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REPORT



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INDEPENDENT AUDITORS' REPORT

Commissioners Todd County Water District Elkton, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Todd County Water District (the "District"), a component unit of Todd County, Kentucky, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Todd County Water District as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Todd County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and select pension and OPEB information on pages 47 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ungram, L.L.C.

Carr, Riggs & Ingram, LLC Bowling Green, Kentucky August 10, 2022

The Todd County Water District's discussion and analysis is designed to offer readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2021 and 2020. Readers are encouraged to read the Management's Discussion and Analysis included in the audit and the District's financial statements.

Financial Highlights

- The total assets and deferred outflows of resources of the District exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,538,089 compared to \$6,008,071 in the 2020 fiscal year. This is an increase from the 2019 fiscal year when the total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$5,165,698. Of this amount, \$2,191,157 may be used to meet the District's ongoing obligations to citizens and creditors, as compared to \$1,705,458 for the 2020 fiscal year and \$1,299,514 for the 2019 fiscal year. It is the District's intent to use these assets to operate the District. The restricted net position is earmarked for unbudgeted repairs and maintenance costs and debt service of the District. Total deferred outflows of resources were \$323,634 for 2021 compared to \$334,887 for 2020 and \$263,123 in 2019.
- The District has \$11,547,150, in long-term debt, net of current portion, as compared to \$12,023,607 for the 2020 fiscal year and \$5,809,843 for the 2019 fiscal year. Of this amount, \$866,405 is related to the net pension liability formed by the implementation of GASB 68, compared to \$990,568 in the 2020 fiscal year and \$877,935 in the 2019 fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) Financial Statements; and 2) Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

▶ Financial Statements

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of revenues and expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods.

The financial statements can be found on pages 9 through 15 of this report.

▶ Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16 through 46 of this report.

• Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,538,089 as compared with \$6,008,071 for the 2020 fiscal year and \$5,165,698 for the 2019 fiscal year.

Net Position as of December 31, 2021 and 2020

	2019	2020	2021
Current assets	3,327,084	4,086,670	4,423,569
Capital and other assets	12,151,437	14,336,736	13,967,003
Total Assets	15,478,521	18,423,736	18,390,572
Deferred amount of debt refundings	11,217	32,563	38,534
Pension/OPEB related	251,906	302,324	285,100
Total Deferred Outflows of Resources	263,123	334,887	323,634
Long-term liabilities	5,809,843	12,023,607	11,547,150
Other liabilities (current)	4,573,502	595,504	314,929
Total Liabilities	10,383,345	12,619,111	11,862,079
Pension/OPEB related	192,601	131,111	314,038
Total Deferred Inflows of Resources	192,601	131,111	314,038
Net Position			
Net investment in capital assets	3,392,360	3,851,048	3,834,883
Restricted	473,824	451,565	512,049
Unrestricted	1,299,514	1,705,458	2,191,157
Total Net Position	5,165,698	6,008,071	6,538,089

By far the largest portion of the District's net position in the amount of \$3,834,883 reflects its investment in capital assets (e.g., infrastructure, buildings, equipment, and vehicles). This is a decrease from \$3,851,048 for the 2020 fiscal year. The District's net position increased in 2020 from \$3,392,360 in 2019 to \$3,851,048 in 2020. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

Unrestricted net assets in the amount \$2,191,157 may be used to meet the District's ongoing obligation to customers and creditors. This is an increase from \$1,705,458 from the 2020 fiscal year and \$1,299,514 from the 2019 fiscal year. The remaining restricted net position is for replacement reserves for future years.

Deferred Outflows of Resources decreased to \$323,634 in 2021 from \$334,887 in 2020. Deferred Outflows of Resources increased in 2020 from \$263,123 in 2019. This decrease included \$136,622 in pension related outflows and \$148,478 in OPEB related outflows.

At December 31, 2021, and 2020, the District is able to report positive balances in all categories of net assets.

Changes in Net Position

	2019	2020	2021
Revenues Water service revenues			
Other revenues	2,478,268	2,585,671	2,998,296
	48,871	75,340	40,613
Total Operating Revenues	2,527,139	2,661,011	3,038,909
Expenses Water operations Total Operating Expenses	2,166,161 2,166,161	2,253,055 2,253,055	2,523,668 2,523,668
Net Operating Income	360,978	407,956	515,241
Non-operating revenue (expenses),			
net	(165,197)	(144,358)	(197,404)
Income Before Capital Contributions	195,781	263,598	317,837
Capital	35,255	578,775	212,181

contributions			
Change in Net Position	231,036	842,373	530.018
Net Position – Beginning of Year, as previously reported	4,934,662	5,165,698	6,008,071
Effect of Adoption of GASB 75			
Net Position – End of Year	5,165,698	6,008,071	6,538,089

Revenues

Water sold is the Water District's primary source of revenue. For the fiscal year of 2021 revenue from water sold was \$2,961,648 an increase from \$2,570,616 in the 2020 year. This is an increase of \$391,032, due to the high usage of a large industrial customer. In 2020, Water sold increase by \$126,080 to \$2,570,616 compared to \$2,444,536 in the 2019 year reflecting higher customer demand and the addition of a large industrial customer.

Capital grants and contributions totaled \$212,181 for fiscal year 2021. These funds were received from customers for tap on fees and from USDA grant funds. This is a decrease from \$578,775 for the fiscal year of 2020. There was an increase in the 2020 fiscal year from \$35,255 for the fiscal year of 2019.

Unrestricted investment earnings totaled \$24,310 for the fiscal year 2020 and decreased \$16,609 to \$7,701 for the 2021 fiscal year. The unrestricted investment earnings increased from \$14,789 in 2019 to \$24,310 in 2020; a total increase of \$9,521. The large decrease represents the interest rates received on investments and decreased purchase of investments. The District earned its investment revenues by placing idle cash in Certificates of Deposits and Reserve Funds.

