

TRIMBLE COUNTY WATER DISTRICT #1

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

At December 31, 2021 and 2020

**TRIMBLE COUNTY WATER DISTRICT #1
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Years Ended December 31, 2021 and 2020

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RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

P.O. Box 354 • 513 Highland Ave • Carrollton, KY 41008
502-732-6655 • taxes@rzwcpas.com

Dennis S. Raisor, CPA
Jerilyn P. Zapp, CPA
Jeffery C. Woods, CPA
Susan A. Dukes, CPA

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Trimble County Water District #1
Bedford, Kentucky 40006

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Trimble County Water District #1 as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Trimble County Water District #1'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 the Trimble County Water District #1, as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trimble County Water District #1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Trimble County Water District #1'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.

Auditor's 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 auditor's 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.

**Commissioners of the
Trimble County Water District #1
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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment 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 Trimble County Water District #1'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 Trimble County Water District #1'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 audit.

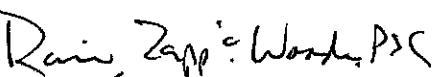
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the Table of Contents on pages 31 through 34 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2022, on our consideration of the Trimble County Water District #1'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 Trimble County Water District #1'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 Trimble County Water District #1's internal control over financial reporting and compliance.



RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants
Carrollton, Kentucky

August 19, 2022

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF NET POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash	\$ 623,210	\$ 676,898
Accounts Receivable (Net)	74,685	95,985
Other Receivables	23,668	-
Inventory	34,034	34,257
Prepaid Expenses	7,424	8,367
Total Current Assets	<u>\$ 763,021</u>	<u>\$ 815,507</u>
Noncurrent Assets:		
Restricted Assets:		
Cash, Including Time Deposits	\$ 337,706	\$ 315,160
Interest Receivable	-	40
Capital Assets (Net)	4,122,352	4,159,984
Total Noncurrent Assets	<u>\$ 4,460,058</u>	<u>\$ 4,475,184</u>
Total Assets	<u>\$ 5,223,079</u>	<u>\$ 5,290,691</u>
DEFERRED OUTFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	\$ 35,627	\$ 51,996
Attributable to Employee Benefit Plan	43,917	47,481
Total Deferred Outflows of Resources	<u>\$ 79,544</u>	<u>\$ 99,477</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 26,346	\$ 11,397
Accrued Compensated Absences	12,235	10,179
Accrued Salaries, Wages & Benefits	2,641	2,566
Accrued Payroll Taxes/Employee Withholding	15,433	11,511
Utility Tax Payable	1,877	2,231
Sales Tax Payable	874	2,913
Accrued Interest Payable - Note Payable	4,178	7,008
Note Payable - Current Portion	26,345	25,319
Current Liabilities Payable from Restricted Assets:		
Revenue Bonds Payable	41,900	40,200
Total Current Liabilities	<u>\$ 131,829</u>	<u>\$ 113,324</u>
Noncurrent Liabilities:		
Note Payable	\$ 544,163	\$ 570,487
Revenue Bonds Payable	2,086,094	2,127,994
Net Pension Liability	274,669	341,005
Net OPEB Liability	82,455	107,309
Noncurrent Liabilities Payable from Restricted Assets:		
Customer Deposits Payable	42,232	42,094
Total Noncurrent Liabilities	<u>\$ 3,029,613</u>	<u>\$ 3,188,889</u>
Total Liabilities	<u>\$ 3,161,442</u>	<u>\$ 3,302,213</u>
DEFERRED INFLOWS OF RESOURCES		
Attributable to Employee Pension Plan	\$ 64,796	\$ 44,023
Attributable to Employee Benefit Plan	67,122	52,344
Total Deferred Inflows of Resources	<u>\$ 131,918</u>	<u>\$ 96,367</u>
NET POSITION		
Net Investment in Capital Assets	\$ 1,423,850	\$ 1,395,984
Restricted for Debt Service	285,241	263,732
Unrestricted	300,172	331,872
Total Net Position	<u>\$ 2,009,263</u>	<u>\$ 1,991,588</u>

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Charges for Services:		
Water Charges (Net of Estimated Bad Debts)	\$ 787,657	\$ 734,587
Bulk Water Charges	228	425
Sewer Billing Charges	5,196	5,196
Hydrant Rental Charges	1,008	1,008
Total Charges for Services	<u>\$ 794,089</u>	<u>\$ 741,216</u>
Other Charges and Miscellaneous:		
Connect, Reconnect and Disconnect Charges	\$ 23,805	\$ 8,082
Forfeited Discounts	15,229	2,758
Miscellaneous	458	768
Total Other Charges and Miscellaneous	<u>\$ 39,492</u>	<u>\$ 11,608</u>
 Total Operating Revenues	 <u>\$ 833,581</u>	 <u>\$ 752,824</u>
Operating Expenses:		
Administrative Salaries	\$ 53,501	\$ 52,529
Accounting and Collecting Labor	56,268	49,240
Chemicals	3,081	3,441
Commissioner Fees	17,800	17,390
Contractual Service - Sampling	6,292	11,502
Dues	372	361
Employee Benefits	34,287	32,153
Insurance	21,023	19,050
Maintenance of Mains	136,976	89,699
Miscellaneous	28,289	16,764
Office Supplies and Expense	24,987	27,846
Operating Labor	31,827	18,198
Other Interest Expense	6,329	1,054
Payroll Taxes	12,444	13,901
Professional Services	20,179	21,045
Regulatory Fees	1,526	1,579
Retirement Expense	737	12,112
Transportation Expense	10,087	7,707
Utilities	56,176	48,650
Depreciation Expense	218,521	221,204
Total Operating Expenses	<u>\$ 740,702</u>	<u>\$ 665,425</u>
Net Operating Income	<u>\$ 92,879</u>	<u>\$ 87,399</u>
Nonoperating Revenue (Expense):		
Investment Income	\$ 1,445	\$ 2,459
Interest Expense	(92,849)	(98,503)
Total Nonoperating Revenues (Expense)	<u>\$ (91,404)</u>	<u>\$ (96,044)</u>
Income (Loss) Before Contributions	\$ 1,475	\$ (8,645)
Capital Contributions	16,200	25,688
Change in Net Position	\$ 17,675	\$ 17,043
Net Position - Beginning of Year	<u>1,991,588</u>	<u>1,974,545</u>
Net Position--End of Year	<u><u>\$ 2,009,263</u></u>	<u><u>\$ 1,991,588</u></u>

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 855,019	\$ 741,605
Payments to Suppliers	(404,515)	(305,960)
Payments to Employees	(157,265)	(136,533)
Net Cash Provided (Used) by Operating Activities	<u>\$ 293,239</u>	<u>\$ 299,112</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	\$ 16,200	\$ 24,030
Purchase of Capital Assets	(180,889)	(24,030)
Principal Paid on Capital Debt	(65,498)	(114,562)
Interest Paid on Capital Debt	(95,679)	(97,227)
Proceeds Build America Bonds Interest Reimbursement	-	1,658
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (325,866)</u>	<u>\$ (210,131)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (597)	\$ (1,408)
Interest Received	1,485	2,458
Net Cash Provided (Used) by Investing Activities	<u>\$ 888</u>	<u>\$ 1,050</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (31,739)	\$ 90,031
Balances-Beginning of the Year	889,049	799,018
Balances-End of the Year	<u>\$ 857,310</u>	<u>\$ 889,049</u>

