

**MARION COUNTY WATER DISTRICT
AUDIT REPORT
DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITOR'S REPORT

March 15, 2021

To the Commissioners of the
Marion County Water District

Report on the Financial Statements

We have audited the accompanying general-purpose financial statements of Marion County Water District, Lebanon, Kentucky, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general-purpose financial statements of Marion County Water District, Lebanon, Kentucky, as of December 31, 2020 and 2019, and the respective changes in financial position, and, where applicable, 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 management's discussion and analysis, schedule of district's proportionate share of net pension liabilities, and the schedule of the district's proportionate share of net other post-employment benefits on pages 4-7, 28, and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion County Water District, Lebanon, Kentucky's basic financial statements. The Schedules of Operating and Maintenance Expenses and Schedule of Bond Retirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Operating and Maintenance Expenses and Schedule of Bond Retirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Operating and Maintenance Expenses and Schedule of Bond Retirements information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of the Marion County Water District, Lebanon, Kentucky's internal control over financial reporting and on our test of its compliance with certain provision 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 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 Marion County Water District, Lebanon, Kentucky's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

**MANAGEMENT'S DISCUSSION AND ANALYSIS
MARION COUNTY WATER DISTRICT
DECEMBER 31, 2020**

Within this section of the Marion County Water District's annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2020. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

- The District's assets and other debits exceeded its liabilities by \$11,976,721 (Net Position) for the fiscal year reported.
- Total net position comprised of the following:
 - (1) Appropriated retained earnings of \$930,883.
 - (2) Retained earnings from income before contributions of (\$360,446).
 - (3) Donated capital of \$11,406,284.
- The District's general purpose financial statement's retained earnings from income before contributions decreased by \$517,315 from the previous fiscal year.
- The District's general purpose financial statement's donated capital increased by \$171,311 from the previous fiscal year. Donated capital primarily consists of contributions in aid of construction from federal USDA grant funds, KY Legislature grant funds, and customers for water line construction and projects. In 2020, this increase was the result of contributions in aid of construction from KY Transportation Cabinet and customers.

Statements of Net Position:

	<u>2020</u>	<u>2019</u>
Utility Plant	13,377,131	12,587,920
Construction in Progress	<u>0</u>	<u>0</u>
Total Utility Plant	13,377,131	12,587,920
Certificates of Deposit	750,003	750,003
Cash	2,081,745	2,391,806
Net Customer Accounts Receivable	187,282	169,126
Other Current Assets	<u>90,700</u>	<u>96,697</u>
Total Current & Accrued Assets	<u>2,359,727</u>	<u>2,657,629</u>
Deferred Outflows-Regulatory Asset	72,000	72,000
Deferred Outflows Related to Other Post Employment Benefits	181,039	85,967
Deferred Outflows Related to Pensions	<u>230,979</u>	<u>180,105</u>
Total Deferred Outflows	484,018	338,072
Total Assets & Deferred Outflows	16,970,879	16,333,624

Statements of Net Position (Continued):

	<u>2020</u>	<u>2019</u>
Net Position		
Appropriated Retained Earnings	930,883	924,614
Retained Earnings from Income before Contributions	(360,446)	156,869
Donated Capital	<u>11,406,284</u>	<u>11,234,973</u>
Total Net Position	11,976,721	12,316,456
Deferred Inflows Related to Other Post Employment Benefits	67,985	79,279
Deferred Inflows Related to Pensions	<u>25,135</u>	<u>43,878</u>
Total Deferred Inflows	93,120	123,157
KIA Loan Payable (Note D)	364,622	390,504
KIA Loan Payable (Note E)	889,660	0
Citizens National Bank Loan Payable	478,843	521,006
Revenue Bonds Payable	1,220,000	1,245,000
Due to Lebanon Water Works	0	12,000
Net OPEB Liability	338,178	208,832
Net Pension Liability	<u>1,074,479</u>	<u>873,504</u>
Total Long-term Debt	4,356,782	3,250,846
KIA Loan Payable (Note D)	25,882	25,435
KIA Loan Payable (Note E)	40,402	0
Citizens National Bank Loan Payable	45,113	46,562
Revenue Bonds Payable	25,000	24,000
Due to Lebanon Water Works	12,000	24,000
Other Current and Accrued Liabilities	<u>386,859</u>	<u>523,168</u>
Total Current and Accrued Liabilities	535,256	643,165
Total Liabilities	4,901,038	3,894,011
Total Net Position, Deferred Inflows and Liabilities	<u>16,970,879</u>	<u>16,333,624</u>

Overview of the Financial Statements

Management’s Discussion and Analysis introduces the District’s general purpose financial statements. The general purpose financial statements include: (1) Statements of Net Position, (2) Income Statements, (3) Statements of Changes in Net Position, (4) Statements of Cash Flows, and (5) Notes to the Financial Statements. The Statements of Net Position show the total assets, deferred outflows, liabilities, deferred inflows, and net position as of December 31, 2020 and December 31, 2019. The Income Statements depict the difference between the revenues and expenses for the year 2020. The Statements of Changes in Net Position show the change in the appropriated retained earnings and retained earnings from income before contributions. The District includes in this report additional information to supplement the basic financial statements.

The District as a Whole

Major increases include total assets and deferred outflows, which increased \$637,255 (3.90%). Of this, net utility plant increased \$789,211 (6.27%) from the previous fiscal year. Deferred outflows increased by \$145,946 (43.17%) primarily due to required adjustments pertaining to GASBS Statements Nos. 68 and 75. Further, cash decreased by \$310,061 (12.96%).