Debt service and facility reserve—the District refinanced loans at a lower interest rate, but maintained the principal payment amount to decrease the loan term.

Other operating revenues totaled \$77,261 for the fiscal year 2021 which was a decrease from the prior year. The 2020 total for Other Operating Revenue was \$90,395 and 2019 was \$82,603. This revenue is from late charges and other miscellaneous charges.

Expenses

Operating expenses totaled \$2,523,668 for the fiscal year 2021 which was an increase from the 2020 amount of \$2,253,055. There was an increase in 2020 from the 2019 amount of \$2,166,161. These expenses relate directly to the everyday operations of the District such as payroll, transmission and distribution, and purchased water.

Interest expense totaled \$205,105 for the 2021 fiscal year. This is an increase from \$168,668 for fiscal year 2020. There was a decrease in 2020 from \$179,986 for the 2019 fiscal year.

Change in net position for 2021 was \$530,018 compared to \$842,373 in 2020. The change in net position for 2019 was \$231,036.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets at December 31, 2021 amounts to \$13,967,003 (net of accumulated depreciation). Capital assets includes infrastructure, buildings, equipment and vehicles. This is a decrease from \$14,336,736 for the 2020 fiscal year. Capital assets for the 2019 fiscal year was \$12,151,437.

Additional information on the District's capital assets can be found in Note 4 of the financial statements.

▶ Long-Term Debt

Long-term debt, net of current portion, totaled \$11,547,150 at December 31, 2021, a decrease from \$12,023,607 for the 2020 fiscal year. Outstanding debt at year-end was to finance the District's infrastructure. The only activity for debt was the servicing requirements and borrowing for the expansion projects. In 2021, the net pension liability relating to GASB 68 totaled \$866,405 which was a decrease compared to \$990,568 in 2020. In 2020, the net pension liability relating to GASB 68 totaled \$990,568 which was an increase compared to \$877,935 in 2019. In 2021, the net OPEB liability relating to GASB 75 totaled \$260,097 which was a decrease compared to \$311,761 in 2020. In 2020, the net OPEB liability relating to GASB 75 totaled \$311,761 which was an increase compared to \$209,908 in 2019.

▶ Operation and Maintenance Budgetary Highlights

The District's O & M budget was increased by 3 percent over the prior year. Variances between the revenues that were budgeted and the actual amounts collected are not significant.

Any variances are not expected to have a significant effect on future services or liquidity of the District.

Also now having Budgetary Influence on the Water District are the effects of the adoption of GASB 68. These effects are noted beginning on page 30 "Employee Retirement Plan" thru page 36.

▶ Economic Factors and Next Year's Budget and Rates

The District's primary source of revenue is water sold to customers. This revenue will vary along with the number of customers the Water District has at any given time.

The costs of water and line loss are areas the District continually monitor as they have the most direct impact on the operations of the District. During the current fiscal year, the

Operation and Maintenance account balance increased to \$264,026. This is a change (increase) from the 2020 balance of \$210,660. This increase is due to increased income of water sales. There was a decrease in the 2020 fiscal year from \$264,951 in the 2019 fiscal year.

• Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information should be addressed to Todd County Water District, PO Box 520, Elkton, KY 42220.



FINANCIAL STATEMENTS

Todd County Water District Statements of Net Position

December 31,	2021		2020
Assets			
Current assets			
Cash	\$ 264,020	5 \$	210,660
Short-term investments	2,800,71	1	2,444,577
Accounts receivable — billed	209,98	4	214,470
Accounts receivable — unbilled	114,74	3	113,178
Grant receivable	-		18,576
Supplies inventory	73,178	8	82,004
Prepaid expenses	38,88	4	30,613
Total current assets	3,501,52	6	3,114,078
Cook marking	022.04		072 502
Cash — restricted	922,04	3	972,592
Utility plant			
Utility plant in service	24,407,55	8	24,157,930
Less: accumulated depreciation	(10,440,55		(9,821,194)
Net utility plant	13,967,00	2	14,336,736
Net utility plant	13,307,00	<u>, </u>	14,330,730
Total assets	18,390,57	2	18,423,406
Deferred outflows of resources			
Deferred amount on debt refundings	38,53	4	32,563
Pension related	136,62		162,754
OPEB related	148,47		139,570
Total deferred outflows of resources	323,63	4	334,887

-Continued-

Todd County Water District Statements of Net Position (Continued)

December 31,	2021	2020
Liabilities		
Current liabilities		
Accounts payable	78,321	162,018
Accrued liabilities	32,182	9,571
Accrued interest payable	44,426	105,915
Current portion of notes payable	160,000	318,000
Total current liabilities	314,929	595,504
Noncurrent liabilities		
Long-term debt, due after one year	10,184,500	10,659,000
Net unamortized bond premium	236,148	62,278
Net pension liability	866,405	990,568
Net OPEB liability	260,097	311,761
Total noncurrent liabilities	11,547,150	12,023,607
Total liabilities	11,862,079	12,619,111
Deferred Inflows of Resources		
Pension related	167,349	52,633
OPEB related	146,689	78,478
Total deferred inflows of resources	314,038	131,111
	,	- ,
Net Position		
Net investment in capital assets	3,834,883	3,851,048
Restricted	512,049	451,565
Unrestricted	2,191,157	1,705,458
Total net position	\$ 6,538,089	\$ 6,008,071

Todd County Water District Statements of Revenues, Expenses and Changes in Net Position