	Balances Per December 31, 2021 Statement of Net Position	Balances Per December 31, 2021 Statement of Cash Flows
Cash	\$ 623,210	\$ 623,210
Restricted Cash	234,100	234,100
Restricted Time Deposits	103,606	-
Total Cash and Cash Equivalents, End of Year	<u>\$ 960,916</u>	<u>\$ 857,310</u>
	Balances Per December 31, 2020 Statement of Net Position	Balances Per December 31, 2020 Statement of Cash Flows
Cash	\$ 676,898	\$ 676,898
Restricted Cash	212,151	212,151
Restricted Time Deposits	103,009	-
Total Cash and Cash Equivalents, End of Year	<u>\$ 992,058</u>	<u>\$ 889,049</u>

(Continued)

TRIMBLE COUNTY WATER DISTRICT #1
STATEMENT OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 92,879	\$ 87,399
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Cash Flows Reported in Other Categories:		
Depreciation Expense	218,521	221,204
Pension Expense	(29,194)	(15,683)
OPEB Expense	(6,512)	(2,812)
Change in Assets and Liabilities:		
Receivables, Net	21,300	(13,270)
Receivables, Other	(23,668)	-
Inventories	223	5,578
Prepaid Expenses	943	2,920
Accounts Payable	14,949	663
Accrued Expenses	3,660	11,062
Customer Meter Deposits Payable	138	2,051
Net Cash Provided by Operating Activities	<u>\$ 293,239</u>	<u>\$ 299,112</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

At December 31, 2021, Trimble County Water District #1 reported no capital expenditures or other noncash investing on financing activities outstanding.

At December 31, 2020, Trimble County Water District #1 reported no capital expenditures or other noncash investing on financing activities outstanding.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Description of entity: Trimble County Water District #1 is a rural water company serving approximately 1,400 customers in Trimble County, Kentucky, and is regulated by the Public Service Commission of the Commonwealth of Kentucky. The water district was formed under the laws of the above-mentioned county through its Fiscal Court and began operations in March, 1956.

In evaluating how to define Trimble County Water District #1 for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

A summary of the District's significant accounting policies follows:

Basis of presentation and accounting: As stated in Kentucky Revised Statutes (KRS) 278.015, "any water district shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission." In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction, and may prescribe the manner in which such accounts shall be kept. The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment in capital assets, restricted; and unrestricted components.

Revenues and expenses: Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

The District adheres to the use restrictions established by Bond Agreements when expenses are incurred for which both restricted and unrestricted net position is available. The District has no policy defining which resources (restricted or unrestricted) to use first.

Debt Issuance Costs: Debt issuance costs are expensed as incurred.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 1 – DESCRIPTION OF ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment: Property and equipment purchased or constructed is stated at cost. Costs associated with hook-up fees are capitalized as meters, installations and services. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives by type of asset is as follows:

- Structures & Improvements	15-40 years
- Distribution System	33-60 years
- Wells	33 years
- Machinery & Equipment	5-33 years

Inventory: Inventories are stated at latest cost.

Compensated absences: See Note 9 for the District's policy on vacation and sick pay.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commonwealth of Kentucky's County 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.

Post Employment Benefits Other Than Pensions

For purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Commonwealth of Kentucky's County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows of resources and deferred inflows of resources are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.

Income taxes: Trimble County Water District #1 is not subject to income taxes.

Contributed capital: Under the Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District recognizes capital contributions as revenues, in the statement of revenues, expenses and changes in fund net position. Tap on fees of \$16,200 and \$24,030 were received by the District for the years ended December 31, 2021 and 2020, respectively. Build America Bond interest reimbursement of zero and \$1,658 was received by the District during the years ended December 31, 2021 and 2020, respectively.

Net position: Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net position not included in the above categories.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows: For the purpose of the Statement of Cash Flows, Trimble County Water District #1 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 2 – DEBT RESTRICTIONS AND COVENANTS

The Bond and Interest Sinking Account was established with the original RECD bond issue. Under the bond resolution which established this account, it was provided that a minimum balance be maintained in this account as security to the bondholders. In order to attain the minimum balance, the monthly transfer to be made into the account for the 2009 and 2010 Bond Issues is as follows:

$$\begin{array}{rcl}
 & \text{one sixth (1/6) of the next semiannual interest payment} & \\
 + & \text{one twelfth (1/12) of the next annual principal payment} & \\
 = & \text{monthly transfer} &
 \end{array}$$

Transfers sufficient to meet the annual obligation outstanding on the issues were made timely during the years ended December 31, 2021 and 2020.

Upon the issuance of the original 1992 Rural Development bonds, a Depreciation Account was established to provide funds for extraordinary repairs and extensions to the system and/or make up any deficiency in the Bond and Interest Sinking Account. After monthly deposits are made into the Bond and Interest Account, monthly transfers are required to be made to the Depreciation Account. Subsequent issues ratified the requirements set forth in the 1992 issue. Under it and subsequent issues, the following transfers were established and continue in effect:

Under the original 1992 issue a monthly transfer of \$315 was required until \$37,800 was accumulated in the account. Under the 2009 issue, an additional monthly transfer of \$570 was required until \$68,400 was accumulated in the account. Under the 2017 issue, an additional monthly transfer of \$435 was required until \$120,600 was accumulated in the amount. At year end the account was properly funded.

NOTE 3 – CASH AND INVESTMENTS

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities, including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2021 and 2020, in accordance with the District's policy, \$408,460 and \$429,235 respectively, of the District's deposits were covered by federal depository insurance and \$354,766 and \$202,237 respectively, were collateralized by securities held by the pledging financial institution's agent in the District's name. At December 31, 2021, the District had 202,434 deposits that were exposed to custodial credit risk. At December 31, 2020, the District had \$402,440 deposits that were exposed to custodial credit risk.

At December 31, 2021 and 2020, the District's deposits were as follows:

December 31, 2021

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ -	\$ -
Time/Savings Deposits	965,660	960,321
Total Deposits	<u>\$ 965,660</u>	<u>\$ 960,321</u>

December 31, 2020

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Value</u>
Demand Deposits	\$ -	\$ -
Time/Savings Deposits	1,033,911	991,463
Total Deposits	<u>\$ 1,033,911</u>	<u>\$ 991,463</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 3 – CASH AND INVESTMENTS (Continued)

Reconciliation to Statement of Net Position:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unrestricted Cash	\$ 623,210	\$ 676,898
Restricted Cash, Including Time Deposits	337,706	315,160
Less: Cash on Hand	(595)	(595)
	<u>\$ 960,321</u>	<u>\$ 991,463</u>

NOTE 4 – RESTRICTED ASSETS

Restricted assets consist of the following:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash, Including Time Deposits		
Bond and Interest Sinking Account	\$ 158,460	\$ 144,283
Depreciation Account	126,781	119,410
Customer Deposits	52,465	51,467
Total Restricted Cash, Including Time Deposits	<u>\$ 337,706</u>	<u>\$ 315,160</u>
 Interest Receivable	 <u>\$ -</u>	 <u>\$ 40</u>

NOTE 5 – CUSTOMER DEPOSITS/ESCROW

Customer deposits are collected upon installation of water service. This amount is to be refunded to the customer upon discontinuation of service (after the customer's bill has been paid in full). Deposits received from customers are held in an interest bearing account (which is included in the financial statements as restricted cash). Records are maintained which detail the accrued interest on each customer's deposit based on the current annual rate. Accrued interest is paid annually and when the deposit is refunded.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020, was as follows:

	<u>Balance at January 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2021</u>
Land & Land Rights	\$ 23,957	\$ -	\$ -	\$ 23,957
Structures & Improvements	549,995	-	-	549,995
Distribution System	5,969,576	175,189	-	6,144,765
Wells	144,976	-	-	144,976
Machinery & Equipment	1,394,951	5,700	-	1,400,651
Totals at Historical Cost	<u>\$ 8,083,455</u>	<u>\$ 180,889</u>	<u>\$ -</u>	<u>\$ 8,264,344</u>
 Less: Accumulated Depreciation				
Structures & Improvements	\$ (261,572)	\$ (13,455)	\$ -	\$ (275,027)
Distribution System	(2,542,224)	(156,190)	-	(2,698,414)
Wells	(100,312)	(3,874)	-	(104,186)
Machinery & Equipment	(1,019,363)	(45,002)	-	(1,064,365)
Total Accumulated Depreciation	<u>\$ (3,923,471)</u>	<u>\$ (218,521)</u>	<u>\$ -</u>	<u>\$ (4,141,992)</u>
 Capital Assets, Net	 <u>\$ 4,159,984</u>	 <u>\$ (37,632)</u>	 <u>\$ -</u>	 <u>\$ 4,122,352</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 6 – CAPITAL ASSETS (Continued)

	<u>Balance at January 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at December 31, 2020</u>
Land & Land Rights	\$ 23,957	\$ -	\$ -	\$ 23,957
Structures & Improvements	549,995	-	-	549,995
Distribution System	5,945,546	24,030	-	5,969,576
Wells	144,976	-	-	144,976
Machinery & Equipment	1,394,951	-	-	1,394,951
Totals at Historical Cost	<u>\$ 8,059,425</u>	<u>\$ 24,030</u>	<u>\$ -</u>	<u>\$ 8,083,455</u>
Less: Accumulated Depreciation				
Structures & Improvements	\$ (246,676)	\$ (14,896)	\$ -	\$ (261,572)
Distribution System	(2,387,107)	(155,117)	-	(2,542,224)
Wells	(96,438)	(3,874)	-	(100,312)
Machinery & Equipment	(972,046)	(47,317)	-	(1,019,363)
Total Accumulated Depreciation	<u>\$ (3,702,267)</u>	<u>\$ (221,204)</u>	<u>\$ -</u>	<u>\$ (3,923,471)</u>
Capital Assets, Net	<u>\$ 4,357,158</u>	<u>\$ (197,174)</u>	<u>\$ -</u>	<u>\$ 4,159,984</u>

Included under the District's Plant Assets at December 31, 2021 and 2020, was \$1,138,972 and \$1,028,814 of fully depreciated assets, respectively. Land and land rights and construction in process are capital assets not being depreciated.

Depreciation expense aggregated \$218,521 and \$221,204 in 2021 and 2020, respectively.

NOTE 7 – CUSTOMER ACCOUNTS RECEIVABLE

Customer Accounts Receivable has been netted with an Allowance for Bad Debts of \$24,865 and \$20,413 at December 31, 2021 and 2020, respectively. The amount provided for bad debts represents the portion of the total amounts for which collection is unlikely, based on historical collection data.

At December 31, 2021 other receivables consists of funds due from Kentucky Revenue Cabinet for over submission of employee withheld taxes \$6,090, and funds due from Kentucky Transportation Cabinet regarding a water line relocation \$17,578.

NOTE 8 – LONG-TERM DEBT

As of December 31, 2021 and 2020, long-term debt payable consisted of the following:

Bonds Payable:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
RECD Revenue Bonds of 2009, original issue amount of \$931,000, secured by water revenues. Interest is charged at the rate of 4.25% per annum. Final maturity is July 1, 2047.	\$ 774,900	\$ 791,100
RECD Revenue Bonds of 2010 (Build America Bonds – Direct Payment), original issue amount of \$301,000 secured by water revenues. Interest is charged at the rate of 3.75% per annum. Final maturity is July 1, 2048.	255,000	260,000
RECD Revenue Bonds 2017, original issue amount of \$1,174,000, secured by water revenues. Interest is charged at the rate of 2.375% per annum. Final maturity is July 1, 2057.	1,098,094	1,117,094
Total Bonds Payable	<u>\$ 2,127,994</u>	<u>\$ 2,168,194</u>
Current Portion	\$ 41,900	\$ 40,200
Noncurrent Portion	2,086,094	2,127,994
Total Bonds Payable	<u>\$ 2,127,994</u>	<u>\$ 2,168,194</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 8 – LONG-TERM DEBT (Continued)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Note Payable:		
The Farmers Bank of Milton fixed rate mortgage agreement dated October 31, 2013. Original issue amount of \$804,000. Interest is charged at the rate of 4.05% per annum, secured by a real estate mortgage on properties at 34 East Morgan Drive, Bedford, Kentucky and 610 Highway 421N, Bedford, Kentucky. Annual payments of \$51,738. Final maturity is October 31, 2038.		
	\$ 570,508	\$ 595,806
Current Portion	\$ 26,345	\$ 25,319
Noncurrent Portion	544,163	570,487
Total Note Payable	\$ 570,508	\$ 595,806

Accrued Compensated Absences:

All Current	\$ 12,235	\$ 10,179
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Revenue Bonds of 2009 – RECD

At original issue, \$931,000 of RECD bonds were outstanding at the interest rate of 4.25% per annum with maturity dates ranging from 2010-2047. On December 31, 2021, \$774,900 of bonds were outstanding on this issue. On December 31, 2020, \$791,100 of bonds were outstanding on this issue.

Revenue Bonds of 2010 – Build America Bonds – RECD U.S. Department of Agriculture

On October 21, 2010, Trimble County Water District #1 issued \$301,000 taxable Waterworks Revenue Bonds, Series 2010 with an interest rate of 3.75%. The proceeds were used to finance the water main steam crossing replacement project. The final payment will be due July 1, 2048. These bonds are taxable Build America Bonds. As such, the District will receive annual federal credit payments toward the debt service of approximately 35% of each interest payment due. The credit will amount to \$94,277 over the life of the issue. On December 31, 2021, \$255,000 of bonds were outstanding on this issue. On December 31, 2020, \$260,000 of bonds were outstanding on this issue.

Revenue Bonds of 2017 – RECD

On January 5, 2018, Trimble County Water District #1 issued \$1,174,000 Waterworks Revenue Bonds, Series 2017 with an interest rate of 2.375%. The proceeds were used to finance the water improvement project. The final payment will be due July 1, 2057. On December 31, 2021, \$1,098,094 of bonds were outstanding of this issue. On December 31, 2020, \$1,117,094 of bonds were outstanding on this issue.

Note Payable – The Farmers Bank of Milton

On October 31, 2013, Trimble County Water District #1 entered into a note payable agreement with The Farmers Bank of Milton at an interest rate of 4.05% to refinance a portion of its then outstanding debt through an advance refunding of the following RECD revenue bond issues outstanding: Series 1992, \$321,320; Series 1997, \$49,400; and Series 2000, \$477,600. The 1992 Series was originally issued at 5.625%. The 1997 Series and 2000 Series were originally issued at 5.00%. As a result of the advance refunding, the District reduced its total debt service requirements by \$114,068, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$83,797. Final maturity on the note is October 31, 2038. The principal balance outstanding at December 31, 2021 was \$570,508. The principal balance outstanding at December 31, 2020 was \$595,806.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 8 – LONG-TERM DEBT (Continued)

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the years ended December 31, 2021 and 2020.

