

**RATTLESNAKE RIDGE WATER DISTRICT
GRAYSON, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019**

RATTLESNAKE RIDGE WATER DISTRICT
GRAYSON, KENTUCKY
Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Rattlesnake Ridge Water District, Kentucky
Grayson, KY 41143

We have audited the accompanying financial statements of the business-type activities of Rattlesnake Ridge Water District, Kentucky as of and for the year ended December 31, 2020 and December 31, 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 governmental activities of the Rattlesnake Ridge Water District, Kentucky, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

The schedule of the District's proportionate share of net pension liability and schedule of District contributions 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 schedule of the District's proportionate share of net pension liability and schedule of District contributions 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 November 3, 2021, on our consideration of the Rattlesnake Ridge Water District, Kentucky'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 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 Rattlesnake Ridge Water District, Kentucky's internal control over financial reporting and compliance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the 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 appropriated operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

November 3, 2021

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31,

ASSETS AND DEFERRED OUTFLOWS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 278,015	\$ 190,428
Cash and Cash Equivalents - Restricted	685,481	669,320
Accounts receivable		
Customers, net	151,346	227,618
Other	-	-
Unbilled Revenue Receivable	112,632	92,821
KRWFC Sinking Fund	56,413	52,061
Inventory	14,560	23,459
Prepaid Expenses	1,100	1,100
	<u>1,299,547</u>	<u>1,256,808</u>
TOTAL CURRENT ASSETS		
	<u>1,299,547</u>	<u>1,256,808</u>
PROPERTY, PLANT AND EQUIPMENT		
Nondepreciated Capital Assets:		
Land	16,558	16,558
Construction In Progress	4,082,069	3,542,629
Depreciated Capital Assets:		
Utility Plant in Service	36,071,372	36,049,375
Buildings	106,905	106,905
Other Depreciable Equipment	349,562	344,378
Less: Accumulated Depreciation	<u>(17,882,288)</u>	<u>(16,918,763)</u>
	<u>22,744,177</u>	<u>23,141,082</u>
NET PROPERTY, PLANT AND EQUIPMENT		
	<u>22,744,177</u>	<u>23,141,082</u>
Deferred Outflow of Resources-Pension	304,957	265,762
Deferred Outflow of Resources-OPEB	261,848	136,351
	<u>566,805</u>	<u>402,113</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$24,610,529</u>	<u>\$ 24,800,003</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 28,832	\$ 31,747
Accrued Taxes and Benefits	32,267	36,792
Accrued Interest	22,150	22,150
Accrued Wages and Sick Pay	24,436	24,436
Customer deposits	113,265	115,163
Short-term Note Payable KRWFC	-	-
Current Portion of Long-Term Debt	262,000	262,000
	<u>482,950</u>	<u>492,289</u>
TOTAL CURRENT LIABILITIES		
	<u>482,950</u>	<u>492,289</u>
NONCURRENT LIABILITIES		
Notes Payable	121,673	139,468
Accrued OPEB	579,455	375,362
Accrued pension	1,841,087	1,569,987
Bonds payable	8,896,100	9,158,100
	<u>11,438,315</u>	<u>11,242,917</u>
TOTAL NONCURRENT LIABILITIES		
	<u>11,438,315</u>	<u>11,242,917</u>
Deferred Inflow of Resources-OPEB	106,764	142,191
Deferred Inflow of Resources-Pension	13,055	62,069
	<u>120,819</u>	<u>204,260</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>12,041,084</u>	<u>11,939,465</u>
NET POSITION		
Investment in Capital Assets	13,464,404	13,581,514
Restricted for:		
Capital Projects and Replacement	528,549	278,491
Debt Service	384,611	389,794
Unrestricted	<u>(1,808,119)</u>	<u>(1,389,262)</u>
TOTAL NET POSITION	<u>\$12,569,445</u>	<u>\$ 12,860,537</u>

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

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
PROPRIETARY FUND
for the years ended December 31,