For the years ended December 31,		2021		2020
Operating Revenues				
Water revenue	\$	2,961,648	\$	2,570,616
Late charges	,	36,648	7	15,055
Other		40,613		75,340
		-,		-,-
Total operating revenues		3,038,909		2,661,011
Operating Expenses				
Payroll		352,076		345,923
Retirement		110,728		183,482
Health insurance		33,931		32,562
Payroll taxes		25,784		25,671
Purchased water		954,967		763,100
Transmission and distribution		157,995		144,868
Contract services		24,683		17,510
Utilities		17,433		16,884
Telephone		4,716		4,579
Dues and subscriptions		9,931		16,649
Professional fees		25,659		22,228
Insurance		30,188		29,946
Commissioners' fees		18,000		17,700
Taxes and licenses		5,278		5,040
Office supplies and postage		42,770		38,699
Depreciation		619,361		503,295
Travel		24,311		15,223
Debt Issuance Cost		49,765		42,380
Bad debts		11,544		13,300
Miscellaneous		4,548		14,016
Total operating expenses		2,523,668		2,253,055
Operating income		515,241		407,956

-Continued-

Todd County Water District Statements of Revenues, Expenses and Changes in Net Position (Continued)

For the years ended December 31,	2021	2020
Nonoperating Revenues (Expenses)		
Interest income	7,7	'01 24,310
Interest expense	(205,1	.05) (168,668)
Total nonoperating expenses	(197,4	(144,358)
Income before capital contributions	317,8	263,598
Capital contributions	212,1	.81 578,775
Change in net position	530,0	9 18 842,373
Net position — beginning of year	6,008,0	5,165,698
Net position — end of year	\$ 6,538,0	989 \$ 6,008,071

Todd County Water District Statements of Cash Flows

Years Ended December 31,	2021	2020
Operating Activities		
Cash received from customers	\$ 2,662,780	
Cash payments to suppliers for goods and services	(1,041,268)	(1,046,583)
Cash paid to employees	(501,620)	(557,672)
Net cash provided by operating activities	1,119,892	1,011,283
Capital and Related Financing Activities		
Interest paid on debt	(272,565)	(396,876)
Purchase of capital assets	(249,628)	(2,688,596)
Proceeds from sale of capital assets	-	2,897
Proceeds from short-term debt	-	2,328,215
Principal payments on short-term debt	-	(6,278,000)
Proceeds from long-term debt	-	8,708,000
Premium on bonds	173,870	62,278
Proceeds from long-term debt	1,085,000	, -
Principal payments on long-term debt	(1,717,500)	(2,634,000)
Capital contributions	212,181	578,775
	(=co.c.o)	(047.007)
Net cash used in capital and related financing activities	(768,642)	(317,307)
Investing Actvities		
Interest income	7,701	24,310
Purchase of investments	(356,134)	(521,448)
Net cash used in investing activities	(348,433)	(497,138)
Net increase in cash	2,817	196,838
	,,,=-	, -
Cash - beginning of year	1,183,252	986,414
Cash - end of year	\$ 1,186,069	\$ 1,183,252

Todd County Water District Statements of Cash Flows

Years Ended December 31,		2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating			
Activities			
Operating income	\$	515,241 \$	407,956
Adjustments to reconcile operating income to net cash provided by operating	·	, .	,
activities:			
Depreciation expense		619,361	503,295
Gain on sale of capital assets		-	(2,895)
Pension expense in excess of pension contributions		16,685	85,653
OPEB expense variance from contributions		7,639	16,925
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
Net decrease (increase) in accounts receivable		21,497	(45,473)
Net decrease (increase) in inventory		8,826	(16,982)
Net (increase) decrease in prepaid expenses		(8,271)	21,155
Net (decrease) increase in accounts payable		(83,697)	39,904
Net increase in accrued liabilities		22,611	1,745
Net cash provided by operating activities	\$	1,119,892 \$	1,011,283

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Todd County Water District (the "District") was chartered in 1971. It is a distributor of water under the authority of the Public Service Commission of Kentucky. The District provides service to customers in Todd County and a small area in Logan and Muhlenberg Counties.

Reporting Entity

The District is governed by a five-member board (the "Board"). The criteria for determining the District as a component unit of Todd County, Kentucky, the primary government, is financial accountability. As set forth in Section 2100, Defining the Financial Reporting Entity, of the Governmental Accounting Standards Board (GASB) Codification, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to impose its will on that organization. The majority of the Commissioners of the Board are appointed by the Todd County Judge Executive subject to the approval of the Todd County Fiscal Court. Todd County is able to impose its will on the District through the ability to remove appointed members of the Board at will and the ability to modify or approve the budget of the District.

Measuring Focus, Basis of Accounting, and Financial Statement Presentation

The District's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the District conform to applicable generally accepted accounting principles as defined in the pronouncements of GASB. The District's basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity.

The District operates as an enterprise activity, using the flow of economic resources measurement focus. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses for the enterprise funds include the cost of sales and service, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 assets and liabilities and disclosure of contingent assets and liabilities at the

Use of Estimates (Continued)

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments consist of non-brokered certificates of deposit and are recorded at cost. The cost of investments approximates their fair value. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool.

Accounts Receivable

Billed receivables are stated at the amount billed to customers. Unbilled receivables are recorded for services provided for which customers have not been billed at December 31, 2021 and 2020. The District's operating revenues are recognized on the basis of cycle billings rendered monthly. Accounts receivable are due on the 10th of each month. Accounts unpaid on the 25th of each month are considered delinquent and service is disconnected. The District provides no allowance for doubtful accounts due to the historical nature of the accounts receivable and the District's ability to disconnect service. Delinquent receivables are written off. New service is denied until all outstanding balances have been settled.

Supplies Inventory

Operating supplies is stated at the lower of cost, determined by first-in first-out ("FIFO") method, or net realizable value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets

Certain proceeds of the bond issues and certain resources set aside for their repayment along with reserves for depreciation of plant are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Utility Plant

Expenditures for utility plant with an original cost of \$500 or more are capitalized at cost, while maintenance and repairs are charged to operations when incurred. Depreciation is recorded on the straight-line method over the estimated useful life. Major outlays for capital assets and improvements are capitalized as projects are constructed. Effective January 1, 2021 the District adopted GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, thereby, interest cost incurred before the end of a construction period is recognized as an expense. However, prior to implementation in 2020, interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2020 the District capitalized \$118,809 of interest costs.