Income Statement:	<u>2020</u>	<u>2019</u>
Operating Revenue		
Water Revenue	2,978,895	2,953,522
Other Operating Revenue	<u>36,880</u>	<u>117,578</u>
Total Operating Revenue	3,015,775	3,071,100
Operating Expenses		
Purchased Water	1,918,514	1,767,957
Other Operation & Maintenance Expenses	1,108,347	961,374
Depreciation	<u>496,808</u>	<u>462,122</u>
Total Operating Expenses	<u>3,523,669</u>	<u>3,191,453</u>
Operating Income (Loss)	(507,894)	(120,353)
Other Income	62,613	117,447
Other Expenses - Interest	65,765	58,297
Legal & Professional Fees-Rate Case	<u>0</u>	<u>0</u>
Total Other Expenses	65,765	58,297
Net Income (Loss) Before Contributions	<u>(511,046)</u>	<u>(61,203)</u>
Retained Earnings From Income Before Contributions		
Beginning Balance	156,869	115,142
Transfer to/from Appropriated Retained Earnings	<u>(6,269)</u>	<u>102,930</u>
Ending Balance	<u>(360,446)</u>	<u>156,869</u>

Operating revenues budgeted for 2020 were \$3,223,000. Operating revenues for 2020 were \$3,015,775, which was \$207,225 less than the budgeted amount. Actual operating revenues decreased \$55,325 from the prior year. This is due to the order of March 16, 2020, by Kentucky Public Service Commission (Case No. 2020-00085) in response to the State of Emergency in Kentucky and the global pandemic caused by the novel coronavirus COVID-19. The order mandated that utilities cease disconnections for non-payment and waive all late-payment charges. Total operation and maintenance expenses budgeted before depreciation for 2020 were \$2,789,858. Total operation and maintenance expenses for 2020 before depreciation were \$3,026,861, which was \$237,003 more than the budgeted amount. Actual operating expenses increased \$297,530 from the prior year primarily due to an increase of \$150,557 in purchased water expense and \$150,995 increase in salaries and pension contributions. The General Manager retired in 2020 so salaries for that position were doubled for four months of the year due to training for the new General Manager.

Net income before contributions decreased by \$511,046 as compared to 2019. This was primarily due to the decrease in operating income and other income for 2020 and the increase in operating expenses of \$297,530.

Utility Plant and Debt Administration

Additions to Utility Plant were \$1,286,653. Accumulated depreciation increased \$488,333 causing a net increase in the District's Utility Plant of \$789,211. For a detail of Utility Plant, see Note C.

		Utility Plant (Net of Accumulated Depreciation)
Land	\$	109,304
Construction in Progress		-0-
Distribution Plant		12,698,490
General Plant		569,337
Total Utility Plant		<u>13,377,131</u>

At year-end, the District had net pension liability of \$1,074,479 and other post-employment benefit liability of \$338,178. At year-end, the District had a balance owed of \$390,504 for KIA loan no. B12-06 and a balance owed of \$930,062 for KIA loan no. B18-10. At year-end, the district had a balance owed of \$523,956 for the Citizens National Bank loan. At year-end the District had \$1,245,000 in outstanding revenue bonds payable. At year-end the District had a balance due to Lebanon Water Works of \$12,000. The total bonds, loans, and due to payable at year end were \$4,514,179, versus \$3,370,843 the previous year, an increase of \$1,143,336 (33.92%). For a breakdown of the District's current and long-term debt, see Notes D, E, F, G, and H, and the supplemental financial information provided within this report.

Future Projections

The District is looking at several possible water projects for 2021. They are as follows:

Installation of sub-area master meters in existing areas to isolate leaks and to reduce water loss. These meters would report data back to the office via cellular data. Cellular data MIU devices will be added to existing master meters at Big Johns, St. Matthews Cemetery Road and Scotts Ridge. A new 3" meter and cellular data MIU will be installed at Maker's Mark Distillery. The District's manpower would be utilized to install these meters for a significant savings. The projected cost of this project is \$110,000.

Installation of two thousand (2,000) new residential and commercial water meters for 1/3 of the District's service area. Two thousand (2,000) more would be installed in 2022 and the final two thousand (2,000) would be installed in 2023. The District's manpower would be utilized to install these meters for a significant savings. The projected cost of this project would be \$1,150,000. This cost includes two new mobile meter reading devices, mobile reading software changes to allow reading of the sub-areas by distribution codes and all associated training.

The \$1,250,000 cost of the sub-area meters and six thousand (6,000) new residential meters would be financed, and payments made over the next ten to fifteen years if approved by the Board. Projected savings from water loss and increased revenue captured from the new residential meters would offset the loan payments.

Modifications of the existing Riley Tank need to be made for water quality improvements. This project would pump incoming water into the top of the tank and outgoing water would come out the bottom of the tank. The proposed cost of this project is \$79,500.

There is a possibility of a new water main to be installed along Hwy 52 to service Maker's Mark Distillery. Existing water lines within the City limits of Raywick are being considered for a future project as well.