December 31, 2021

	Balance at January 1, 2021	Additions	Repayments	Balance at December 31, 2021	Current Portion
Bonds Payable	\$ 2,168,194	\$ -	\$ 40,200	\$ 2,127,994	\$ 41,900
Note Payable	595,806	-	25,298	570,508	26,345
Accrued Compensated Absences	10,179	5,824	3,768	12,235	12,235
Total Long-Term Debt	<u>\$ 2,774,179</u>	<u>\$ 5,824</u>	<u>\$ 69,266</u>	<u>\$ 2,710,737</u>	<u>\$ 80,480</u>

December 31, 2020

	Balance at January 1, 2020	Additions	Repayments	Balance at December 31, 2020	Current Portion
Bonds Payable	\$ 2,207,694	\$ -	\$ 39,500	\$ 2,168,194	\$ 40,200
Note Payable	670,868	-	75,062	595,806	25,319
Accrued Compensated Absences	8,658	4,931	3,410	10,179	10,179
Total Long-Term Debt	<u>\$ 2,887,220</u>	<u>\$ 4,931</u>	<u>\$ 117,972</u>	<u>\$ 2,774,179</u>	<u>\$ 75,698</u>

The annual requirements for all long-term debt outstanding at December 31, 2021 are as follows:

Due	Bonds	Bond Interest	Federal Credit Interest Payment	Note Payable	Note Payable Interest	Total Principal & Interest
2022	\$ 41,900	\$ 64,672	\$ 3,347	\$ 26,345	\$ 25,393	\$ 161,657
2023	43,100	63,335	3,275	27,412	24,326	161,448
2024	44,400	61,955	3,203	28,522	23,216	161,296
2025	46,100	60,532	3,130	29,677	22,061	161,500
2026	47,400	59,051	3,052	30,879	20,859	161,241
2027-2031	264,300	271,116	13,965	174,198	84,492	808,071
2032-2036	313,300	225,066	11,438	212,448	46,242	808,494
2037-2041	371,600	169,922	8,321	41,027	2,504	593,374
2042-2046	441,400	103,891	4,528	-	-	549,819
2047-2051	261,400	43,478	551	-	-	305,429
2052-2056	208,000	18,086	-	-	-	226,086
2057	45,094	552	-	-	-	45,646
	<u>\$ 2,127,994</u>	<u>\$ 1,141,656</u>	<u>\$ 54,810</u>	<u>\$ 570,508</u>	<u>\$ 249,093</u>	<u>\$ 4,144,061</u>

If there is any default in the payment of the principal of or interest on any of the bonds, then upon the filing of suit by any holder of said bonds, any court having jurisdiction of the action may appoint a receiver to administer the system on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of current expenses, and to apply the revenues in conformity with the bond resolution and the provisions of the statute laws of Kentucky

Upon the occurrence of an event of default, Farmers Bank of Milton shall be entitled to the appointment of a receiver of the System and all receipts therefrom. Farmers Bank of Milton may pursue any available remedy to enforce payment obligations or to remedy any event of default. In the event that the District defaults, the defaulting party also agrees to pay the fees of such attorneys and other expenses incurred by Farmers Bank of Milton.

There are no unused lines of credit.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 8 – LONG-TERM DEBT (Continued)

The annual requirements for all long-term debt outstanding at December 31, 2020, are as follows:

Due	Bonds	Bond Interest	Federal Credit Interest Payment	Note Payable	Note Payable Interest	Total Principal & Interest
2021	\$ 40,200	\$ 65,954	\$ 3,413	\$ 25,319	\$ 26,419	\$ 161,305
2022	41,900	64,672	3,347	26,345	25,393	161,657
2023	43,100	63,335	3,275	27,412	24,326	161,448
2024	44,400	61,955	3,203	28,522	23,216	161,296
2025	46,100	60,532	3,130	29,677	22,061	161,500
2026-2030	255,100	279,367	14,411	167,418	91,272	807,568
2031-2035	302,700	234,943	11,983	204,179	54,511	808,316
2036-2040	359,600	181,766	8,997	86,934	7,849	645,146
2041-2045	425,700	118,073	5,348	-	-	549,121
2046-2050	317,300	51,869	116	-	-	370,285
2051-2055	203,500	22,972	-	-	-	226,472
2056-2057	88,594	2,173	-	-	-	90,767
	<u>\$ 2,168,194</u>	<u>\$ 1,207,611</u>	<u>\$ 57,223</u>	<u>\$ 595,806</u>	<u>\$ 275,047</u>	<u>\$ 4,304,881</u>

NOTE 9 – COMPENSATED ABSENCES

Vacation and sick pay are considered an expense in the year incurred. Vacation leave may be accumulated and carried forward from one calendar year to the next, not to exceed 240 hours. Upon termination, the employee is compensated for any accrued but unused vacation. At December 31, 2021 and 2020, a liability for accrued vacation was recorded in the amount of \$12,235 and \$10,179, respectively.

Vacation days accumulate as follows:

After completion of 1 year	40 hours
After completion of 3 years	80 hours
After completion of 10 years	120 hours

Full time employees accumulate three (3) sick days per year. Sick leave may not be accumulated indefinitely. The maximum carryover of sick leave from (1) one year to the next shall not exceed (6) six days. Upon termination, no portion of accrued and unused sick leave is payable. The District had an unrecorded sick pay liability to its employees of \$5,679 and \$140 at December 31, 2021 and 2020, respectively. The estimated liabilities include required salary related payments.

NOTE 10 – FUND EQUITY- RESTRICTED NET POSITION

Restricted for Debt Service:

RECD Revenue Bonds of 2009, 2010 & 2017

	2021	2020
Cash	\$ 285,241	\$ 263,692
Add: Accrued Interest Receivable	-	40
Less: Accrued Interest Payable	-	-
Total Restricted for Debt Service	<u>\$ 285,241</u>	<u>\$ 263,732</u>

Unrestricted net position was increased by \$35,706 and \$18,495 for the years ended December 31, 2021 and 2020, respectively, as a result of the transactions recorded by the District to reflect its proportionate share of the County Employees Retirement System's Net Pension Liability and Net OPEB Liability. The accounts affected were as follows:

	2021	2020
Increase (Decrease) in Deferred Outflows of Resources	\$ (19,933)	\$ 6,290
(Increase) Decrease in Deferred Inflows of Resources	(35,551)	50,321
(Increase) Decrease in Net Pension Liability	66,336	(9,960)
(Increase) Decrease in Net OPEB Liability	24,854	(28,156)
Net Increase in Unrestricted Net Position	<u>\$ 35,706</u>	<u>\$ 18,495</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 11 – BAD DEBT EXPENSE

At December 31, 2021 and 2020, water revenue charges have been netted with an estimated bad debt expense of \$4,453 and \$10,192, respectively.

NOTE 12 – INTEREST EXPENSE

Interest expense incurred for the years ended December 31, 2021 and 2020 was \$99,178 and \$99,557, respectively.

NOTE 13 – WHOLESALE WATER RATES

Trimble County Water District #1 supplies water for resale to the West Carroll Water District/Carrollton Utilities which was acquired by Carrollton Utilities effective July 1, 2021. The wholesale rate charged to West Carroll Water District/Carrollton Utilities is as follows: \$236.40 minimum for the first 50,000 gallons plus an additional \$4.10 per 1,000 gallons over the first 50,000 gallons. These rates became effective June 1, 2017. There is no minimum purchase amount.

NOTE 14 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. and is also subject to the risks associated with employee injury. Each of these risks is covered through the purchase of insurance through the Kentucky Association of Counties and Commercial Insurers.

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN)

The Trimble County Water District #1 participates in the Commonwealth of Kentucky's County Employees' Retirement System (CERS) for non-hazardous employees administered by the Kentucky Public Pension Authority (KPPA). Under revised Statute Section 78.732 and 61.645, the KPPA oversees the administration and operation of the personnel and accounting systems for the CERS, which is administered by the CERS board.

The responsibility for the general administration and operation of CERS is vested in its Board of Trustees. The CERS Board of Trustees consists of 9 members. Six trustees are appointed by the governor and three are elected by CERS members and retired members. Of the six appointed trustees, three must have investment experience and three must have retirement experience as defined by statute. All appointments by the governor are subject to Senate confirmation.