Bond Discount and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Unamortized amounts are reflected in the long term obligations in the financial statements.

Deferred Inflows and Outflows of Resources – Debt Related

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of the financial statements. The deferred outflows of resources reported in the financial statements include the deferred amount arising from the refunding of bonds. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred inflows of resources reported in the financial statements include the deferred gain on debt defeasance. The deferred gain is being amortized over the remaining life of the bond as part of other revenues.

Deferred Inflows and Outflows of Resources – Pension Related

The District's statement of net position reports a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan.

Deferred Inflows and Outflows of Resources - OPEB Related

The District's statement of net position reports a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Long Term Debt

Debt is a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 8 provides further detail on the net pension liability.

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 9 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS plan.

Income Taxes

The District is exempt from federal and state income taxes under Section 501 of the Internal Revenue Code.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Net Position

Net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets — This component of net position consists of the District's total investment in capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of the net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted — This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets will be reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted Net Position — This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are

Net Position (Continued)

not included in the determination of net investment of capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Concentration of Credit Risk

The majority of the District's business activity is with customers located within Todd and Logan County, Kentucky. The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses are usually minimal and are generally within management's expectations.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation. There was no effect on the change in net position.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through August 10, 2022, which was the date the financial statements were made available. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recent Issued and Adopted Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. GASB statement 95 postponed the effective date by one year from the original effective date. The implementation of GASB Statement No. 89 did not have a significant impact on the 2021 financial statements.

Recent Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. GASB statement 95 postponed the effective date by eighteen months from the original effective date. The District is evaluating the requirements of this Statement.

NOTE 2: CASH AND INVESTMENTS

Deposits

The District maintains its deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2021 and 2020, respectively, the carrying amounts of the District's deposits were \$3,986,780 and \$3,627,829 and the bank balances were \$3,991,045 and \$3,644,362. Of the bank balances, \$3,720,563 and \$3,575,434 was covered by FDIC insurance or by collateral held by an institution for the pledging Bank, in the District's name and \$270,482 and \$68,928 was uninsured and uncollateralized.

December 31,	2021	2021 2020	
Cash Investments Restricted cash	2,80	64,026 \$ 00,711 22,043	210,660 2,444,577 972,592
	\$ 3,98	8 6,780 \$	3,627,829

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 does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute for bank deposits to be collateralized. As of December 31, 2021 and 2020, \$270,482 and \$68,928 of the Districts bank balance was exposed to custodial credit risk.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has an investment policy that requires additional investments to be in the form of a certificate of deposit.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. At December 31, 2021 and 2020, there are no investments in any one issuer that represents 5% or more of the total investments.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3: CASH - RESTRICTED

Restricted cash consists of the following at:

December 31,	20	2021 2020	
Construction Depreciation reserve Debt service reserve	\$	1,284 \$ 510,765 409,994	1,279 450,286 521,027
	\$	922,043 \$	972,592

Certain bond agreements require the District to maintain replacement and debt sinking reserves. The construction amount is unspent bond proceeds from the District's last construction project.

Todd County Water District Notes to Financial Statements

NOTE 4: UTILITY PLANT

Utility plant activity is as follows:

December 31, 2021	Beginning Balance Additions		Retirements/ Reclassifications	Ending Balance
Capital assets that are not				
depreciated:				
Land and land improvements	\$ 116,229	\$ -	\$ -	\$ 116,229
Construction in progress	3,494,112	116,241	(3,610,353)	-
Total non-depreciable cost	3,610,341	116,241	(3,610,353)	116,229
Capital assets that are depreciated:				
Structures and Improvements	1,110,829	56,051	2,111,614	3,278,494
Distribution reservoirs and				
standpipes	3,233,074	-	-	3,233,074
Transmission and distribution				
mains	13,596,740	3,701	1,489,775	15,090,216
Meters and installations	2,253,460	51,132	8,964	2,313,556
Hydrants	9,900	-	-	9,900
Miscellaneous equipment	258,711	15,605	-	274,316
Office equipment	79,500	6,898	-	86,398
Power operating equipment	2,500	-	-	2,500
Communication equipment	2,875	-	-	2,875
Total depreciable historical cost	20,547,589	133,387	3,610,353	24,291,329
Accumulated depreciation	(9,821,194)	(619,361)	-	(10,440,555)
	10,726,395	(485,974)	3,610,353	13,850,774
Utility plant, net	\$ 14,336,736	\$ (369,733)	\$ -	\$ 13,967,003

Todd County Water District Notes to Financial Statements

NOTE 4: UTILITY PLANT (CONTINUED)

December 31, 2020	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets that are not				
depreciated:				
Land and land improvements	\$ 116,229	\$ -	\$ -	\$ 116,229
Construction in progress	4,134,272	2,563,264	(3,203,424)	3,494,112
Total non-depreciable cost	4,250,501	2,563,264	(3,203,424)	3,610,341
Capital assets that are depreciated:				
Structures and Improvements	1,092,120	_	18,709	1,110,829
Distribution reservoirs and	, ,		-,	, -,
standpipes	3,233,074	-	-	3,233,074
Transmission and distribution				
mains	10,802,664	-	2,794,076	13,596,740
Meters and installations	1,826,840	35,981	390,639	2,253,460
Hydrants	9,900	-	-	9,900
Miscellaneous equipment	204,756	77,890	(23,935)	258,711
Office equipment	68,039	11,461	-	79,500
Power operating equipment	2,500	-	-	2,500
Communication equipment	2,875	-	-	2,875
Total depreciable historical cost	17,242,768	125,332	3,179,489	20,547,589
Accumulated depreciation	(9,341,832)	(503,295)	23,933	(9,821,194)
	7,900,936	(377,963)	3,203,422	10,726,395
Utility plant, net	\$ 12,151,437	\$ 2,185,301	\$ (2)	\$ 14,336,736

For the year ended December 31, 2020, the District capitalized \$118,809 of interest cost relating to a construction project.