Marion County Water District
Lebanon, Kentucky

Statement of Net Position
December 31, 2020 and 2019

Assets and Other Debits

	2020	2019
Utility Plant (Notes A-3 and C)	13,377,131	12,587,920
Other Property and Investments		
Certificates of Deposit	750,003	750,003
Total Other Property and Investments	750,003	750,003
Current and Accrued Assets		
Cash (Note B)	2,081,745	2,391,806
Customer Accounts Receivable, Net of Allowance of 4,848 and 4,699	187,282	169,126
Materials and Supplies Inventory (Note A-2)	71,397	77,900
Prepaid Insurance	17,568	16,634
Accrued Interest Receivable	1,735	2,163
Total Current and Accrued Assets	2,359,727	2,657,629
Deferred Outflows - Regulatory Asset	72,000	72,000
Deferred Outflows Related to Other Post Employment Benefits	181,039	85,967
Deferred Outflows Related to Pensions	230,979	180,105
Total Deferred Outflows	484,018	338,072
Total Assets and Deferred Outflows	16,970,879	16,333,624

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

Marion County Water District
Lebanon, Kentucky

Statement of Net Position
December 31, 2020 and 2019

Net Position and Liabilities

	2020	2019
Net Position		
Appropriated Retained Earnings (Note I)	930,883	924,614
Retained Earnings from Income before Contributions	(360,446)	156,869
Donated Capital	11,406,284	11,234,973
Total Net Position	11,976,721	12,316,456
Deferred Inflows Related to Other Post Employment Benefits	67,985	79,279
Deferred Inflows Related to Pensions	25,135	43,878
Total Deferred Inflows	93,120	123,157
Long-Term Debt		
KIA Loan Payable (Note D)	364,622	390,504
KIA Loan Payable (Note E)	889,660	0
Citizens National Bank Loan Payable (Note F)	478,843	521,006
Revenue Bonds Payable (Note H)	1,220,000	1,245,000
Due to Lebanon Water Works	0	12,000
Net OPEB Liability	338,178	208,832
Net Pension Liability	1,074,479	873,504
Total Long-Term Debt	4,365,782	3,250,846
Current and Accrued Liabilities		
KIA Loan Payable (Note D)	25,882	25,435
KIA Loan Payable (Note E)	40,402	0
Citizens National Bank Loan Payable (Note F)	45,113	46,562
Revenue Bonds Payable (Note H)	25,000	24,000
Due to Lebanon Water Works	12,000	24,000
Accounts Payable - Trade	192,560	327,135
Accrued County Retirement	10,829	7,767
Accrued Unemployment	1,772	1,360
Customer Deposits	37,386	36,426
Other Accrued Liabilities	144,312	150,480
Total Current and Accrued Liabilities	535,256	643,165
Total Net Position, Deferred Inflows, and Liabilities	16,970,879	16,333,624

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

Marion County Water District
Lebanon, Kentucky

Statements of Income
Years Ended December 31, 2020 and 2019

	<u>2020</u>	Percent of Revenue	<u>2019</u>	Percent of Revenue
Operating Revenue				
Metered Sales Residential	2,427,663	80.5%	2,345,437	76.4%
Metered Sales Commercial	519,192	17.2%	554,844	18.1%
Metered Sales Schools	16,024	0.5%	27,649	0.9%
Metered Sales Multi-Family	16,016	0.5%	25,592	0.8%
Miscellaneous Service	26,688	0.9%	39,148	1.3%
Late Charges	10,192	0.3%	78,430	2.6%
Total Operating Revenue	<u>3,015,775</u>	100.0%	<u>3,071,100</u>	100.0%
Operating Expenses				
Operation & Maintenance Expense	3,026,861	100.4%	2,729,331	88.9%
Depreciation	<u>496,808</u>	<u>16.5%</u>	<u>462,122</u>	<u>15.0%</u>
Total Operating Expenses	<u>3,523,669</u>	<u>116.8%</u>	<u>3,191,453</u>	<u>103.9%</u>
Operating Income (Loss)	(507,894)	-16.8%	(120,353)	-3.9%
Other Income				
Interest Income	13,278	0.4%	12,594	0.4%
Gain (Loss) on Sale of Asset	(634)	0.0%	17,250	0.6%
Collection Fees	43,477	1.4%	48,110	1.6%
Misc. Non-Operating Income	6,492	0.2%	39,493	1.3%
Total Other Income	<u>62,613</u>	<u>2.1%</u>	<u>117,447</u>	<u>3.8%</u>
Other Expenses				
Interest on Long-Term Debt	65,727	2.2%	58,261	1.9%
Other Interest	<u>38</u>	<u>0.0%</u>	<u>36</u>	<u>0.0%</u>
Total Other Expenses	<u>65,765</u>	<u>2.2%</u>	<u>58,297</u>	<u>1.9%</u>
Net Income (Loss) before Contributions	<u>(511,046)</u>	<u>-16.9%</u>	<u>(61,203)</u>	<u>-2.0%</u>

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

Marion County Water District
Lebanon, Kentucky

Statements of Changes in Net Position
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Appropriated Retained Earnings		
Balance - Beginning of Year	924,614	1,027,544
Transfer to/from Retained Earnings from Income before Contributions	<u>6,269</u>	<u>(102,930)</u>
Balance - End of Year	<u><u>930,883</u></u>	<u><u>924,614</u></u>
Retained Earnings from Income before Contributions		
Balance - Beginning of Year	156,869	115,142
Net Income (Loss) for the Year	(511,046)	(61,203)
Transfer to/from Appropriated Retained Earnings	<u>(6,269)</u>	<u>102,930</u>
Balance - End of Year	<u><u>(360,446)</u></u>	<u><u>156,869</u></u>

