.75%.	-	1,365,000	19,000	1,346,000	19,000
	<u>\$ 8,409,583</u>	<u>\$ 2,685,925</u>	<u>\$ 1,494,611</u>	<u>\$ 9,600,897</u>	<u>\$ 169,879</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 is financed through USDA. 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, 2018 and 2017

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, 2017:

	<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 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 a semi-annual basis at rates graduated from 3.75% to 5.325% over the life of the loan.	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%.	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 a 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

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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 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%.	2,186,000	-	36,000	2,150,000	37,500
	<u>\$ 8,598,857</u>	<u>\$ 9,075</u>	<u>\$ 198,349</u>	<u>\$ 8,409,583</u>	<u>\$ 154,687</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 December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 169,879	\$ 351,698	\$ 521,577
2020	177,650	345,706	523,356
2021	184,425	339,432	523,857
2022	191,205	332,915	524,120
2023	198,490	326,147	524,637
2024-2028	1,060,248	1,520,355	2,580,603
2029-2033	1,235,000	1,313,441	2,548,441
2034-2038	1,443,500	1,062,955	2,506,455
2039-2043	1,655,000	782,483	2,437,483
2044-2048	2,015,500	448,687	2,464,187
2049-2053	1,059,500	93,161	1,152,661
2054-2058	210,500	11,633	222,133
	<u>\$ 9,600,897</u>	<u>\$ 6,928,613</u>	<u>\$ 16,529,510</u>

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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 administers CERS, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630. The assets of the system are segregated by plan (KERS, CERS, and SPRS), where each system's assets are used only for the payment of benefits to the members of that plan and a pro rata share of administrative costs. 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.

Benefits Provided

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. 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, 2018 and 2017, 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, 2018 were 19.18% (January through June 2018) and 21.48% (July through December 2018). 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). Required contribution rates were actuarially determined and adopted by the Kentucky Retirement Systems 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, 2018 and 2017

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, 2018 and 2017, the interest earned on CERS non-hazardous plans was 6.54% and 7.85%, respectively.

The District's payroll for the years ended December 31, 2018, 2017, and 2016 was \$837,633, \$770,387, and \$623,781, respectively, of which \$787,649, \$741,387, and \$590,264, respectively was covered by CERS. The District's contribution requirements for CERS for the years ended December 31, 2018, 2017, and 2016 were \$160,171 (\$120,936 allocated to the CERS pension fund and \$39,235 allocated to the CERS insurance fund), \$140,475 (\$105,527 allocated to the CERS pension fund and \$34,948 allocated to the CERS insurance fund), and \$105,609 (\$77,948 allocated to the CERS pension fund and \$27,661 allocated to the CERS insurance fund), respectively. The District contributed 100% of their required contributions for the years ended December 31, 2018, 2017, and 2016.

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

At December 31, 2018 and 2017, the District reported a liability of \$1,845,789 and \$1,472,516, respectively for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, 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, 2018 and 2017 measurement dates, the District's proportion was 0.030307% and 0.025157%, respectively.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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, 2018, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Salary Increase	3.05%
Investment Rate of Return	6.25% for CERS Non-hazardous and and hazardous

However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

The District recognized pension expense of \$409,637 and \$317,329 for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018, 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	\$ 60,204	\$ 27,018
Net difference between projected and actual investment earnings on pension plan investments	-	22,132
Changes of assumptions	180,387	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	218,656	4,960
Employer contributions subsequent to the measurement date	60,789	-
Total	<u>\$ 520,036</u>	<u>\$ 54,110</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, 2018 and 2017

Note 7 – Retirement Plan (Continued)

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

\$60,789 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, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

	2019	\$	243,336
	2020		159,948
	2021		11,760
	2022		(9,907)
	2023		-
	Thereafter		-
Total		<u>\$</u>	<u>405,137</u>

At December 31, 2017, 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	\$ 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>

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 7 – Retirement Plan (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, 2018:

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	27 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.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 7 – Retirement Plan (Continued)

Actuarial Assumptions (Continued)

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%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity*	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate*	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return*	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

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

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 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR. Projected future benefit payments for all current plan members were projected through 2117.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 7 – 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 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	\$ 2,323,657	\$ 1,845,789	\$ 1,445,419

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At December 31, 2018 and 2017, the District reported payables of \$18,726 and \$15,547 for the outstanding amounts of contributions to the pension plan required for the years ended December 31, 2018 and 2017, respectively. The payables include the pension and insurance contribution allocations as well as contributions withheld from employees.