NOTE 5: SHORT-TERM DEBT

Short-term debt provides interim financing for capital construction activities. On August 4, 2017, the District entered into a loan agreement with the Kentucky Rural Water Finance Corporation (RD) to provide financing for a construction project. The agreement provides interim financing of up to \$3,068,000, at an interest rate of 3.40%, to complete the construction project. Once the construction project is complete, the agreement further states the U.S. Department of Agriculture (USDA) acting through RD will provide a permanent loan commitment up to \$3,068,000 to retire the interim

Todd County Water District Notes to Financial Statements

NOTE 5: SHORT-TERM DEBT (CONTINUED)

financing by the District by issuing revenue bond, Series 2017. On July 9, 2020 the USDA issued revenue bonds in the amount of \$3,068,000 to retire the interim financing.

On May 28, 2019, the District entered into a loan agreement with the Kentucky Rural Water Finance Corporation (RD) to provide financing for a construction project. The agreement provides financing of up to \$3,210,000, at an interest rate of 3.10%, to complete the construction project. Once the construction project is complete, the agreement further states the U.S. Department of Agriculture acting through RD will provide a permanent loan commitment up to \$3,210,000 to retire the interim financing by the District by issuing revenue bond, Series 2019. On September 30, 2020 the USDA issued revenue bonds in the amount of \$3,210,000 to retire the interim financing.

The following is a summary of changes in short-term debt as of December 31, 2021 and 2020:

December 31,	2021		2020		
Balance, January 1	\$	- \$	3,949,785		
Increases		-	2,328,215		
Decreases		-	(6,278,000)		
Balance, December 31	¢	ċ			
Balance, December 31	Ş	- >	-		

NOTE 6: LONG-TERM DEBT

Long-term debt consists of the following:

December 31,	2021	2020
Revenue bonds, payable in annual principal installments, plus		
interest at 3.00%, maturing in January 2052	\$ 854,500 \$	889,000
Revenue bonds, payable in annual principal installments, plus interest at 1.50%, maturing in January 2060	2,954,000	3,068,000
Revenue bonds, payable in annual principal installments, plus interest at 1.50%, maturing in January 2060	3,091,000	3,210,000
Revenue bonds, payable in annual principal installments, plus interest of varying rates beteen 2.20% and 3.55%, maturing in July 2033	-	1,380,000
Revenue bonds, payable in annual principal installments, plus interest of varying rates between 2% and 5%, maturing in January 2042	2,360,000	2,430,000
Revenue bonds, payable in annual principal installments, plus interest of varying rates between 3.20% and 5.20%, maturing in July 2032	1,085,000	
1173dly 2032	1,003,000	
	10,344,500	10,977,000
Less: current portion	(160,000)	(318,000)
	\$ 10,184,500 \$	10,659,000

On October 19, 2021, the District issued \$1,085,000 in General Obligation Bonds with an average interest rate of 3.20 percent to refund \$1,265,000 of outstanding 2012 Series bonds with an interest rate of 3.55 percent. The net proceeds of \$1,225,159 (after payment of \$40,485 in underwriting fees, insurance, and other issuance costs and plus net premium of \$180,644) plus an additional \$49,121 of 2012 Series sinking fund monies were used to refund the 2012 Series bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$18,857. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2032 using the effective-interest method. The District completed the refunding to reduce its total debt service payments over the next 11 years by \$147,188 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$126,762.

On March 17, 2020, the District issued \$2,430,000 in General Obligation Bonds with an interest rate of 2.0 percent to refund \$899,000 of outstanding 2005 Series bonds with an interest rate of 4.125 percent and to refund \$1,554,000 of outstanding 2008 Series bonds with an interest rate of 4.125

NOTE 6: LONG-TERM DEBT (CONTINUED)

percent. The net proceeds of \$2,474,346 (after payment of \$42,796 in underwriting fees, insurance, and other issuance costs and plus net premium of \$62,278) plus an additional \$24,864 of 2005 Series and 2008 Series sinking fund monies were used to refund the 2005/2008 Series bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$21,346. This difference, reported in the accompanying financial statements as deferred outflows, is being charged to operations through the year 2048 using the effective-interest method. The District completed the refunding to reduce its total debt service payments over the next 28 years by \$424,263 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$261,230.

On July 9, 2020 the USDA issued revenue bonds in the amount of \$3,068,000 to retire the interim financing described in Note 5.

On September 30, 2020 the USDA issued revenue bonds in the amount of \$3,210,000 to retire the interim financing described in Note 5.

Activity in long-term debt is as follows:

December 31, 2021

	Beginning of			
	Year	Increases	Decreases	End of Year
Revenue bonds	\$ 10,977,000	\$ 1,085,000	\$ 1,717,500	\$ 10,344,500
	\$ 10,977,000	\$ 1,085,000	\$ 1,717,500	\$ 10,344,500

December 31, 2020

	Beginning of							
		Year		Increases		Decreases	End of Year	
Revenue bonds	\$	4,903,000	\$ 8,708,000		\$ 2,634,000		\$ 10,977,000	
	\$	4,903,000	\$	8,708,000	\$	2,634,000	\$ 10,977,000	

NOTE 6: LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2021 are as follows:

					•	Total Debt
Year		Principal		Interest		Service
2022	\$	160,000	\$	165,534	\$	325,534
2023		317,000		225,789		542,789
2024		334,500		214,116		548,616
2025		347,500		201,621		549,121
2026		360,000		188,564		548,564
2027-2031		1,800,000		753,968		2,553,968
2032-2036		1,499,000	553,004			2,052,004
2037-2041		1,564,500	4,500 409,989			1,974,489
2042-2046		1,129,000		274,408		1,403,408
2047-2051		1,087,000		180,390		1,267,390
2052-2056	946,000		946,000 95,895			1,041,895
2057-2060		800,000		24,000		824,000
	\$	10,344,500	\$	3,287,278	\$	13,631,778

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$10,344,500 in water system Revenue Bonds Series 2011, 2020, and 2021. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely from water customer net revenues and are payable through 2060. The total principal and interest remaining to be paid on the bonds is \$13,631,778. Principal and interest paid for the current year and total customer net revenues were \$837,605 and \$3,038,909 respectively. Principal and interest paid and total customer net revenues for the year ended December 31, 2020 were \$468,477 and \$2,661,011, respectively.