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

Marion County Water District
Lebanon, Kentucky

Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Receipts from Users	3,041,096	3,145,479
Payments to Employees	(597,337)	(492,074)
Payments to Suppliers for Goods and Services	(2,405,497)	(1,942,018)
Net Cash Provided by Operating Activities	38,262	711,387
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	171,311	524,778
Proceeds from Long-Term Debt	950,000	0
Principal Payments on Long-term Debt	(136,985)	(112,686)
Interest Payments	(65,765)	(58,297)
Proceeds from Sale of Assets	0	17,250
Payments for Capital Projects and Equipment	(1,286,653)	(1,112,374)
Net Cash Used in Capital and Related Financing Activities	(368,092)	(741,329)
Cash Flows from Investing Activities:		
Interest Income Received	13,278	12,594
Rent and Other Income	6,491	39,493
Net Cash (Used in) Provided by Investing Activities	19,769	52,087
Cash and Investments, Beginning	2,391,806	2,369,661
Cash and Investments, Ending	2,081,745	2,391,806

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

Marion County Water District
Lebanon, Kentucky

Statements of Cash Flows - (Continued)
For the Years Ended December 31, 2020 and 2019

Reconciliation of Net Income to Net Cash Provided by Operating Activities

	2020	2019
Net Income	(511,046)	(61,203)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	496,808	462,122
Interest on Debt	65,765	58,267
Misc. Non-Operating Income	(6,491)	(39,493)
(Gain) or Loss on Sale of Asset	634	(17,250)
Interest Income	(13,278)	(12,594)
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:		
Accounts Receivable	(18,156)	26,269
Materials & Supplies Inventory	6,503	(3,884)
Other Assets	(506)	(243)
Accounts Payable	(134,575)	167,576
Other Liabilities	(1,734)	21,562
Deferred Outflows	(145,944)	4,397
Deferred Inflows	(30,037)	22,305
Net Pension Liability	200,973	100,157
Net Other Post Employment Benefits Liability	129,346	(16,601)
Net Cash Provided by Operating Activities	38,262	711,387

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

Nature of Operations:

Marion County Water District is a special district of Marion County, Kentucky. It operates a water distribution system in Marion County and southern Nelson County. Water is purchased from the Lebanon Water Company and Campbellsville Water Company and resold to more than 6,000 customers in Marion and Nelson Counties.

Significant Accounting Policies:

- A. The following is a summary of the significant accounting policies of the Marion County Water District:
1. Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting.
 2. Inventory is recorded at cost.
 3. Utility plant is stated at cost less accumulated depreciation computed on a straight-line method. The distribution plant assets are depreciated mainly over 62.5 years. The general plant assets are depreciated over their estimated useful lives from five to ten years.
 4. Four funds are set up on the company's books: revenue fund, operation and maintenance fund, reserve fund, and sinking fund. All income is deposited to the revenue fund. Funds are transferred monthly from the revenue fund to the operation and maintenance fund sufficient to pay the general expenses of the water system. Transfers are made from the revenue fund to the reserve fund as stipulated by the bond agreements. Contributions in aid of construction are deposited directly to the reserve fund. Transfers from the revenue fund to the sinking fund are made to sufficiently meet the required bond and interest payments to the U S Department of Agriculture-Rural Development.
 5. The District invests its reserves in short-term certificates of deposits with local financial institutions. All certificates of deposit are considered to be cash equivalents.
 6. Operating revenues include all utility service-related revenues primarily derived from distributing water to Marion County and Nelson County residents. Non-operating revenues include revenues from rents, outside billings, interest, and other miscellaneous, non-operating revenues.
 7. When the District incurs an expense for which both restricted and unrestricted net assets are available, the District's policy is to expend restricted net assets to the extent available first and then to expend unrestricted net assets.

Notes to Financial Statements (Continued)

B. Cash:

At year end the carrying amount of the District's cash and cash equivalents was \$2,831,748. Of the total cash, \$1,100,005 was covered by Federal Depository Insurance and \$1,731,743 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Bond documents require the maintenance of certain accounts that are restricted as to withdrawal. Included in cash at December 31, 2020 and 2019, were the following restricted funds:

	<u>2020</u>	<u>2019</u>
Reserve Funds	21,716	25,332
Short-Lived Asset Account	<u>159,167</u>	<u>149,279</u>
Total	<u>180,883</u>	<u>174,611</u>

C. Utility Plant:

The following represents the amount of utility plant as of December 31, 2020 and 2019:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Assets:				
Land	108,954	350	0	109,304
Depreciable Assets:				
Distribution Plant	19,567,002	1,214,705	(2,016)	20,779,691
General Plant	<u>1,243,904</u>	<u>71,598</u>	<u>(7,093)</u>	<u>1,308,409</u>
	20,919,860	1,286,653	(9,109)	22,197,404
Less: Accumulated Depreciation	<u>(8,331,940)</u>	<u>(496,808)</u>	<u>8,475</u>	<u>(8,820,273)</u>
	<u>12,587,920</u>	<u>789,845</u>	<u>(634)</u>	<u>13,377,131</u>

\$0 and \$0 of interest were capitalized during the years ended December 31, 2020 and 2019, respectively.

D. KIA Loan Payable:

During 2013, Marion County Water District upgraded the Highway 84 water line. During 2014, additional loan funds totaling \$68,276 were utilized for the Kentucky 49 at Bradfordsville project. These projects were funded by a Kentucky Infrastructure Authority (KIA) loan. The total loaned to the District was \$548,180, and the loan has a fixed interest rate of 1.75%. As of December 31, 2020, the KIA Loan has a balance owed of \$390,504.