Note 8 –OPEB Plan

During the year ended December 31, 2018, the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of this Statement is to address accounting and financial reporting for Other Postemployment Benefits (OPEB) that are provided to the employees of state and local governmental employers. In accordance with GASB 75, a prior period adjustment of \$404,539 was made to reduce beginning net position to record the District's share of the net OPEB liability.

Plan Description

As a participating employer of the County Employees' Retirement System (CERS), the District also participates in the County Employees Retirement System Insurance Fund (Insurance Fund). Under the provisions of Kentucky Revised Statute Sections 61.645 and 61.701, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Retirement Systems Insurance Fund (KERS), County Employees Retirement System (CERS) and State Police Retirement System (SPRS). The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by Kentucky Retirement Systems (KERS, CERS, and SPRS). The assets of the Insurance Fund are also segregated by plan. 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.

CERS Insurance Fund is a cost sharing, multiple-employer, defined benefit OPEB 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.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 8 –OPEB Plan (Continued)

Plan Membership

The net OPEB liability was calculated based on the Insurance plan membership as of June 30, 2017:

Membership Status	<u>Non-Hazardous</u>
Inactive plan members currently receiving benefits	33,481
Inactive plan members entitled to but not yet receiving benefits	8,230
Active plan members	<u>81,891</u>
	<u><u>123,602</u></u>

Benefits Provided

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Kentucky Retirement Systems submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays a proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. The amount of contribution paid by the Insurance Fund is based on years of service. Additional details can be found in the publicly available Kentucky Retirement Systems Comprehensive Annual Financial Report which may be downloaded from the Kentucky Retirement Systems website.

Contributions

Funding for the plan is provided through payroll withholdings and contributions by the District. See Note 7 for a description of the District’s covered payroll and contribution requirements as well as the breakdown of contributions between the pension and insurance funds.

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

At December 31, 2018 the District reported a liability of \$538,059 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate net OPEB liability was determined by an actuarial valuation as of that date. 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 plan members, as actuarially determined. At the June 30, 2018 measurement date, the District’s proportion was 0.030306 percent.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 8 –OPEB Plan (Continued)

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

For financial reporting the actuarial valuation as of June 30, 2018 was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan’s fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using these updated benefit provisions.

There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	2.00% for CERS non-hazardous and hazardous
Salary Increases	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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.

The long-term expected return was determined by using the building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same as those adopted for the CERS Pension Plan and are summarized in the table in Note 7.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 8 –OPEB Plan (Continued)

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

The District recognized OPEB expense of \$81,706 for the year ended December 31, 2018. At December 31, 2018, 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 experience	\$ -	\$ 62,704
Changes of assumptions	107,458	1,243
Net difference between projected and actual earnings on OPEB plan investments	-	37,062
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,406	951
Employer contributions subsequent to the measurement date	19,713	-
Total	\$ 197,577	\$ 101,960

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 OPEB 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.

The \$19,713 reported as deferred outflows of resources related to OPEB 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, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended December 31:

2019	\$	14,977
2020		14,977
2021		14,977
2022		22,175
2023		8,356
Thereafter		442
Total	\$	75,904

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 8 –OPEB Plan (Continued)

Investment Policy

Kentucky Revised Statute 61.650 grants the responsibility for the investment of plan assets to the Kentucky Retirement System Board. The Board has established an Investment Committee which is specifically charged with oversight and investment of plan assets. The Investment Committee recognizes their duty to invest the funds in accordance with the “Prudent Person Rule” (set forth in Kentucky Revised Statute 61.650) and manage those funds consistent with the long-term nature of the systems. The Investment Committee has adopted a Statement of Investment Policy that contains guidelines and restrictions for deposits and investments. By statute, all investments are to be registered and held in the name of Kentucky Retirement Systems. The Statement of Investment Policy contains the specific guidelines for the investment of Pension and Insurance assets. The target allocation and best estimates of arithmetic real rates of return for each major asset class adopted by the Kentucky Retirement System Board for the Insurance Plan are the same as those adopted for the CERS Pension Plan (See Note 7).

Net OPEB Liability

The components of the net OPEB liability of the participating employers in the CERS Non-Hazardous System and the District’s proportionate share at June 30, 2018 were as follows:

	Total CERS Non- Hazardous System	District's Proportionate Share
Total OPEB liability	\$ 4,189,606,000	\$ 1,269,660
Plan fiduciary net position	(2,414,126,000)	(731,601)
Employers' Net OPEB Liability	\$ 1,775,480,000	\$ 538,059
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 57.62%	 57.62%

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 8 –OPEB Plan (Continued)

Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2018:

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	27 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 Increases	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post - 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

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.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.85 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 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2018. 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.

Laurel County Water District No. 2
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 8 –OPEB Plan (Continued)

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 of 5.85 percent, 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 (4.85 percent) or 1-percentage-point higher (6.85 percent) than the current rate:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
District's proportionate share of net OPEB liability	\$ 698,853	\$ 538,059	\$ 401,093

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate of 7.00 percent decreasing to 4.05%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.00 percent decreasing to 3.05%) or 1-percentage-point higher (8.00 percent decreasing to 5.05%) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 400,590	\$ 538,059	\$ 700,095

Note 9 – 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 10 - Subsequent Events

Date of Management Evaluation

Management of the District has evaluated subsequent events through July 17, 2019, the date on which the financial statements were available to be issued.

Laurel County Water District No. 2
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2018

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 1,843,239</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,843,239</u></u>

Laurel County Water District No. 2
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Laurel County Water District No. 2 under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Laurel County Water District No. 2, it is not intended to and does not present the financial position, changes in net position, or cash flows of Laurel County Water District No. 2.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Laurel County Water District No. 2 has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Outstanding Loan Balance

Laurel County Water District No. 2's federal awards consist of grant and loan funds which are being used for a construction project. As of December 31, 2018, and 2017, the outstanding balance of the loan associated with the project was \$9,075 and \$1,346,000, respectively.



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, 2018 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 17, 2019.

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 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 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, PLLC

Christian Sturgeon, PLLC
London, Kentucky

July 17, 2019



Independent Auditor's Report on Compliance For
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Laurel County Water District No. 2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Laurel County Water District No. 2's major federal programs for the year ended December 31, 2018. Laurel County Water District No. 2's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Laurel County Water District No. 2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Laurel County Water District No. 2's compliance.

Opinion on Each Major Federal Program

In our opinion, Laurel County Water District No. 2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Laurel County Water District No. 2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Laurel County Water District No. 2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Laurel County Water District No. 2's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christian Sturgeon, PLLC

Christian Sturgeon, PLLC
London, Kentucky

July 17, 2019

Laurel County Water District No. 2
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Laurel County Water District No. 2 were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses relating to the audit of the financial statements were reported in the 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*.
3. No instances of noncompliance material to the financial statements of Laurel County Water District No. 2 which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies or material weaknesses related to the audit of the major federal award programs were disclosed in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal awards programs for Laurel County Water District No. 2 expresses an unmodified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for Laurel County Water District No. 2.
7. The programs tested as major programs included: CFDA #
10.760
Water and Waste Disposal Systems for Rural Communities
8. The threshold for distinguishing Type A and B Programs was \$750,000.
9. Laurel County Water District No. 2 did not qualify to be a low-risk auditee.

B. Findings and Questioned Costs – Major Federal Award Programs Audit

There were no matters reported.

C. Findings – Financial Statement Audit

There were no matters reported.

Laurel County Water District No. 2
Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2018

Status of Prior Year Audit Findings

No audit findings in the prior year.

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.03031%	0.02516%	0.02289%	0.02398%	0.02334%
District's proportionate share of the net pension liability (asset)	\$1,845,789	\$1,472,516	\$1,127,240	\$1,031,130	\$757,169
District's covered-employee payroll	\$787,649	\$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	234.34%	198.62%	190.97%	178.37%	126.54%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	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 calendar year.

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

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.03031%	0.02516%
District's proportionate share of the total OPEB liability	\$1,269,660	\$ 1,062,349
District's proportionate share of the plan fiduciary net position	<u>(731,601)</u>	<u>(556,607)</u>
District's proportionate share of the net OPEB liability (asset)	\$ 538,059	\$ 505,742
District's covered-employee payroll	\$ 787,649	\$ 741,387
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	68.31%	68.22%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

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 calendar year.

See independent auditors' report.

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 120,936	\$ 105,527	\$ 77,948	\$ 72,739	\$ 79,184
Contributions in relation to the contractually required contribution	<u>(120,936)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 787,649	\$ 741,387	\$ 590,264	\$ 578,096	\$ 598,382
Contributions as a percentage of covered-employee payroll	15.35%	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.

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

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 39,235	\$ 34,949
Contributions in relation to the contractually required contribution	<u>(39,235)</u>	<u>(34,949)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 787,649	\$ 741,387
Contributions as a percentage of covered-employee payroll	4.98%	4.71%

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 pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance 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.