The District has various financial and non-financial debt covenants and restrictions as set forth in the bond and loan agreements. Failure to fulfill any of the debt covenants and restrictions, or failure to cure any such failure within 30 days, constitute an event of default. In the event of default, the respective owners of the bonds may enforce and compel the duties and obligations set forth within the bond agreement.

NOTE 7: MAJOR SUPPLIER

The District has entered into a water purchase contract with the Logan/Todd Regional Water Commission, whereas the contract requires the Commission to provide water to the District and the rates the District will be charged for the expected water usage are defined therein. The contract will extend for a term of 50 years beginning January 1, 2003. The agreement may be renewed or extended for such term or terms as may be agreed upon by the Commission and the District.

NOTE 7: MAJOR SUPPLIER (CONTINUED)

Under terms of the agreement, the District may not produce or resell water to any other water system or water seller, nor may the District add any customer to its system that would increase average daily water demand or peak water demand within the District by over 25% without prior written approval from the Commission. The agreement was originally signed to begin from the earlier date of initial availability of water for delivery by the Commission or January 1, 2003. The District began purchasing water from the Commission in March 2003; therefore, the Commission is the sole provider of water to the District. The agreement does require the District to purchase minimum levels of water from the Commission. If minimum levels are not met, the Commission may charge the District for the shortages. At December 31, 2021 and 2020 minimum levels have been met.

NOTE 8: EMPLOYEES' RETIREMENT PLANS

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

Plan Description

The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

- Tier 1 Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.
- Tier 2 Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute a total of 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420).

NOTE 8: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Benefits Provided (Continued)

These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 - Non-Hazardous Tier 3 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. Non-hazardous members contribute 5% of their monthly creditable compensation and 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the 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.

Contributions

Employers participating in the CERS were 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 KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees 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 KRS Board of Trustees. For the fiscal year ended June 30, 2021 and 2020, participating employers contributed 19.30% and 19.30%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal years June 30, 2021 and 2020 was 19.30% and 19.30%, respectively. The effective actuarially determined rate at December 31, 2021 and 2020 was 21.17% and 19.30%, respectively.

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

At December 31, 2021, and 2020 the District reported a liability of \$866,405 and \$990,568, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and June 30, 2019, respectively. The pension liability was rolled forward from the valuation date to the measurement date of June 30, 2021. The District's proportion of the net pension liability was based on the District's

NOTE 8: EMPLOYEES' RETIREMENT PLANS (CONTINUED)

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

share of 2021 and 2020 contributions to the pension plan relative to the 2021 and 2020 contributions of all participating employers, actuarially determined. At June 30, 2021 and 2020 the District's proportion was 0.013589% and 0.012915%, respectively.

For the years ended December 31, 2021 and 2020, the District recognized pension expense of \$87,023 and \$152,076, respectively. At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021				2020																										
	Deferred			Deferred Deferre		Deferred		Deferred		Deferred		Deferred		Deferred		Deferred		Deferred		Deferred		Deferred		Deferred		Deferred		Deferred		D	eferred
	Ou	itflows of	Inflows of		Outflows of		Inflows of																								
	R	esources	R	esources	R	esources	Resources																								
Differences between expected and actual experience	\$	9,949	\$	8,409	\$	24,702	\$	-																							
Net difference between projected and actual investment earnings on pension plan investments		33,611		149,088		42,938		18,150																							
Change of assumptions		11,628		-		38,680		-																							
Changes in proportion and differences between employer contributions and proportionate share of contribution		44,400		9,852		22,750		34,483																							
District contributions subsequent to the measurement date		37,034				33,684																									
Total	\$	136,622	\$	167,349	\$	162,754	\$	52,633																							

The \$37,034 and \$33,684 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, 2022 and 2021, respectively.

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

As of December 31, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ 3,261
2023	(10,028)
2024	(24,833)
2025	(36,161)
2026	-

2021 Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2020. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth	2.00%
Salary Increases	3.30 % to 10.30 %,
	Varies by service for CERS non-hazardous
Investment Rate of Return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-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 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.

2020 Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension 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. There have been no changes in plan provisions since June 30, 2018.

The plan adopted new actuarial assumptions since June 30, 2019, which were used to determine the total pension liability as follows:

Inflation 2.30%
Payroll Growth 2.00%
Salary Increases 3.30 % to 10.30 %,

Varies by service for CERS non-hazardous

Investment Rate of Return 6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-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 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.

Long-Term Expected Rate of Return

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 table below.

Long-Term Expected Rate of Return (Continued)

<u>2021</u>

		Long-Term Expected
Asset Class	Target Allocation	Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	100.0%	5.00%
Long Term Inflation Assumption	 -	2.30%

2020

		Long-Term Expected
Asset Class	Target Allocation	Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.5%	-0.25%
Cash	1.0%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.0%	5.30%
Opportunistic	3.0%	2.25%
Real Return	15.0%	3.95%
Expected Real Return	100.0%	3.96%
Long Term Inflation Assumption		2.30%

2021 and 2020 Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

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%, 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%) or 1-percentage-point higher (7.25%) than the current rate:

2021:

	Current					
	1% Decrease (5.25%)				1% Increase (7.25%)	
District's proportionate share of the						_
net pension liability	\$	1,111,206	\$	866,405	\$	663,839

2020:

	Current					
	19	% Decrease (5.25%)	_	count Rate (6.25%)	1	% Increase (7.25%)
District's proportionate share of the						
net pension liability	\$	1,221,588	\$	990,568	\$	799,278

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS plan's ACFR.