Maturities for future years are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2021	6,721	25,882
2022	6,266	26,337
2023	5,803	26,800
2024	5,332	27,271
2025	4,853	27,750
2026-2030	16,744	146,243
2031-2034	<u>3,891</u>	<u>110,221</u>
	<u>49,610</u>	<u>390,504</u>

Notes to Financial Statements (Continued)

E. KIA Fund B Loan Payable:

During 2018, Marion County Water District signed a \$950,000 loan from Kentucky Infrastructure Authority to fund two projects – water line replacements on McElroy Pike and Hwy 289. All \$950,000 of funding available was utilized during 2020 and the related projects were completed during 2020. The loan has a fixed interest rate of 1.75%. As of December 31, 2020, the KIA Fund B Loan has a balance owed of \$930,062.

Maturities for future years are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2021	16,100	40,402
2022	15,390	41,112
2023	14,667	41,834
2024	13,932	42,570
2025	13,184	43,318
2026-2030	54,227	228,282
2031-2035	33,447	249,061
2036-2040	<u>10,776</u>	<u>243,483</u>
	<u>171,723</u>	<u>930,062</u>

F. Citizens National Bank Loan Payable:

On April 12, 2013, Marion County Water District refinanced three outstanding revenue bonds into one loan with Citizen’s National Bank with a principal balance of \$820,000 at a fixed 3.5% interest rate. The loan requires monthly payments of \$5,228 through October 2030. At December 31, 2020, the balance of this loan was \$523,956.

Maturities for future years are as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2021	17,619	45,113
2022	16,015	46,717
2023	14,353	48,379
2024	12,633	50,100
2025	10,851	51,882
2026-2030	<u>25,219</u>	<u>281,765</u>
	<u>96,690</u>	<u>523,956</u>

G. Revenue Bonds Payable:

The 2009 Series Revenue Bond Issue are Build America Bonds whereby the United States Treasury refunds to the Marion County Water District 35% of the interest paid on these bonds and thus reducing the effective rate of interest from 3.5% to 2.275% per annum.

Water Revenue Bond Series of 2009 - Interest due semiannually
January 1 and July 1 at 3.25% with varying principal payments
due January 1 of each year through 2050

1,245,000

Notes to Financial Statements (Continued)

Maturities for future years are as follows:

2021	25,000
2022	26,000
2023	27,000
2023	28,000
2024	29,000
2025-2029	126,000
2030-2034	185,000
2035-2039	221,000
2040-2044	265,000
2045-2049	<u>313,000</u>
	<u>1,245,000</u>

A detail of principal payments by year is also presented on page 38.

H. Due to Lebanon Water Works and Deferred Outflows – Regulatory Asset:

During 2018, Marion County Water District received an Order from the Public Service Commission for Case Number 2017-0047. Per the order, Marion County Water District pays \$2,000 per month for 36 months or \$72,000 to Lebanon Water Works, Inc. This is not an interest-bearing obligation and there is no imputed interest as no interest will be due to Lebanon Water Works, Inc. At December 31, 2020, the balance of this liability was \$12,000.

Further, Marion County Water District has also established a balance sheet item called Deferred Outflows – Regulatory Asset that is equal to the \$72,000 of total legal reimbursement fees. The District will be able to recover these costs as a part of its next rate application.

I. Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net Pension Liability	873,504	200,975	0	1,074,479	0
Net OPEB Liability	208,832	129,346	0	338,178	0
KIA Loan Payable	415,939	0	25,435	390,504	25,882
KIA Loan Payable	0	950,000	19,938	930,062	40,402
CNB Loan Payable	567,568	0	43,612	523,956	45,113
Due to Lebanon Water Works	36,000	0	24,000	12,000	12,000
Revenue Bonds Payable	<u>1,269,000</u>	<u>0</u>	<u>24,000</u>	<u>1,245,000</u>	<u>25,000</u>
Total	<u>3,370,843</u>	<u>1,280,321</u>	<u>136,985</u>	<u>4,514,179</u>	<u>148,397</u>

Notes to Financial Statements (Continued)

J. Appropriated Retained Earnings:

Appropriated retained earnings at December 31, 2020 and 2019, consist of restricted funds as follows:

	<u>2020</u>	<u>2019</u>
CDs - Reserve Fund	750,003	750,003
Cash - Reserve Fund	21,713	25,332
Cash – Short-Lived Asset Fund	<u>159,167</u>	<u>149,279</u>
	<u>930,883</u>	<u>924,614</u>

These funds are restricted in accordance with the provisions of the bond issuance of 2010 and the Citizens National Bank loan payable. Reserve funds must be maintained at a level of \$135,000. Further, the District is required to deposit \$12,114 into the Short-Lived Asset Fund account monthly. The funds in this account may be used by the District to replace or add short-lived assets to the District’s water system; they may not be used for general operating expenses. The debt provisions allow the District to invest these funds in interest-bearing obligations maturing no later than three years after the date of investment.

K. Retirement Plan

The District’s employees are provided with the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Notes to Financial Statements (Continued)

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

Contributions—Required contributions by the employee are based on the tier:

	<u>Required Contributions</u>
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

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

At December 31, 2020 and 2019, the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability that was associated with the District were as follows:

	<u>2020</u>	<u>2019</u>
District's proportionate share of the CERS net pension liability	\$ 1,074,479	\$ 873,504

The net pension liability for the plan was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was .014005 percent. At June 30, 2019, the District's proportion was 0.012420 percent.