The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS's pension and insurance funds. Additionally, the Kentucky Public Pensions Authority issues publicly available financial reports that include the Schedules of Employer Allocations and Pension amounts by Employer, and the Schedules of Employer Allocations and OPEB Amounts, by Employer. The most recent financial reports, may be obtained on-line as follows:

- Kentucky Retirement Systems Audit Report – 2021
<https://kyret.ky.gov/Publications/Books/2021%20Annual%20Report.pdf>
- KRS Schedules of Employer Allocations & Pension Amount by Employer for the Fiscal Year Ended June 30, 2021
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2021%20GASB%2068%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>
- KRS Schedules of Employer Allocations & OPEB Amounts by Employer for the Fiscal Year Ended June 30, 2021
<https://kyret.ky.gov/Employers/GASB/Current%20Audited%20Reports/2021%20GASB%2075%20Proportionate%20Share%20Audit%20Report%20with%20Schedules.pdf>
- Kentucky CERS GASB 68 Accounting & Financial Reporting for Pensions as of June 30, 2021 (Actuarial Report)
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2021%20GASB%2068%20Actuary%20Report%20CERS.pdf>
- Kentucky CERS GASB 75 Accounting & Financial Reporting for Postemployment Benefits Other Than Pensions as of June 30, 2021 (Actuarial Report)
<https://kyret.ky.gov/Employers/GASB/GASB%2068%20and%2075%20Actuary%20Reports/2021%20GASB%2075%20Actuary%20Report%20CERS.pdf>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Basis of Accounting – CERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

Method Used to Value Investments/Investment Objectives – Investments of the plan are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes KRS' gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded net of investment fees.

The investment objectives of the portfolios are to produce results that exceed the stated goals over both short-term and long-term periods.

- **Shorter-Term (5 years and less):** The returns of the particular asset classes of the managed funds, measured on an annual basis, should exceed the return achieved by a policy benchmark portfolio of comparable unmanaged market indices.
- **Medium-Term (5 to 20 years):** The returns of the particular asset classes of the managed funds, measured on a rolling 5 to 20 year basis should exceed the returns achieved by a policy benchmark portfolio composed of comparable unmanaged market indices and perform above the median of an appropriate peer universe, if there is one.
- **Longer-Term:** The total assets of the KRS should achieve a return of 6.25% for CERS pension and insurance plans. This is measured for 20 years and beyond and should exceed the actuarially required rate of return as well as the return achieved by its total fund benchmark.

Target Asset Allocation – Pension and Insurance as of June 30, 2021 and 2020:

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were 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. The current long-term inflation assumption is 2.3% per annum.

	Target Asset Allocation		Long-Term Expected Rate of Return	
	2021	2020	2021	2020
Combined Equity	53.50%	52.50%	5.70%-9.70%	3.90%-5.25%
Combined Fixed Income	15.00%	13.50%	2.80%	-0.25%
Private Equity	10.00%	10.00%	0.00%	6.65%
Real Return	10.00%	15.00%	4.55%	3.95%
Real Estate	10.00%	5.00%	5.40%	5.30%
Opportunistic	0.00%	3.00%	0.00%	2.25%
Cash	1.50%	1.00%	-0.60%	-0.75%
	<u>100.00%</u>	<u>100.00%</u>	<u>5.00%</u>	<u>3.96%</u>

- The investment portfolio for the Pension Funds reported a net return of 25.00% for the fiscal year 2021 compared to 1.15% return for fiscal year 2020. The investment portfolio for the Insurance Fund reported a net return of 24.95% for the fiscal year, which was higher than fiscal year 2020 net return of 0.48%. The investment return was above the 6.25% assumed rate of return.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

PENSION PLAN DESCRIPTION – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in non-hazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS along with hazardous duty positions of each participating county, city, or school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments were provided annually equal to the percentage increase in the annual average of the consumer price index (CPI) 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.

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

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

Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings for Tier 1 and Tier 2. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after earning a minimum months of service credit (120 months for Tier 2 and 180 months for Tier 3).

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in a lump sum. The beneficiary of a deceased active member is eligible for a monthly benefit if the member was (1) eligible for retirement at the time of death or, (2) under the age of 65 for non-hazardous members with at least 60 months of service credit and currently working for a participating agency at the time of death, or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump-sum payment of the member's contributions and any accumulated interest.

Senate Bill 169 passed during the 2021 legislative session increased the 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.

Contributions – Local government participating employers are required to contribute at an actuarially determined rate per Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. Under House Bill 352, the 2020 General Assembly only passed a one year budget (for the fiscal year ended June 30, 2021 due to the COVID-19 pandemic crisis. For the fiscal years ended June 30, 2021 and 2020 participating non-hazardous employers contributed 24.06% of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years ended June 30, 2021 and 2020 were 26.95% and 27.28%, respectively. Administrative costs of KRS are financed through employer contributions and investment earnings.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

Non-hazardous employer contributions for the year ended June 30, 2021 and 2020, of 24.06% were allocated 19.30% to CERS's pension fund and 4.76% to CERS OPEB (health insurance) fund, respectively.

For the fiscal years ended June 30, 2021 and 2020, membership consisted of:

Tier 1:

Plan members who began participating prior to September 1, 2008, are required to contribute 5% non-hazardous, 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:

Plan members who began participating on, or after, September 1, 2008 and before January 1, 2014, are required to contribute a total of 6% non-hazardous, of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contributions are deposited to the member's account. One percent of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). 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:

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. These members are classified in the Tier 3 structure of benefits. 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 annual creditable compensation and an additional 1% to the health insurance fund which is not credited to the member's account and is not refundable. Tier 3 member accounts are also credited with an employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the systems' GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30th of the previous year (Upside Sharing Interest). It is possible that one system in KPPA may get an Upside Sharing Interest, while another may not.

The one percent of pay member contributions for Tier 1 and Tier 2 members to a 401(h) subaccount are considered an OPEB asset.

TRIMBLE COUNTY WATER DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

Methods and Assumptions Used in Calculation of Actuarially Determined Contributions (Pension Plan)

Per the Kentucky Retirement System's 2021 Comprehensive Annual Financial Report, the Actuarially determined contribution rates effective for fiscal year 2021 were calculated as of June 30, 2019.

Based on the June 30, 2019, actuarial valuation report (as amended by SB249, passed during the 2020 legislative session), the actuarial methods and assumptions used to calculate the required contribution are below:

Item	CERS June 30, 2021 Non-Hazardous	CERS June 30, 2020 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2019	June 30, 2018
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay	Level Percent of Pay
Amortization Period:	30 Years, Closed period at June 30, 2019. Gains/Losses incurring after 2019 will be amortized over separate closed 20 year amortization bases.	25 Years, Closed
Payroll Growth Rate:	2.00%	2.00%
Investment Return:	6.25%	6.25%
Inflation:	2.30%	2.30%
Salary Increases:	3.30% to 10.30%, varies by service	3.30% to 11.55%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013 - 2018, projected with the ultimate rates from MP-204 mortality improvement scale using a base year of 2019.	RP-200 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females). For healthy retired members and beneficiaries, the mortality table used is the RP Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 combined disabled mortality table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018	N/A

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Actuarial Methods and Assumptions Used in Calculation of the Actuarially Determined Total Pension Liability and Net Pension Liability

The Board of Trustees, in consultation with the actuary, set the actuarial assumptions and methods in the actuarial valuation. In general, the assumptions used in the June 30, 2021 actuarial valuations were adopted for first use in the June 30, 2019 valuation and are based on an experience study conducted with experience through June 30, 2018. There were no changes in actuarial assumptions or methods since the prior valuation. The net pension liability as of June 30, 2021, is based on the June 30, 2020 actuarial valuation rolled forward to June 30, 2021. 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 to the measurement date at June 30, 2021, using generally accepted actuarial principles.