General Information about the County Employees Retirement System's (CERS) OPEB Plan

Plan Description

The District's employees are provided OPEB under the provisions of Kentucky Revised Statues, the Kentucky Retirement Systems (KRS) board administers the KRS Insurance Fund. The KRS Insurance Fund is a cost sharing, multiple employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

The KRS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI and Humana. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

Employers participating in the KRS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the years ended June 30, 2021 and 2020, the required contribution was 5.78% and 4.76%, respectively, of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the years ended December 31, 2021 and 2020, were \$18,326 and \$16,381, respectively. The KRS 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 KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

Implicit Subsidy

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At December 31, 2021 and 2020, the District reported a liability of \$260,097 and \$311,761, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and 2020, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and June 30, 2019, respectively. The OPEB liability was rolled forward from the valuation date to the measurement date of June 30, 2021. The District's proportion of the net OPEB liability was based on the District's share of 2021 and 2020 contributions to the OPEB plan relative to the 2021 and 2020 contributions as of all participating employers, respectively, actuarially determined. At June 30, 2021 and 2020, the District's proportion was 0.013586% and 0.012911%, respectively.

For the years ended December 31, 2021 and 2020, the District recognized OPEB expense of approximately \$33,654 and \$39,794.

At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021			2020				
	D	eferred	Deferred		Deferred Defer		eferred Defe	
	Ou	tflows of	In	flows of	Outflows of		Inflows of	
	Re	esources	ources Resources		Resources		Resources	
Difference between expected and actual experience	\$	40,900	\$	77,656	\$	52,089	\$	52,129
Net difference between projected and actual investment earnings on OPEB plan investments		13,104		53,793		16,724		6,361
Change of assumptions		68,957		242		54,228		330
Changes in proportion and differences between employer contriutions and proportionate share of contribution		15,406		14,998		8,222		19,658
District contributions subsequent to the measurement date		10,111		-		8,307		-
Total	\$	148,478	\$	146,689	\$	139,570	\$	78,478

For the years ended December 31, 2021 and 2020, \$10,111 and \$8,307, respectively, was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ended December 31, 2022 and 2021, respectively.

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2022	\$ 6,570
2023	389
2024	(987)
2025	(14,294)
2026	-
Thereafter	-

2021 Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. The plan adopted new actuarial assumptions since June 30, 2020, which were used to determine the total OPEB liability as follows:

Inflation Payroll Growth Rate	2.30% 2.00%
Salary Increase Investment Rate of Return Healthcare Trend Rates (Pre-65)	3.30% to 10.30%, varies by service for CERS non-hazardous 6.25% Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

2021 Actuarial Assumptions (Continued)

Mortality (Pre-retirement) PUB-2010 General Mortality table, for the Non-Hazardous

Plans, and the PUB-2010 Public Safety Mortality table for the Hazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year

of 2010

Mortality (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

Mortality (Post-retirement;

disabled)

PUB-2010 Disabled Mortality table, with a 4-yeat setforward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement

scale using a base year of 2010

2020 Actuarial Assumptions

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. There have been no changes in plan provisions since June 30, 2019. The plan adopted new actuarial assumptions since June 30,2019, which were used to determine the total OPEB liability as follows:

2020 Actuarial Assumptions (Continued)

Inflation	2.30%
Payroll Growth Rate	2.00%

Salary Increase 3.30% to 10.30%, varies by service for CERS non-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.

Healthcare Trend Rates (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 the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a

base year of 2010

Mortality (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

Mortality (Post-retirement;

disabled)

PUB-2010 Disabled Mortality table, with a 4-yeat setforward 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 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 Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

Long-Term Expected Rate of Return

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 tables below.

Long-Term Expected Rate of Return (Continued)

<u>2021</u>

		Long-Term Expected
Asset Class	Target Allocation	Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	100.0%	5.00%
Long Term Inflation Assumption		2.30%

2020

		Long-Term Expected
Asset Class	Target Allocation	Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.5%	-0.25%
Cash	1.0%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.0%	5.30%
Opportunistic	3.0%	2.25%
Real Return	15.0%	3.95%
Expected Real Return	100.0%	3.96%
Long Term Inflation Assumption		2.30%

2021 Discount Rate

Single discount rates of 5.20% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. This includes the phase-in provisions from House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

2020 Discount Rate

Single discount rates of 5.34% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2020. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

2020 Discount Rate (Continued)

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Except where noted below, the future contributions are projected assuming that each participating employer in the System contribute the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. This includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to the CERS Funds as well as the provisions from Senate Bill 249 (passed in 2020) which kept CERS contributions level for fiscal year ending 2021.

2021 Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

			Current		
	Decrease (4.20%)	_	count Rate (5.20%)	-	6 Increase (6.20%)
District's proportionate share of the	 _		_		
collective net OPEB liability	\$ 357,111	\$	260,097	\$	180,481

2020 Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

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

			Current		
	-	6 Decrease (4.34%)	count Rate (5.34%)	-	6 Increase (6.34%)
District's proportionate share of the		_	_		_
collective net OPEB liability	\$	400,522	\$ 311,761	\$	238,859

2021 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 are 1-percentage-point lower or 1-percentage-point higher than the current rate:

				Current		
			Н	ealthcare		
	1%	Decrease		Rate	1%	6 Increase
District's proportionate share of the						
collective net OPEB liability	\$	187,239	\$	260,097	\$	348,038

2020 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 are 1-percentage-point lower or 1-percentage-point higher than the current rate:

			Current ealthcare		
	1%	Decrease	Rate	19	6 Increase
District's proportionate share of the					
collective net OPEB liability	\$	241,381	\$ 311,761	\$	397,169

OPEB Plan Fiduciary Net Position

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

NOTE 10: 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. To obtain insurance for worker's compensation, unemployment insurance, errors and omissions, property and general liability coverage, the District participates in the Kentucky Association of Counties (KACo) insurance fund. This public entity risk pool operates as a common risk management and insurance program for political subdivisions in the State of Kentucky. The District, along with other participating entities, contributes annual premiums determined by KACo. The amount of the premium is based on actuarial evaluations, rating plans and other analyses of the amounts necessary for the payment of claims. If, in the opinion of KACo's Board, the assets of the Trust are insufficient to enable the Trust to discharge

Todd County Water District Notes to Financial Statements

NOTE 10: RISK MANAGEMENT (CONTINUED)

its legal liabilities and other obligations and to maintain required reserves, the Trust's Board may require certain participating members to contribute supplementary contributions. The District is not aware of any additional assessments payable to the Trust to cover claims. The District's claims are submitted to and paid by KACo. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the District does not believe that such disallowance, if any, would have a material effect on the financial position of the District.