	2020	2019
OPERATING REVENUES		
Water sales	\$ 2,675,680	\$ 2,687,920
Service Charges and Other Revenue	2,303	3,680
Total operating Revenues	2,677,983	2,691,600
OPERATING EXPENSES		
Salaries & Wages	703,563	667,296
Employee Benefits	640,757	841,488
Office Supplies	66,926	32,630
Accounting and Legal	31,684	31,676
Materials & Supplies	315,598	314,934
Utilities and Telephone	307,246	333,355
Insurance	66,533	45,959
Vehicle Expense	39,996	35,332
Testing Expense	19,271	26,159
Depreciation and Amortization	963,525	978,582
Bad Debt Expense	22,963	49,363
Miscellaneous Expense	476	4,462
Taxes Other than Income	80,497	89,823
Total operating expense	3,259,036	3,451,060
OPERATING INCOME (LOSS)	(581,052)	(759,459)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,226	1,611
Interest expense	(281,505)	(129,152)
DOT project flow through expense	-	-
DOT project flow through income	-	-
Gain on Sale of Assets	-	-
Net Non-Operating Revenues (Expenses)	(280,279)	(127,540)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(861,332)	(887,000)
Capital Grants-CDBG	10,891	759,109
Capital Grants-RD	528,549	278,369
Customer Tap Fees	30,800	19,150
CHANGE IN NET POSITION	(291,092)	169,628
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	12,860,537	12,690,910
NET POSITION, BEGINNING OF YEAR	12,860,537	12,690,910
NET POSITION, END OF YEAR	\$ 12,569,445	\$ 12,860,537

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

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
for the years ended December 31,

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 2,601,711	\$2,731,122
Payments to Suppliers	(601,540)	(834,158)
Payments to Employee Services and benefits	<u>(1,344,319)</u>	<u>(1,508,784)</u>
Net Cash (Used) Provided by Operating Activities	655,851	388,178
CASH FLOW FROM INVESTING ACTIVITIES		
KRWFC Sinking Fund	4,352	(5,226)
Interest Income	<u>1,226</u>	<u>1,611</u>
Net Cash (Used) Provided by Investing Activities	<u>5,577</u>	<u>(3,615)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Proceeds		2,490,000
Principal Paid on Capital Debt	(279,795)	(225,698)
Purchases of Capital Assets	(566,620)	(3,172,487)
Contributed Capital-Tap Fees	30,800	19,150
Contributed Capital-Grants	539,440	1,037,478
Interest Paid on Capital Debt	<u>(281,505)</u>	<u>(129,152)</u>
Net Cash Provided by (Used in) Capital and Financing Activities	<u>(557,681)</u>	<u>19,292</u>
NET INCREASE (DECREASE) IN CASH	103,748	403,855
Cash and Cash Equivalents - At beginning of year	<u>859,748</u>	<u>455,893</u>
CASH AND CASH EQUIVALENTS - AT END OF YEAR	<u>\$ 963,496</u>	<u>\$ 859,748</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (581,052)	\$ (759,459)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense and Amortization Expense	963,525	978,582
Net pension liability	261,281	122,541
Net OPEB liability	294,163	89,154
Change in Assets and Liabilities:		
Accounts Receivable, Net	56,461	(67,413)
Accounts Payable and Other Payables	(327,729)	(14,558)
Inventories	(8,899)	10,849
Prepaid Expense		-
Customer Deposits	<u>(1,898)</u>	<u>28,484</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 655,851</u>	<u>\$ 388,178</u>

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

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES

The Rattlesnake Ridge Water District (District) is a water utility which serves areas of Carter, Elliot, Lawrence, and Morgan Counties. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created in November, 1961. The District began operations in 1983. The District is subject to the regulatory authority of the Kentucky Public Service Commission pursuant to KRS 278.040.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

The Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Rattlesnake Ridge Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations.

Based on the foregoing criteria there are no other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The financial statements of the District are prepared using the economic resources measurement focus for the proprietary fund financial statements.

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

Note 1: ORGANIZATION AND ACCOUNTING POLICIES

Basis of Accounting

The District maintains its accounting records on the accrual basis during the year. The District'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.