The net position liability as of June 30, 2020, was based on the June 30, 2019 actuarial valuation rolled forward. 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 to the measurement date at June 30, 2020, using generally accepted actuarial principles.

The actuarial assumptions are:

June 30, 2021 and 2020

Inflation	2.30%
Salary Increases	3.30% - 10.30% varies by service
Investment Rate of Return	6.25%

The mortality table(s) used in the determination of the total pension liability as of June 30, 2021 and 2020 were as follows.

- 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.

Discount Rate

The single discount rate of 6.25% for CERS was based on the expected return on pension investments. The projection of cash flows used to determine the single discount rate assumes that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy established in statute, as last amended by House Bill 362 (passed in 2018).

The discount rate does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KPPA Comprehensive Annual Financial Report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension

At December 31, 2021 and 2020 the District reported a liability of \$274,669 and \$341,005, respectively for its proportionate share of the net pension liability. The net pension liability for CERS was measured as of June 30, 2021, and 2020 and was based on the actual liability of the employees and former employees relative to the total liability of the system as determined by an actuarial valuation as of those dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, and 2020 the District's proportion was 0.004308% and 0.004446 percent, respectively, which is a decrease of 0.000138 and of 0.000261 percent for the years ended June 30, 2021 and June 30, 2020, respectively.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension (Continued)

The District's total payroll for the calendar year ended December 31, 2021 was \$162,664. Contributions to the CERS were based on \$143,064 (covered payroll). The total employer pension contributions for the calendar year ended December 31, 2021 were \$29,113.

The District's total payroll for the calendar year ended December 31, 2020 was \$147,896. Contributions to the CERS were based on \$130,506 (covered payroll). The total employer pension contributions for the calendar year ended December 31, 2020 were \$21,330.

All contributions were made as required.

The District's contribution for the County Employees' Retirement System's year(s) ended June 30, 2021, and 2020 was 0.004308 and 0.004466 percent, respectively, of the System's total contribution requirements for all employers.

For the years ended December 31, 2021, and December 31, 2020, the District recognized pension expense of \$553 and \$9,084, respectively. At December 31, 2021 and 2020 the District reported deferred outflows of resources and deferred inflows of resources related to CERS pensions from the following sources:

	December 31, 2021		December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 3,154	\$ 2,666	\$ 8,504	\$ -
Change in Assumptions	3,686	-	13,316	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	14,866	-	37,775
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	10,655	47,264	14,781	6,248
District Contributions Made Subsequent to the NPL Measurement Date	18,132	-	15,395	-
Total	\$ 35,627	\$ 64,796	\$ 51,996	\$ 44,023

\$18,132 and \$15,395 reported as deferred outflows of resources related to pensions arising from District contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in the years ended December 31, 2022 and 2021, respectively. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on pension plan investments will be netted and amortized over five years and recognized in pension expense. Amounts reported as deferred outflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in pension expense over the expected remaining service lives of all employees. Total amortization to be recognized in pension expense is presented below as follows:

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension (Continued)

		Increase (Decrease) to Pension Expense
Year Ended December 31, 2021:		
	2022	\$ (15,108)
	2023	(12,296)
	2024	(8,432)
	2025	(11,465)
		<u>\$ (47,301)</u>
		Increase (Decrease) to Pension Expense
Year Ended December 31, 2020:		
	2021	\$ (15,058)
	2022	774
	2023	3,434
	2024	3,428
		<u>\$ (7,422)</u>

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

The following table presents the net pension liability of CERS [as reported in its publicly available financial statements for the years ended June 30, 2021 and 2020, calculated using the discount rates of 6.25% and 6.25% for the years ended June 30, 2021 and 2020, respectively, as well as what CERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2021	1% Decrease [5.25%]	Current Discount [6.25%]	1% Increase [7.25%]
Net Pension Liability	\$ 8,177,245,927	\$ 6,375,784,388	\$ 4,885,117,245
District's Proportionate Share	352,276	274,669	210,451
As of June 30, 2020	1% Decrease [5.25%]	Current Discount [6.25%]	1% Increase [7.25%]
Net Pension Liability	\$ 9,458,676,903	\$ 7,669,917,211	\$ 6,188,756,202
District's Proportionate Share	420,533	341,005	275,152

The discount rate determination does not use a municipal bond rate.

Payable to the Pension Plan

At December 31, 2021 and 2020, the District reported a payable of \$10,112 and \$7,097 for the outstanding amount of contributions required for the years then ended. The amount represents the employee withholding and employer match for the last month (plus correcting twenty-four months) and last month (plus correcting twelve months) of the years ended December 31, 2021 and 2020, respectively.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

OPEB PLAN

Insurance (OPEB) Plan Description – The Kentucky Public Pension Authority's Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. A portion of the insurance premiums are withheld from benefit payments for members including those of the CERS Non-Hazardous system.

Contributions

Members participating prior to July 1, 2003, pay a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009 and by 1.5% annually from July 1, 2009.

The amount of benefit paid by the Insurance Fund for members participating prior to July 1, 2003, are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19+ years	75.00%
10-14+ years	50.00%
4-9+ years	25.00%
Less than 4 years	0.00%

For the fiscal years ended June 30, 2021 and 2020, plan members who began on, or after, September 1, 2008 (classified in the Tier 2 or Tier 3 structure of benefits) were required to contribute 1% of their annual creditable compensation to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E), which is considered an OPEB asset.

If a member terminates employment the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Participating employers are required to contribute at an actuarially determined rate as described previously.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions (OPEB)

Per the Schedule of Employer Allocations and OPEB Amounts by Employer for Kentucky Retirement Systems, Reports for Postemployment Benefits Prepared as of June 30, 2021 and 2020, the actuarially determined contribution rates effective for fiscal year ending June 30, 2021 and 2020 are calculated based on the actuarial methods and assumptions as follows:

The actuarial methods and assumptions to determine the Total OPEB Liability and Net OPEB Liability are as follows:

Item	CERS June 30, 2021 Non-Hazardous	CERS June 30, 2020 Non-Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2019	June 30, 2018
Experience Study	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Amortization Method:	Level Percent of Pay	Level Percent of Pay
Amortization Period:	30 Years, Closed period at June 30, 2019. Gains/Losses incurring after 2019, will be amortized over separate 20 year amortization bases.	25 Years, Closed
Payroll Growth Rate:	2.00%	2.00%
Investment Return:	6.25%	6.25%
Inflation:	2.30%	2.30%
Salary Increases:	3.30% to 10.30%, varies by service	3.30% to 11.55%, varies by service
Mortality:	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.	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.	Board Certified Rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020**

**NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN
AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)**

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and Net OPEB Liability

The assumed increase in future health care costs, or trend assumptions was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. There were no other material assumption changes.

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). 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.

For financial reporting the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). 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.

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

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and Net OPEB Liability (Continued)

The actuarial methods and assumptions used to determine the Total OPEB Liability and Net OPEB Liability are as follows:

Item	CERS June 30, 2021 Non-Hazardous	CERS June 30, 2020 Non-Hazardous
Inflation	2.30%	2.30%
Payroll Growth Rate	2.00%	2.00%
Salary Increases	3.30%-10.30% varies by service	3.05% Average
Investment Rate of Return	6.25%	6.25%
Healthcare Trend Rates		
Pre-65	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.	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality		
Pre-retirement	PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.	System Specific Mortality Table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	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.

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Discount Rate

The Insurance Plan single discount rate of 5.20% was used to measure the total OPEB liability as of June 30, 2021. The discount rate is 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. The discount rate of 5.34% was used to measure the total OPEB liability as of June 30, 2020 and was based on the expected rate of return 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.

Implicit Employer Subsidy for non-Medicare retirees:

The fully-insured premiums KPPA 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.