For the year ended December 31, 2020 and 2019, respectively, the District recognized pension expense of \$208,612 and \$162,157 related to CERS. At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to Financial Statements (Continued)

	2020 Deferred Outflows of Resources	2020 Deferred Inflows of Resources	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,794	\$ -	\$ 22,303	\$ 3,691
Changes of assumptions	41,957	-	88,409	-
Net difference between projected and actual earnings on pension plan investments	46,575	19,688	16,768	30,849
Changes in proportion and differences between District contributions and proportionate share of contributions	76,270	5,447	21,415	9,338
District contributions subsequent to the measurement date	<u>39,383</u>	<u>-</u>	<u>31,210</u>	<u>-</u>
Total	<u>\$ 230,979</u>	<u>\$ 25,135</u>	<u>\$ 180,105</u>	<u>\$ 43,878</u>

\$39,383 and \$31,210 were 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 years ended December 31, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>2020</u>
2021	78,483
2022	59,601
2023	17,579
2024	10,798
2025	-0-

Actuarial assumptions—The total pension liability in the June 30, 2020 and June 30, 2019 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2020</u>	<u>2019</u>
	<u>CERS</u>	<u>CERS</u>
Inflation	2.30%	2.30%
Payroll Growth Rate	2.0%	2.0%
Projected salary increases	3.30%-10.30%, varies by service	3.30%-10.30%, varies by service
Investment rate of return, net of investment expense & inflation	6.25%	6.25%

Notes to Financial Statements (Continued)

The actuarial assumptions for 2020 and 2019 are:

Inflation	2.3%
Payroll Growth Rate	2.0% for CERS Non-Hazardous, and 0.00% for KERS Non-Hazardous and Hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-Hazardous; 3.55% to 19.05%, varies by service for CERS Hazardous; 3.30% to 15.30%, varies by service for KERS Non-Hazardous; 3.55% to 20.05%, varies by service for KERS Hazardous
Investment Rate of Return	6.25% for CERS Non-Hazardous, and Hazardous, and KERS Hazardous, 5.25% for KERS Non-Hazardous

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%

Notes to Financial Statements (Continued)

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25% for June 30, 2020 and 6.25% for June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25% for June 30, 2020 and 6.25% for June 30, 2019. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, 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 or 1-percentage-point higher than the current rate:

2019	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	1,092,506	873,504	690,968
2020	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	1,325,066	1,074,479	866,983

Pension plan fiduciary net position— Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

L. Postemployment Benefits Other Than Pensions

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the

Notes to Financial Statements (Continued)

Department of Employee Insurance (DEI) plans. 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. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Marion County Water District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, four and seventy tenths percent (4.70%) of the gross annual payroll of members is contributed for the year ended June 30, 2019 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At December 31, 2020 and 2019, the District reported a liability of \$338,178 and \$208,832 respectively for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the collective 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 employers, actuarially determined. At June 30, 2020, the District’s proportion was .014005 percent, compared to .012416 as of June 30, 2019.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

	<u>2020</u>	<u>2019</u>
District’s proportionate share of the CERS net OPEB liability	\$ 338,178	\$ 208,832

Notes to Financial Statements (Continued)

For the year ended December 31, 2020 and 2019, the District recognized OPEB expense of \$41,878 and \$19,836 respectively. At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	2020 Deferred Outflows of Resources	2020 Deferred Inflows of Resources	2019 Deferred Outflows of Resources	2019 Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,502	\$ 56,547	\$ -	\$ 63,009
Changes of assumptions	58,823	358	61,795	413
Net difference between projected and actual earnings on pension plan investments	18,141	6,901	1,376	10,651
Changes in proportion and differences between District contributions and proportionate share of contributions	29,759	4,179	10,615	5,206
District contributions subsequent to the measurement date	<u>17,814</u>	<u>-</u>	<u>12,181</u>	<u>-</u>
Total	<u>\$ 181,039</u>	<u>\$ 67,985</u>	<u>\$ 85,967</u>	<u>\$ 79,279</u>

\$17,814 and \$12,181 were 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 years ended December 31, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2021	\$ 25,467
2022	28,793
2023	22,408
2024	19,641
2025	(1,069)

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

Notes to Financial Statements (Continued)

Actuarial assumptions – The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2020:

Inflation	2.3%
Payroll Growth Rate	2.0% for CERS Non-Hazardous, and 0.0% KERS Non-Hazardous
Salary Increases	3.3% to 10.3%, varies by service for CERS Non-Hazardous; 3.55% to 19.05%, varies by service for CERS Hazardous; 3.30 to 15.30%, varies by service for KERS Non-Hazardous; and 3.55%-20.05%, varies by service for KERS Hazardous
Investment rate of return	6.25%
Healthcare cost trend rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Notes to Financial Statements (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%

Discount rate - The discount rate used to measure the total OPEB liability was 5.34%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.34%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

<u>2019</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	279,748	208,832	150,401
<u>2020</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	434,460	338,178	259,099

Notes to Financial Statements (Continued)

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>2019</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	155,309	208,832	273,734
		<u>Current Trend Rate</u>	
<u>2020</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	261,834	338,178	430,823

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

- M. Risk Management:
The District insures against significant losses by commercial insurance. There have been no significant reductions in insurance coverage.
- N. The District generates approximately 96% of its revenues from water sales. Of the water sold, approximately, 99% is purchased from the Lebanon Water Works, a division of the City of Lebanon.
- O. Operating Lease:
The District is committed under a noncancelable operating use for the use of its computers and related equipment. Future minimum operating lease commitments are as follows:

2021	18,084
2022	18,084
2023	18,084
2024	18,084
2025	9,042

Rent expenditures were \$9,042 and \$0 for the years ended December 31, 2020 and 2019, respectively.