Todd County Water District A Component Unit of Todd County, Kentucky Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Contributions County Employee Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability - CERS

As of December 31,	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.013589%	0.012915%	0.012483%	0.014053%	0.013655%	0.012075%	0.011961%
District's proportionate share of the net pension liability	866,405 \$	990,568 \$	877,935 \$	855,871 \$	799,269 \$	594,539 \$	514,262
District's covered payroll	347,097 \$	330,816 \$	314,873 \$	348,307 \$	332,266 \$	288,056 \$	279,064
District's proportionate share of the net pension liability as a percentage of its covered payroll	249.61%	299.43%	278.82%	245.72%	240.55%	206.40%	184.28%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

Note: The amounts disclosed in the table above were determined as of June 30, which is the measurement date for the plan.

Todd County Water District A Component Unit of Todd County, Kentucky Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Contributions County Employee Retirement System

Schedule of District's Contribution - CERS

For the Year Ended December 31,	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 70,340 \$	66,421 \$	56,597 \$	51,145 \$	48,505 \$	40,238 \$	36,211
Contributions in relation to the contractually required							
contribution	70,340	66,421	56,597	51,145	48,505	40,238	36,211
Contribution deficiency (excess)	\$ - \$	- \$	- \$	- \$	- \$	- \$	-
District's covered payroll (1)	\$ 347,506 \$	344,640 \$	318,325 \$	334,252 \$	341,178 \$	303,889 \$	286,477
Contributions as a percentage of covered payroll	20.24%	19.27%	17.78%	15.30%	14.22%	13.24%	12.64%

⁽¹⁾ The amount presented was determined as of the calendar year end that accrued within the fiscal year.

Note: GASB codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the years for which information is available.

Todd County Water District A Component Unit of Todd County, Kentucky Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Contributions County Employee Retirement System

NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION

Changes of Benefit Terms

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

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

Changes of Assumptions

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

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or

Todd County Water District
A Component Unit of Todd County, Kentucky
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of the District's Contributions
County Employee Retirement System

NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Changes of Assumptions (Continued)

measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

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

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

Todd County Water District A Component Unit of Todd County, Kentucky Schedule of the District's Proportionate Share of the Collective Net OPEB Liability and Schedule of District's Contributions – County Employees Retirement System

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS

As of December 31,	2021		2020	2019	2018
District's proportion of the net OPEB liability	0.01358	6%	0.012911%	0.012480%	0.014053%
District's proportionate share of the net OPEB liability	\$ 260,0	97 \$	311,761	\$ 209,908	\$ 249,508
District's covered payroll	\$ 347,0	97 \$	330,816	\$ 314,873	\$ 348,307
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.9	3%	94.24%	66.66%	71.63%
Plan fiduciary net position as a percentage of the total OPEB liability	62.9	1%	51.67%	60.44%	57.62%

Note: The amounts disclosed in the table above were determined as of June 30, which is the measurement date for the plan.

Schedule of District Contributions - CERS

For the year ended December 31,	2021	2020	2019	2018
Contractually required contribution	\$ 18,326 \$	16,381 \$	15,938 \$	16,593
Contributions in relation to the contractually required contribution	18,326	16,381	15,938	16,593
Contribution deficiency (excess)	\$ - \$	- \$	- \$	
District's covered payroll	\$ 347,506 \$	344,640 \$	318,325 \$	334,252
Contributions as a percentage of covered payroll	5.27%	4.75%	5.01%	4.96%

Note 1: GASB codification P52 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the years for which information is available.

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NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION

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

Changes of Benefit Terms

2021: No changes of benefit terms

2020: No changes of benefit terms

2019: No changes of benefit terms.

2018: No changes of benefit terms (other than the blended discount rate used to calculate the total OPEB liability).

Changes of Assumptions

2021: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 9 of the financial statements. During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total OPEB liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the

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NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Changes of Assumptions (Continued)

insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.



REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Commissioners Todd County Water District Elkton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Todd County Water District (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 10, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item 2021-001.

Todd County Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Carr, Riggs & Ungram, L.L.C.

Carr, Riggs & Ingram, LLC Bowling Green, Kentucky August 10, 2022

Todd County Water District Schedule of Findings and Responses

2021-001 Cash Deposits

Criteria and Condition: At December 31, 2021, we noted the District's bank balance contained \$270,482 of cash deposits that were uncollateralized and uninsured. Kentucky Revised Statutes require the District's bank balance to be fully insured and collateralized.

Cause: Internal controls were not in place to monitor cash deposits to determine that cash deposits at banks are properly collateralized and insured.

Effect: Cash deposits at banks could be at risk in excess of the amount that is collateralized and insured.

Recommendation: We recommend current procedures be reviewed and that internal control procedures are implemented, including monitoring cash and investment balances to ensure that they are properly collateralized and insured.

Views of Responsible Officials and Planned Corrective Actions: Todd County Water District accepts the recommendation, will do additional training, and change the time of month bank pledges are reviewed.

Corrective action is anticipated to be completed by fiscal year end December 31, 2022 with oversight directed by Carla Moody, Office Manager.



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