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 understood that any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the Kentucky Public Pension Authority's CAFR.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan

At December 31, 2021 and 2020 the District reported a liability of \$82,455 and \$107,309, respectively.

The District's total payroll for the calendar year ended December 31, 2021 was \$162,664. Contributions were based on \$143,064 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended December 31, 2021 were \$7,640.

The District's total payroll for the calendar year ended December 31, 2020 was \$147,896. Contributions were based on \$130,506 (covered payroll). The total employer contributions to the Health Insurance Fund for the year ended December 31, 2020 were \$7,110.

All contributions were made as required.

The allocation of the employers' proportionate share of the Net OPEB Liability and OPEB expense was determined using the employer's actual contributions for the fiscal year ending June 30, 2021.

The District's contribution for the County Employee's Retirement System's (Insurance Plan) for the years ended June 30, 2021 and 2020 was 0.004307 percent and 0.004444 percent, respectively, of the System's total contribution requirements for all employers.

The implicit employer subsidy for the non-Medicare eligible retirees for the years ended June 30, 2021 and 2020 was \$2,713 and \$2,233, respectively.

For the years ended December 31, 2021 and 2020, the District recognized expense of \$184 and \$3,028, respectively. At December 31, 2021 and 2020 the District reported deferred outflows of resources and deferred inflows of resources related to CERS OPEB from the following sources:

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to the County Employee Retirement System Insurance Plan (Continued)

	December 31, 2021		December 31, 2020	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 12,966	\$ 24,618	\$ 17,929	\$ 17,943
Change in Assumptions	21,860	77	18,665	114
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	25,374	-	32,097
Difference Between Projected and Actual Investment Earnings on Insurance Plan Investments	4,154	17,053	5,756	2,190
District Contributions Made Subsequent to the Net OPEB Measurement Date	<u>4,937</u>	<u>-</u>	<u>5,131</u>	<u>-</u>
Total	<u>\$ 43,917</u>	<u>\$ 67,122</u>	<u>\$ 47,481</u>	<u>\$ 52,344</u>

\$4,937 and \$5,131 reported as deferred outflows of resources related to OPEB arising from District contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the years ended December 31, 2022 and 2021 respectively. Amounts reported as deferred inflows and outflows of resources due to the net difference between projected and actual investment earnings on OPEB plan investments will be netted and amortized over five years and recognized in OPEB expense. Amounts reported as deferred outflows of resources and deferred inflows of resources due to the difference between expected and actual experience, change of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions will be amortized and recognized in OPEB expense over the expected remaining service lives of all employees. Total amortization to be recognized in OPEB expense is presented below as follows:

		Increase (Decrease) to OPEB Expense
Year Ended December 31, 2021:		
2022	\$	(7,615)
2023		(9,553)
2024		(5,158)
2025		(5,816)
	\$	<u>(28,142)</u>
		Increase (Decrease) to OPEB Expense
Year Ended December 31, 2020:		
2021	\$	(3,217)
2022		(2,162)
2023		(4,164)
2024		225
2025		(676)
	\$	<u>(9,994)</u>

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 15 – COUNTY EMPLOYEES' RETIREMENT SYSTEM – NON-HAZARDOUS EMPLOYEES PENSION PLAN AND POST-EMPLOYMENT HEALTHCARE BENEFIT (INSURANCE PLAN) (Continued)

Payable to the OPEB Health Insurance Plan

At December 31, 2021 and 2020, the District reported a payable of \$2,754 and \$2,365, respectively for the outstanding amount of contributions required for the years then ended. This amount represents the employee withholding and employer match for the last month of the years then ended.

Sensitivity of the District's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability to Changes in the Discount Rate and Healthcare Trend Rate

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2021, calculated using the single discount rate of 5.20% as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2021	1% Decrease [4.20%]	Current Discount [5.20%]	1% Increase [6.20%]
Net OPEB Liability	\$ 2,628,525,378	\$ 1,914,449,967	\$ 1,328,432,699
District's Proportionate Share	113,211	82,455	57,216

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2021, calculated using the healthcare cost trend rate for the year ended June 30, 2021 as well as what CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2021	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 1,378,176,465	\$ 1,914,449,967	\$ 2,561,740,477
District's Proportionate Share	59,358	82,455	110,334

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the single discount rate of 5.34% as well as what CERS' net OPEB liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2020	1% Decrease [4.34%]	Current Discount [5.34%]	1% Increase [6.34%]
Net OPEB Liability	\$ 3,102,175,364	\$ 2,414,695,884	\$ 1,850,046,176
District's Proportionate Share	137,861	107,309	82,216

The following table presents the net other post-employment benefit liability of CERS [as reported in its publicly available financial statements for the year ended June 30, 2020, calculated using the healthcare cost trend rate for the year ended June 30, 2020 as well as what CERS' net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the approved rate:

As of June 30, 2020	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 1,869,578,166	\$ 2,414,695,884	\$ 3,076,209,120
District's Proportionate Share	83,084	107,309	136,707

TRIMBLE COUNTY WATER DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2021 and 2020

NOTE 16 – COMMITMENTS AND CONTINGENCIES

During the 2018 Kentucky Legislature Session, House Bill 362 passed which caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period July 1, 2018 to June 30, 2028. During the 2020 regular session, Senate Bill 249 froze the CERS employer rate phase-in for one year and House Bill 352 included provisions to keep the CERS rates the same as fiscal year 2020, effective July 1, 2020. The CERS Employer rate beginning July 1, 2021 and 2020 have been set 26.95% and 24.06% respectively.

NOTE 17 – SUBSEQUENT EVENTS

Management has considered subsequent events through the date of this report August 19, 2022, for disclosure. No events were identified that would have impacted the financial statements for the year ended December 31, 2021.

TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
YEARS ENDED DECEMBER 31

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset) %	0.004308%	0.004446%	0.004707%	0.005237%	0.007655%	0.007200%	0.001961%
District's proportionate share of the net pension liability (asset)	\$ 274,669	\$ 341,005	\$ 331,045	\$ 318,949	\$ 448,071	\$ 354,495	\$ 84,334
District's covered payroll (calendar year)	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	191.99%	261.29%	277.32%	240.44%	296.01%	198.99%	64.54%
Plan fiduciary net position as a percentage of the total pension liability	57.3%	47.8%	50.4%	53.5%	53.3%	55.5%	60.0%

Calculations of the District's proportion of the net pension liability (%) and proportionate share of the net pension liability (\$) are based on reports of the Kentucky Retirement Systems', County Employees Retirement Systems' Schedule of Employer Allocations and Pension Amounts by Employer for the fiscal years ended June 30, shown.

District payroll is reported for its' covered calendar years ending December 31, 2015 through 2021.

GASB 68 requires the District to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

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. Senate Bill 169 passed during the 2021 legislative session increased the 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.

	2021	2020	2019	2018	2017	2016	2015
Inflation	2.30%	2.30%	2.30%	2.30%	2.30%	3.25%	3.25%
Salary Increases	3.30%-10.30%	3.30%-10.30%	3.30%-10.30%	3.05%	3.05%	4.00%	4.00%
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%	6.25%	7.50%	7.50%

The mortality table(s) used in the determination of the total pension liability as of June 30, 2019 were as follows. 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.

In previous years the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The assumed rates of retirement, withdrawal, and disability were based on an actuarial valuation performed as of June 30, 2019.

TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS (PENSION)
COUNTY EMPLOYEES RETIREMENT SYSTEM
Years Ended December 31

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 29,113	\$ 21,330	\$ 19,915	\$ 20,135	\$ 21,422	\$ 23,903	\$ 16,928
Contributions in relation to the contractually required contributions	29,113	21,330	19,915	20,135	21,422	23,903	16,928
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll (calendar year)	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
Contributions as a percentage of covered payroll	20.35%	19.30%	17.20%	15.24%	14.20%	12.42%	12.49%

The District's contributions above include only contributions to the County Employees Retirement System Pension Fund. GASB 68 requires the District to present the above information for the CERS pension for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
Years Ended December 31

	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability (asset) %	0.004307%	0.004444%	0.004707%	0.005237%	0.007655%
District's proportionate share of the net OPEB liability (asset)	\$ 82,455	\$ 107,309	\$ 79,153	\$ 92,982	\$ 153,892
District's covered payroll (calendar year)	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,851	\$ 151,368
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	57.64%	82.26%	66.31%	70.09%	101.67%
Plan fiduciary net position as a percentage of the total OPEB liability.	62.9%	51.7%	60.4%	57.6%	52.4%

Calculations of the District's proportion of the net OPEB liability (%) and proportionate share of the net OPEB liability (\$) are based on reports of the Kentucky Retirement Systems', County Employees Retirement Systems' Schedule of Employer Allocations and OPEB Amounts by Employer for the fiscal years ended June 30, shown.

District covered payroll is reported for its calendar year.

GASB 75 requires the District to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

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

Actuarial Methods and Assumptions for Determining Net OPEB Liability:

	2021	2020	2019	2018	2017
Payroll Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Salary Increases	3.30%-10.30% varies by service	3.30%-10.30% varies by service	3.30%-10.30% varies by service	3.05% Average	3.05% Average
Investment Rate of Return	6.25%	6.25%	6.25%	6.25%	6.25%
Inflation	2.3%	2.3%	2.3%	2.3%	2.3%
Healthcare Trend Rates: Pre-65	Initial trend at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	Initial trend at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Trend Rates: Post-65	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.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality: Pre-Retirement	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
Post-Retirement	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.	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.	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.	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).
Post-Retirement (disabled)	PUB 2010 Disabled Mortality Table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 is used for the period after disability.	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 is used for the period after disability.	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 is used for the period after disability.	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.	RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS (OPEB)
COUNTY EMPLOYEES RETIREMENT SYSTEM
Years Ended December 31

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually (Employer) Required Contributions	\$ 7,640	\$ 7,110	\$ 6,638	\$ 6,711	\$ 7,140	\$ 7,967	\$ 5,643
Contributions in Relation to the Contractually Required Contributions	(7,640)	(7,110)	(6,638)	(6,711)	(7,140)	(7,967)	(5,643)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll (Calendar Year)	\$ 143,064	\$ 130,506	\$ 119,371	\$ 132,651	\$ 151,368	\$ 178,144	\$ 130,666
Contributions as a Percentage of Covered Payroll	5.34%	4.76%	5.57%	5.10%	4.73%	5.45%	4.86%

The District's contributions above include only the contributions to the County Employees Retirement System Insurance Fund.

GASB 75 requires the District to present the above information for the CERS OPEB Plan for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

P.O. Box 354 • 513 Highland Ave • Carrollton, KY 41008
502-732-6655 • taxes@rzwcpas.com

Dennis S. Raisor, CPA
Jerilyn P. Zapp, CPA
Jeffery C. Woods, CPA
Susan A. Dukes, CPA

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

To the Commissioners of the
Trimble County Water District #1
Bedford, KY 40006

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 Trimble County Water District #1 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Trimble County Water District #1's basic financial statements and have issued our report thereon dated August 19, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Trimble County Water District #1'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 Trimble County Water District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Trimble County Water District #1'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Items 2021-001 and 2021-002 that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

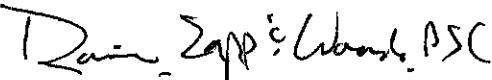
As part of obtaining reasonable assurance about whether Trimble County Water District #1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-003.

TRIMBLE COUNTY WATER DISTRICT #1'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Trimble County Water District #1's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Trimble County Water District #1'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.



RAISOR, ZAPP & WOODS P.S.C.
Certified Public Accountants
Carrollton, Kentucky

August 19, 2022

**TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2021**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Trimble County Water District #1 were prepared in accordance with GAAP.
2. Two material weaknesses disclosed during the audit of the financial statements are reported in the 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*. Items 2021-001 and 2021-002 were reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of Trimble County Water District #1, which would be required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit. It is identified in the Schedule of Findings and Responses as Item 2021-003.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2021-001 SIZE OF ENTITY, CROSS-TRAINING AND CHECKING PROCEDURES

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow timely preparation of financial data consistent with management assertions.

CONDITION:

Due to the size of the entity, cross-training and checking procedures are not in place for certain administrative functions. Tax Agency reports were inaccurate in several instances. Reconciliation of the general ledger to subsidiary ledgers was not performed consistently. This limits internal control. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2020 as Item 2020-001.

CAUSE:

Responsibilities associated with individual positions limit the availability of individuals to rotate duties and implement checking procedures.

EFFECT:

This limitation may affect the ability to timely record, process, summarize and report financial data.

RECOMMENDATION:

Management should strive to provide cross-training for administrative staff and implement checking processes.

VIEWS of RESPONSIBLE OFFICIALS and PLANNED CORRECTIVE ACTIONS:

We concur with the recommendation. Management believes adequate resources have been expended and control procedures implemented, that are commensurate with the staff size and responsibility of financial personnel. However, additional efforts will be made to enhance operational control processes.

**TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
December 31, 2021**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

2021-002 FAILURE TO PREPARE COMPLETE SET OF FINANCIAL STATEMENTS INCLUDING REQUIRED NOTE DISCLOSURES

CRITERIA:

Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

CONDITION:

District financial statements, including the required disclosures, are prepared as part of the annual audit. This condition was also cited as a material weakness in the schedule of findings and responses for the year ended December 31, 2020 as Item 2020-002.

CAUSE:

The draft financial statements and disclosures are prepared during the audit process.

EFFECT:

Management engaged the auditor's assistance to prepare the draft of the financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance.

RECOMMENDATION:

District management should continue to enhance its knowledge of reporting requirements in providing oversight of this service.

VIEWS of RESPONSIBLE OFFICIALS and PLANNED CORRECTIVE ACTIONS:

The outsourcing of this service is a result of management's cost benefit decision to avoid incurring internal resource costs. We concur with the recommendation and will continue to improve our overall accounting knowledge in performing our oversight responsibilities. We are aware of our responsibilities for the financial statements. We have reviewed and accepted the financial statements as presented.

COMPLIANCE AND OTHER MATTERS

2021-003 FAILURE TO SECURE PUBLIC FUNDS AS REQUIRED UNDER KRS 66.480

CRITERIA:

KRS 66.480 requires a Depository to pledge securities to protect public funds except direct federal obligations and funds protected by FDIC insurance.

CONDITION:

The District had \$202,434 in deposits at December 31, 2021 that were not covered by FDIC insurance for which assets had not been pledged and considered at risk. This condition was also cited as a compliance issue in the schedule of findings and responses for the year ended December 31, 2020 as Item 2020-004 with \$402,440 at risk.

**TRIMBLE COUNTY WATER DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
December 31, 2021**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

MATERIAL WEAKNESSES (Continued)

COMPLIANCE AND OTHER MATTERS

2021-003 FAILURE TO SECURE PUBLIC FUNDS AS REQUIRED UNDER KRS 66.480 (CONTINUED)

CAUSE:

The District had additional deposits in excess of the FDIC coverage limit and pledged securities during year while pledged securities also decreased at December 31, 2021.

EFFECT:

District funds in the amount of \$202,434 were unsecured at December 31, 2021.

RECOMMENDATION:

The District should request that its depository pledge securities to secure its funds.

VIEWS OF RESPONSIBLE OFFICIALS:

The District will request the Depository to pledge assets to secure the District's funds as required.