- P. Subsequent Events:
Management has reviewed subsequent events through March 15, 2021, the date the financial statements were available for release. There were no subsequent events to disclose.

REQUIRED SUPPLEMENTARY
INFORMATION

MARION COUNTY WATER DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of net pension liability	0.011876%	0.011539%	0.011706%	0.012698%	0.012420%	0.014005%
District's proportionate share of the net pension liability	\$ 510,592	568,124	685,188	773,347	873,504	1,074,479
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-	-
TOTAL	<u>\$ 510,592</u>	<u>568,124</u>	<u>685,188</u>	<u>773,347</u>	<u>873,504</u>	<u>1,074,479</u>
District's covered-employee payroll	\$ 282,035	274,311	298,547	318,096	314,539	397,011
District's proportionate share of the net pension liability as a percentage of its covered-payroll	181.04%	207.09%	229.51%	243.12%	277.71%	270.64%
Plan fiduciary net position as a percentage of the total pension liability	65.96%	63.46%	55.50%	49.26%	50.45%	47.81%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY WATER DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions (actuarially determined)	\$ 37,318	\$ 34,501	\$ 39,483	\$ 48,852	\$ 55,999	\$ 77,253
Contributions in relation to the actuarially determined contributions	<u>37,318</u>	<u>34,501</u>	<u>39,483</u>	<u>48,852</u>	<u>55,999</u>	<u>77,253</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 282,035	\$ 274,311	\$ 298,547	\$ 318,096	\$ 314,539	\$ 397,011
Contributions as a percentage of Covered employee payroll	13.23%	12.58%	13.23%	15.36%	17.76%	19.46%

Note: Marion County Water District operates on an annual basis. The County Employees Retirement System rate typically changes each July 1. The rate listed for each year is a blended rate based on contributions paid as a percentage of covered payroll.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of net OPEB liability	0.012697%	0.012420%	0.014009%
District's proportionate share of the net OPEB liability	225,433	208,832	338,178
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-
TOTAL	<u><u>225,433</u></u>	<u><u>208,832</u></u>	<u><u>338,178</u></u>
District's covered-employee payroll	318,096	314,539	397,011
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	70.87%	66.33%	85.18%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	60.44%	51.67%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY WATER DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions (actuarially determined)	\$ 15,849	\$ 15,736	\$ 18,898
Contributions in relation to the actuarially determined contributions	<u>15,849</u>	<u>15,736</u>	<u>18,898</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 318,096	\$ 314,539	\$ 397,011
Contributions as a percentage of Covered employee payroll	4.98%	5.01%	4.76%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

COUNTY EMPLOYEES RETIREMENT SYSTEM
NET PENSION LIABILITY

NOTE A – CHANGES OF ASSUMPTIONS

2015

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

The assumed investment rate of return was decreased from 7.75% to 7.50%

The assumed inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

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 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation.

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes of assumptions for the year ended June 30, 2018.

2019

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

The assumed salary increases were increased to 3.30% to 11.55%, from 3.05% to 18.55%.

COUNTY EMPLOYEES RETIREMENT SYSTEM
NET PENSION LIABILITY (CONTINUED)

2020

Salary increases changed to 3.3% to 10.3%, varying by service for CERS Non-Hazardous.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of contribution are determined on a biennial basis beginning with the fiscal years ended 2020 and 2019, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Valuation Date	June 30, 2018 for CERS Hazardous and CERS Non-Hazardous
Experience Study	July 1, 2013-June 30,2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years, Closed for CERS Hazardous and CERS Non-hazardous 26 years, Closed for KERS Hazardous and KERS Non-hazardous
Payroll Growth Rate	2.0% for CERS Non-Hazardous, and 0.00% for KERS Non-Hazardous and Hazardous
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service for CERS Non-Hazardous; 3.05% to 18.55%, varies by service for CERS Hazardous; 3.55% to 15.55%, varies by service for KERS Non-Hazardous; 3.55% to 19.55%, varies by service for KERS Hazardous
Investment Rate of Return	6.25% for CERS Non-Hazardous, and Hazardous and KERS Hazardous, 5.25% for KERS Non-Hazardous

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.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension for non-hazardous employees.

COUNTY EMPLOYEES RETIREMENT SYSTEM
NET OTHER POST EMPLOYMENT BENEFITS LIABILITY

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The payroll growth rate was reduced to 2.0% from 4.0%

The inflation rate was reduced to 2.30% from 3.25%

The investment rate of return was reduced to 6.25% from 7.50%

2020

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation Date	June 30, 2018, for CERS Non-Hazardous and Hazardous June 30, 2017, KERS Non-Hazardous and Hazardous
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll

COUNTY EMPLOYEES RETIREMENT SYSTEM
NET OTHER POST EMPLOYMENT BENEFITS LIABILITY

Remaining Amortization Period	25 years, Closed for CERS Non-Hazardous and Hazardous 26 years, Closed for KERS Non-Hazardous and Hazardous
Payroll Growth Rate	2.00% for CERS Non-Hazardous and Hazardous, and 0.0% for KERS 34
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service for CERS Non-Hazardous; 3.55% to 15.55%, varies by service for KERS Non-Hazardous; 3.55% to 19.55%, varies by service for KERS Hazardous
Investment Rate of Return	6.25 %
Healthcare cost 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. The 2019 premiums were known at the time of valuation and were incorporated into the liability measurement for CERS Non-Hazardous and Hazardous.
Post 65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2018 premiums were known at the time of valuation and were incorporated into the liability measurement for KERS Non-Hazardous and Hazardous. 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 2019 premiums were known at the time of valuation and were incorporated into the liability measurement for CERS Non-Hazardous and CERS Hazardous.
Phase-In provision	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2018 premiums were known at the time of valuation and were incorporated into the liability measurement for KERS Non-Hazardous and KERS Hazardous. Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS Non-Hazardous and Hazardous.