Inventory

Inventory is maintained at lower of cost or market.

Fixed Assets

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates determined by reference to Utility Standards Rates (NARUC). Asset lives range from:

<u>Class</u>	<u>Life</u>
Lines and tanks	40 years
Building	31.5 years
Pumps	10 years
Equipment	5-7 years

The District's capitalization policy is to capitalize expenditures costing more than \$500 with an estimated useful life greater than one year. All other fixed assets are expensed.

Power Costs

The cost of power purchases for pumping water is charged to expense as used.

Income Tax Status

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

Cash Flows

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities, and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

Net Position

Net Position represents the difference between assets and liabilities in the statement of net assets. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2: RESTRICTED CASH AND CASH EQUIVALENT

The District's restricted cash is composed of the following:

	<u>2020</u>	<u>2019</u>
Construction Accounts	\$ 535	\$ 1,035
Capital Improvement Account	-	-
Bond and Interest Sinking Fund	384,611	389,794
Depreciation Fund	<u>300,335</u>	<u>278,491</u>
TOTAL	<u>\$685,481</u>	<u>\$ 669,320</u>

NOTE 3: CUSTODIAL CREDIT RISK

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's cash and cash equivalents consist of checking and savings accounts with local banks. The District does have a deposit policy for custodial credit risk. As of December 31, 2020, \$185,854 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and no collateral held by pledging bank \$185,854

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4: FIXED ASSETS

Capital asset activity for the fiscal year ended December 31, 2020 was as follows:

Business-Type Activities	Balance Jan. 1, 2020	Additions	Deductions	Balance Dec. 31, 2020
Cost:				
Land	\$ 16,558	\$ -	\$ -	\$ 16,558
Utility Plant	10,843,860	21,997	-	10,865,857
Water System	24,969,683	-	-	24,969,683
Buildings	95,678	-	-	95,678
Equipment	255,807	5,184	-	260,991
Other Depreciable Assets	335,629	-	-	335,629
Construction in Progress	3,542,629	539,440	-	4,082,069
Totals at historical cost	<u>40,059,844</u>	<u>566,621</u>	<u>-</u>	<u>40,626,465</u>
Less accumulated depreciation:				
Plant in Service	15,927,905	761,185	-	16,689,090
Other Depreciable Assets	990,856	202,340	-	1,193,196
Total accumulated Depreciation	<u>16,918,765</u>	<u>963,525</u>	<u>-</u>	<u>17,882,293</u>
Business-Type Activities Capital Assets - Net	<u>\$ 23,141,079</u>	<u>\$ (396,904)</u>	<u>\$ -</u>	<u>\$ 22,744,173</u>

Capital asset activity for the fiscal year ended December 31, 2019 was as follows:

Business-Type Activities	Balance Jan. 1, 2019	Additions	Deductions	Balance Dec. 31, 2019
Cost:				
Land	\$ 16,558	-	-	\$ 16,558
Utility Plant	10,843,860	-	-	10,843,860
Water System	24,969,683	-	-	24,969,683
Buildings	95,678	-	-	95,678
Equipment	177,871	77,936	-	255,807
Other Depreciable Assets	335,629	-	-	335,629
Construction in Progress	448,077	3,094,552	-	3,542,629
Totals at historical cost	<u>36,887,356</u>	<u>3,172,488</u>	<u>-</u>	<u>40,059,844</u>
Less accumulated depreciation:				
Plant in Service	15,154,825	773,080	-	15,927,905
Other Depreciable Assets	785,354	205,502	-	990,856
Total accumulated Depreciation	<u>15,940,181</u>	<u>978,582</u>	<u>-</u>	<u>16,918,765</u>
Business-Type Activities Capital Assets - Net	<u>20,947,179</u>	<u>2,193,906</u>	<u>-</u>	<u>23,141,079</u>

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5: LONG-TERM DEBT (Continued)

The following is a summary of Notes Payable for the year ended December 31, 2020:

	<u>Outstanding December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Dodge Ram 3500 Truck 4.35% interest, \$20,547 dated 5/9/19, due monthly 2 year loan; monthly payment \$392.73	18,295		4,857	13,438
KADD Lease 3%-5.3%, Total 135,000 dated 4/14/05, due in semi-annual installments, maturity 05/01/25	60,000	-	10,000	50,000
Corp of Engineers 6.625%, Dated 05/21/84 Maturity: 30 years	61,172		2,938	58,233
TOTAL NOTES PAYABLE	\$ 139,467	\$ -	\$ 17,795	\$ 121,671
Less Current Maturities				17,146
TOTAL				<u><u>\$ 104,525</u></u>

The following is a schedule of long-term det maturities:

	Principal	Interest
2021	17,146	4,835
2022	17,532	4,097
2023	17,939	3,346
2024	14,651	2,530
2025	14,048	1,799
2026-2030	40,195	3,257
	<u>121,671</u>	<u>19,864</u>
	-	

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5: LONG-TERM DEBT

The following is a summary of revenue bonds payable for the year ended December 31, 2020. The revenues of the District are pledged as collateral for the following debt:

	<u>Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
1989 Series	5.00%	\$ 195,000	1/1/28	\$ 82,000	-	7,000	\$ 75,000
1992 Series	5.00%	365,000	1/1/31	190,500	-	12,000	178,500
1994 Series A	4.50%	434,000	1/1/34	264,000	-	12,000	252,000
1994 Series B	4.50%	197,000	1/1/34	116,500	-	5,500	111,000
1995 Series A	4.50%	445,000	1/1/35	275,000	-	12,000	263,000
1995 Series B	4.50%	100,000	1/1/35	62,500	-	2,700	59,800
2000 Series A	4.50%	900,000	1/1/40	676,000	-	20,000	656,000
2000 Series B	4.50%	425,000	1/1/40	318,000	-	10,000	308,000
2001 Series A	3.25%	900,000	1/1/41	646,000	-	20,500	625,500
2001 Series B	4.50%	600,000	1/1/41	45,600	-	1,300	44,300
2004 Series A	4.38%	1,340,000	1/1/44	1,101,500	-	24,500	1,077,000
2004 Series B	4.38%	549,000	1/1/44	451,000	-	10,000	441,000
2008 Series C	Various	665,000	1/1/25	285,000	-	40,000	245,000
2011 Series A	2.00%	1,336,000	1/1/52	1,202,000	-	24,500	1,177,500
2011 Series B	2.00%	1,146,000	1/1/52	1,022,500	-	22,000	1,000,500
2015 Series	3.00%	200,000	1/1/55	192,000	-	3,000	189,000
2019 Series	2.38%	2,490,000	1/1/59	2,490,000	-	35,000	2,455,000
				\$ 9,420,100	\$ -	\$ 262,000	\$ 9,158,100
Less Current Maturities							262,000
TOTAL							\$ 8,896,100

	<u>Principal</u>	<u>Interest</u>
2021	277,700	286,702
2022	283,900	276,346
2023	294,000	265,536
2024	308,300	254,212
2025	328,500	242,291
2026-2030	1,475,100	1,051,175
2031-2035	1,604,800	774,693
2036-2040	1,578,600	509,370
2041-2045	1,184,700	279,489
2046-2050	870,000	157,228
2051-2055	569,000	74,721
2056-2059	383,500	18,106
	\$ 9,158,100	\$ 4,189,868

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 6: RESERVES

The Rattlesnake Ridge Water District is required to comply with the bond agreements of all bond issues as follows:

A. SINKING FUND

On or before the 20th day of each month and after the required payment to the Operation and Maintenance Fund Account, the District is required to set aside an amount into a special account known as the "Rattlesnake Ridge Water District, Bond and Interest Sinking Fund". The amount to be set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

- 1) A sum equal to one sixth (1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
- 2) A sum equal to one twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The required balance of the reserve at December 31, 2020 was \$410,286. The District had set aside \$ 384,611 at December 31, 2020 into a restricted account, resulting in the account being under-funded by \$25,675.

B. DEPRECIATION FUND

The District is required to deposit \$2600 each month into the Depreciation Fund account the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project. The required balance at December 31, 2020 was \$ 831,240. District had set aside \$300,335 at December 31, 2020 into a restrict account, and therefore the account is under-funded by \$ 530,905.

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7. RETIREMENT PLAN

The Rattlesnake Ridge Water District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

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

Contributions- For the year ended December 31, 2020, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actual valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended December 31, 2020, participating employers contributed 24.06%, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 8. Plan members contributed 16.22% to the pension trust through June 30th and 19.30%, thereafter for non-hazardous job classifications for the year ended December 31, 2020. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set of percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended December 31, 2020, the District contributed \$153,713 or 100% of the required contribution for non-hazardous job classifications. Benefits- CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 7. RETIREMENT PLAN (CONTINUED)

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 of 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008- December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or Age 57+ and sum of service years plus age equal to 87+
	Reduced Retirement	Not Available

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 hires date multiplied by the average of the highest 5 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 children 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 non-service-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At December 31, 2020, the District reported a liability of \$1,841,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and was rolled forward using generally accepted actuarial procedures. The District proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the District's proportion was .0240 percent, which was an increase of .00168 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized pension expense of \$315,224. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7. RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 45,911	\$ -
Changes of Assumptions	71,891	-
Net difference between projected and actual earnings on Plan Investments	46,071	-
Changes in proportion and differences between District contributions and proportionate share of contributions	81,751	
District contributions subsequent to the measurement date	59,333	13,055
Total	\$ 304,957	\$ 13,055

The \$59,333 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2021	\$ 106,653
2022	\$ 80,211
2023	\$ 27,202
2024	\$ 18,503

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

Inflation	2.30%
Salary increases	3.30% to 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP- 2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system- specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP- 2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4- year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranged 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 rate of return for each major asset class are summarized in the following table:

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 7. RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long –Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.25%

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 funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate- The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (5.25 percent) or 1- percentage- point higher (7.25 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	\$2,270,461
Current discount rate	6.25%	\$1,841,087
1% increase	7.25%	\$1,485,549

Payable to the Pension Plan- The district reported a payable of \$19,658 as of December 31, 2020, for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description- As more fully described in Note 7, the District participates in the County Employees' Retirement System (CERS). CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions- As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2020, the employer's contribution was 5.26% through June 30th and 4.76% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended December 31, 2020, the District contributed \$29,267, or 100% of the required contribution for non-hazardous job classifications.

Benefits- CERS provides health insurance benefits to Plan employees and beneficiaries.

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

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance Eligibility Benefit	Before September 1, 2008 but after July 1, 2003 15 years of service credit required Set dollar amount based on service credit accrued, increased
Tier 2	Participation date Insurance Eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased
Tier 3	Participation date Insurance Eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At December 31, 2020, the District reported a liability for its proportionate share of the net OPEB liability of \$579,455. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2020 was .023997 percent, which was an increase of .00168 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized OPEB expense of \$84,320. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 96,815	\$ 96,860
Changes of Assumptions	100,791	613
Net difference between projected and actual earnings on Plan Investments	19,259	-
Changes in proportion and differences between District contributions and proportionate share of contributions	30,349	-
District contributions subsequent to the measurement date	14,634	9,261
Total	\$ 261,848	\$ 106,764

The \$4,700 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. This includes an adjustment of \$8,068 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

Year ending December 31,	
2021	\$ 37,606
2022	\$ 43,306
2023	\$ 32,376
2024	\$ 29,120
2025	\$ (1,958)

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

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Non-hazardous

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS Non-Hazardous and Hazardous, and 0.0% 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; and, 3.55% to 20.05%, Varies by service for KERS Hazardous
Investment rate of return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	Initial trend starting at 2.9% at January 1, 2022, and increasing to 6.30% in 2023 then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

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

The actuarial assumption used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.25%

Discount Rate- the discount rate used to measure the total OPEB liability was 5.34% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2020, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13% as reported in Fidelity Index's "20-Year Municipal GO AA Index". As of June 30, 2020, 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". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate- The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage- point lower or 1- percentage- point higher than the current rate:

	Discount rate	Proportionate share of net OPEB liability
1% decrease	4.34%	\$744,429
Current discount rate	5.34%	\$579,455
1% increase	6.34%	\$443,956

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019**

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the District's Proportionate Share of the NET OPEB Liability to Changes in the Healthcare Cost Trend Rate- The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability
1% decrease	\$448,643
Current trend rate	\$579,455
1% increase	\$738,198

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

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for the risks to the extent deemed prudent by district's management.

NOTE 10: CONTINGENCIES

The District had elected to be recognized as a reimbursing employer for state unemployment compensation purposes. Accordingly, the District will become liable for direct payment of unemployment benefits as they become due.

NOTE 11: PENDING LEGAL ISSUES

There is a pending legal issue. The matter is disputed by the District. The outcome is unknown.

NOTE 12: COVID-19 PANDEMIC

During 2020 and 2021, various restrictions were placed on utilities in the state of Kentucky in response to the COVID-19 pandemic. These restrictions included the cessation of utility shutoffs and the charging of penalties due to nonpayment of bills. As a result of these orders and the impact of COVID-19 on the District's customers, there has been an increase in delinquent billings as of December 31, 2020. The District is working to establish payment plans with customers who have delinquent bills in an attempt to ensure continuous service and the collection of past due balances. The district has increased the allowance for doubtful account of \$11,528 as of December 31, 2020, as an estimate of the total amount of accounts receivable that will not be collectible.

NOTE 13: SUBSEQUENT EVENTS

There were no subsequent events to report as of November 3, 2021

REQUIRED SUPPLEMENTAL INFORMATION

**RATTLESNAKE RIDGE WATER DISTRICT
SUPPLEMENTAL INFORMATION REQUIRED BY RURAL DEVELOPMENT
December 31, 2020**

Schedule of Insurance in Force

<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
General Liability	\$ 1,000,000	4/1/2021
Umbrella Policy	\$ 1,000,000	4/1/2021
Property - Building & Contents	\$ 8,414,300 100% Co-Insurance	4/1/2021
Employee Theft	\$ 1,000,000	3/4/2021
Automobile	\$ 1,000,000	4/1/2021
Encroachment Bonds	\$ 5,000	
Workers Compensation	Statutory	12/31/2020

Aged Accounts Receivable

A detailed schedule of aged accounts receivable is prepared on a monthly basis. At December 31, 2020, accounts receivable were aged as follows:

	<u>Amount</u>
Current	\$ 297,131
Over 60 Days	19,917
Over 90 Days	45,723
Total	\$ 362,771

During 2020, the District carried a reserve for possible uncollected accounts of \$211,425.

<u>Commissioner</u>	<u>Term Expires</u>
Bill Gilbert, Chairman	3/1/2025
Randy Steagall, Secretary	3/10/2024
Jason Carroll, Treasurer	8/13/2023
Steve Ison	7/31/2025
Mike Copley	5/1/2024

**RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Six Calendar Years**

	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.02107%	0.02327%	0.02327%	0.02194%	0.02297%	0.02400%
District's proportionate share of the net pension liability (asset)	\$575,000	\$905,050	\$1,145,666	\$1,284,157	\$1,569,987	\$1,841,087
District's covered employee payroll	\$613,228	\$603,055	\$624,849	\$631,511	\$593,281	\$638,875
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	93.77%	150.08%	183.35%	203.35%	264.63%	288.18%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2020 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

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

**RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS-PENSION
Last Seven Calendar Years**

	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 76,732.00	\$ 76,784.00	\$ 62,917.00	\$ 66,108.00	\$ 74,517.00	\$ 82,429.00	\$ 91,333.00
Contributions relative to contractually required employer contribution	\$ 76,732.00	\$ 76,784.00	\$ 62,917.00	\$ 66,108.00	\$ 74,517.00	\$ 82,429.00	\$ 91,333.00
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered employee payroll	\$ 608,801.00	\$613,228.00	\$603,055.00	\$ 624,849.00	\$ 631,511.00	\$593,281.00	\$ 638,875.00
Plan fiduciary net position as a percentage of the total pension liability	12.60%	12.52%	10.43%	10.58%	11.80%	13.89%	14.30%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2020 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

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.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

The District's covered payroll reported above is payroll for the District's corresponding calendar year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

**RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Four Calendar Years**

	2017	2018	2019	2020
District's proportion of the net OPEB liability	0.00000%	0.02194%	0.02297%	0.02232%
District's proportionate share of the net OPEB liability (asset)	\$ 345,946.00	\$ 441,049.00	\$ 375,362.00	\$ 579,455.00
District's covered employee payroll	\$ 624,849.00	\$ 631,511.00	\$ 593,281.00	\$ 638,875.00
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	55.36%	69.84%	63.27%	90.70%
Plan fiduciary net position as a percentage of the total OPEB liability.	52.39%	57.62%	60.44%	51.67%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2020 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net OPEB liability is 6 months preceding the calendar year of the District.

**RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS- OPEB
Last Seven Calendar Years**

	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 23,554.00	\$ 23,782.00	\$ 23,152.00	\$ 24,200.00	\$ 25,266.00	\$ 26,755.00	\$ 29,618.00
Contributions relative to contractually required employer contribution	\$ 23,554.00	\$ 23,782.00	\$ 23,152.00	\$ 24,200.00	\$ 25,266.00	\$ 26,755.00	\$ 29,618.00
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered employee payroll	\$ 608,801.00	\$613,228.00	\$603,055.00	\$ 624,849.00	\$ 631,511.00	\$593,281.00	\$ 638,875.00
Employer contributions as a percentage of covered-employee payroll	3.87%	3.88%	3.84%	3.87%	4.00%	4.51%	4.64%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2020 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the District's corresponding calendar year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

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

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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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**

To the Board of Commissioners
Rattlesnake Ridge 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rattlesnake Ridge Water District District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Rattlesnake Ridge Water District District, Kentucky's basic financial statements and have issued our report thereon dated November 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rattlesnake Ridge Water District District, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rattlesnake Ridge Water District District, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rattlesnake Ridge Water District District, Kentucky's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rattlesnake Ridge Water District District, Kentucky's financial statements are free of 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.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

November 3, 2021

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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Board of Commissioners
Rattlesnake Ridge Water District
Grayson, Kentucky 41143

In planning and performing my audit of the basic financial statements of Rattlesnake Ridge Water District for the year ended December 31, 2020, I considered the District's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of several matters that are opportunities for increasing operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated November 3, 2021, on the financial statements of the Rattlesnake Ridge Water District.

I will review the status of these comments and suggestions with various District personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Donna J. Hendrix, CPA

DONNA J. HENDRIX, CPA
Morehead, Kentucky

November 3, 2021

RATTLESNAKE RIDGE WATER DISTRICT
MANAGEMENT POINTS, RECOMMENDATIONS, AND RESPONSES
Year Ended December 31, 2020

Status of Prior Year Management Points

COMPLIANCE REQUIREMENTS

2019-01 BOND RESERVE/SINKING FUND REQUIREMENTS

Status: This is still an issue—will be carried to current year issues. 2020-1

2019-2 ACCOUNTS RECEIVABLE OVER 90 DAYS PAST DUE

Status: New Cut-off Policy has been implemented

2019-3 BILLING ADJUSTMENTS

Status- New Policy was implemented

Current Year Management Points

2020-1 BOND RESERVE/SINKING FUND REQUIREMENTS

Condition: The bond agreements with Rural Development contain requirements for regularly setting aside money into separate cash accounts for depreciation reserves and the sinking fund. The District has established the separate accounts; however, the accounts have not been funded in the manner set forth by Rural Development.

Recommendation: The District must resume funding both the sinking fund and depreciation reserve on a monthly basis as required by bond covenants and no withdraws should be made from the reserve account unless authorized.

Response: The District will make an effort to be in compliance with the bond covenants.