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.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS OPEB.

OTHER SUPPLEMENTARY
INFORMATION

Marion County Water District
Lebanon, Kentucky

Schedules of Operating and Maintenance Expenses
Years Ended December 31, 2020 and 2019

	<u>2020</u>	Percent of Revenue	<u>2019</u>	Percent of Revenue
Source of Supply Expense				
Purchased Water	1,918,514	63.6%	1,767,957	57.6%
Pumping Expense				
Fuel or Power Purchased for Pumping	32,653	1.1%	38,378	1.2%
Transmission & Distribution Expense				
Salaries	230,209	7.6%	165,013	5.4%
Operation Supplies & Expense	51,803	1.7%	55,564	1.8%
Maintenance	<u>95,788</u>	<u>3.2%</u>	<u>93,220</u>	<u>3.0%</u>
Total Transmission & Distribution Expense	377,800	12.5%	313,797	10.2%
Customer Accounts Expense				
Salaries	130,234	4.3%	115,362	3.8%
Contractual Services - Meter Reading	19,754	0.7%	22,560	0.7%
Supplies & Expense	58,444	1.9%	51,011	1.7%
Uncollectible Accounts	<u>3,178</u>	<u>0.1%</u>	<u>3,800</u>	<u>0.1%</u>
Total Customer Accounts Expense	211,610	7.0%	192,733	6.3%
Administrative & General Expense				
Administrative & General Salaries	55,803	1.9%	50,403	1.6%
Office Supplies & Other Expense	26,385	0.9%	19,866	0.6%
Outside Service Employed	13,400	0.4%	35,463	1.2%
Insurance	33,953	1.1%	32,841	1.1%
Employee Benefits & Payroll Taxes	130,951	4.3%	98,339	3.2%
Pension Expense	208,612	6.9%	162,157	5.3%
Regulatory Commission Expense	6,208	0.2%	5,770	0.2%
Regulatory Department of Local Gov't	500	0.0%	500	0.0%
Miscellaneous	<u>10,472</u>	<u>0.3%</u>	<u>11,127</u>	<u>0.4%</u>
Total Administrative & General Expense	<u>486,284</u>	<u>16.1%</u>	<u>416,466</u>	<u>13.6%</u>
Total Operating & Maintenance Expense	<u><u>3,026,861</u></u>	<u><u>100.4%</u></u>	<u><u>2,729,331</u></u>	<u><u>88.9%</u></u>

See accompanying accountants' report.

DESIGNATION OF BOND: "Marion County Water District, Water System Revenue Bond, Taxable Series of 2009 (Build America Bonds-Direct Payment to Issuer)," Numbered R-1

AMOUNT DUE: \$ 1,245,000

CHARACTER OF BOND: Single, non-negotiable bond in fully registered form, payable to the United States Department of Agriculture, Rural Development, as specifically provided in that certain Resolutions adopted by the Commission of Marion County Water District on October 20, 2009, and May 11, 2010.

DATE: June 9, 2010

DENOMINATION: \$ 1,433,000

PAYABLE AS TO PRINCIPAL IN ANNUAL INSTALLMENTS ON JANUARY 1 OF THE RESPECTIVE YEARS AS FOLLOWS:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2021	25,000	2036	43,000
2022	26,000	2037	44,000
2023	27,000	2038	46,000
2024	28,000	2039	47,000
2025	29,000	2040	49,000
2026	30,000	2041	51,000
2027	31,000	2042	53,000
2028	32,000	2043	55,000
2029	33,000	2044	57,000
2030	34,000	2045	59,000
2031	36,000	2046	61,000
2032	37,000	2047	63,000
2033	38,000	2048	65,000
2034	40,000	2049	65,000
2035	41,000		

INTEREST RATE: Three and twenty-five hundredths percentum (3.25%) per annum payable semiannually on each January 1 and July 1, beginning June 1, 2013, to maturity of principal.

See accompanying accountant's report.

MARION COUNTY WATER DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2020

There were no prior year audit findings.

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**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***

March 15, 2021

To the Commissioners of the
Marion County Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the general purpose financial statements of Marion County Water District, Lebanon, Kentucky as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Marion County Water District, Lebanon, Kentucky's basic financial statements and have issued our report thereon dated March 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marion County Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marion County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marion County Water 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. 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 Marion County Water District'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 financial statements. 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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
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March 15, 2021

To the Commissioners of the
Marion County Water District

We have audited the general-purpose financial statements of the Marion County Water District, Lebanon, Kentucky for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by Marion County Water District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets for computation of depreciation. We evaluated the key factors and assumptions used to develop the computation of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 15, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and the Schedule of District's Proportionate Share of Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedules of Operating and Maintenance Expenses and Schedule of Bond Retirements, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restrictions on Use

This information is intended solely for the use of the Commissioners of Marion County Water District and management of Marion County Water District as is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants