Warren County Water District

Component Unit of
Warren County, Kentucky

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

December 31, 2020

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REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment,

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and select pension/OPEB information on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net

position by division are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
April 16, 2021

FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warren County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2020. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

The following are highlights of Warren County Water District for year ending December 31, 2020:

- Total Net Position increased by $8,769,697 or 6.4% to $145,864,221 from $137,094,524 reflecting completed projects recorded to utility plant.
- Operating Revenues increased by $814,725 or 4.8% to $17,662,699 compared to $16,847,974 in 2019 reflecting increases in retail rates and the recording of unbilled revenue.
- Operating Expenses increased by $1,035,907 or 6.6% to $16,824,650 compared to $15,788,743 in 2019 due to increases in wholesale rates from the District's provider for purchased water and sewage disposal and increases in depreciation.
- Income Before Contributions decreased by $254,364 or 21.5% to $926,327 compared to $1,180,691 in 2019 due to an increase in depreciation expense from projects placed into service.
- Utility Plant increased by $11,070,622 or 8.3%, net of depreciation, to $144,225,236 from $133,154,614 in 2019 due several large projects placed into service and the transfer of several water & sewer line extensions from developers.
- Total water sold and billed to the District's customers during the year amounted to 2.71 billion gallons compared to 2.79 billion gallons in the prior year, a decrease of 2.9%. Total sewer service billed to customers totaled 1.17 billion gallons compared to 1.23 billion gallons in the prior year, a decrease of 4.9%.
- The peak water demand month was August with 299.6 million gallons sold and the peak demand day was July 9th with 11.9 million gallons pumped.
- The water division added 771 customers and the sewer division added 535 customers throughout the year. The number of customers at the end of the year for the water and sewer divisions was 30,914 and 8,181, respectively.
- Average metered water revenue billed to customers was $24.13 per residential customer and $144.82 per commercial customer. Average sewer revenue was $23.25 per residential customer and $313.99 per commercial customer.
- The water division has a total of 1,174 miles of water main serving an average of 26 customers per mile. The sewer division has 204 miles of collection mains serving an average of 40 customers per mile.

Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Warren County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

Financial Analysis

Budgetary Analysis for the Year Ended December 31, 2020

Total Revenues were below budget by $25,125 reflecting the net effect of lower than expected metered revenue of $183,723 and the recording of unbilled metered revenue of $172,503. The lower than expected metered revenue was due to the adverse impact of the COVID-19 pandemic on commercial sales. The recording of unbilled revenue captured customer usage in December 2020 that was not billed as part of the normal billing cycle until January 2021. This accounting practice of revenue recognition was adopted in year 2020. *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees and *Interest Income* which were adversely impacted by COVID-19 were below budgeted amounts by $16,199 and $8,419, respectively. *Other Revenues* which include rental income, income from billing services, and other income exceeded budget by $9,245.

Total Expenses related to providing water and sewer service and maintaining the District's distribution and collection system was below budget by $308,352. Operating expenses were below budget due to the impact of COVID-19 and include the following: (1) wages & benefits, $55,495; (2) purchased water, $ 46,947; (3) sewage disposal costs, $52,358; (4) purchased power, $17,567, and (5) remaining operating expenses were below budget by $37,290 *Other Expenses* were below budget by $92,396 reflecting an reduction to Other Post-Employment Benefits (OPEB) of $102,330 recorded after an actuarial valuation at year end.

Income before Contributions totaled $926,327 and exceeded budget by $283,227. *Contribution in Aid of Construction* exceeded budget by $6,695,070 reflecting the transfer of water and sewer line extensions from developers. *Net Change in Net Position* totaled $8,769,697 and exceeded budget by $6,978,297.

Table 1
TABLE OF BUDGETARY COMPARISON

	Budget Year 2020	Actual Year 2020	Variances Favorable \ (Unfavorable)
Revenues			
Metered Water Revenue	$12,527,000	$12,541,207	$14,207
Metered Sewer Revenue	4,901,000	4,875,574	(25,426)
Forfeited Discounts	42,300	43,767	1,467
Miscellaneous Service Revenue	210,100	193,901	(16,199)
Interest Income	153,500	145,081	(8,419)
Other Revenues	246,800	256,045	9,245
Total Revenues	18,080,700	18,055,575	(25,125)
Expenses			
Operating Expenses	13,008,800	12,799,143	209,657
Depreciation	4,098,800	4,087,337	11,463
Interest Expense	304,300	309,464	(5,164)
Other Expenses	25,700	(66,696)	92,396
Total Expenses	17,437,600	17,129,248	308,352
Net Income Before Contributions	**643,100**	**926,327**	**283,227**
Contribution in Aid of Construction	1,148,300	7,843,370	6,695,070
Net Change in Net Position	$1,791,400	$8,769,697	$6,978,297

Statement of Net Position

A summary of the District's Net Position is presented below in Table 2. The District's assets exceeded liabilities by $145,864,221 for the year.

Current & Non-Current Assets totaled $22,232,645, an increase of $1,568,910 from last year. The increase reflects the accumulation of cash reserves for District funded projects and an increase in customer accounts receivable. Customer accounts receivable included the recording of unbilled revenue totaling $1,032,413 which captured customer usage in December 2020 not billed as part of the normal billing cycle until January 2021. This accounting practice of revenue recognition was adopted in year 2020. *Utility Plant* is the largest portion of the District's assets and include land, water distribution mains, sewer mains, pump stations, lift stations, storage tanks, vehicles, and equipment. In year 2020, utility plant totaled $144,225,236 net of depreciation reflecting an increase of $11,070,622 over the prior year. The increase in utility plant includes a substantial number of residential developments placed into service during the year and the completion of large projects such as the Nashville Road Relocation and Plum Springs Sewer Rehabilitation. *Current and Non-Current Liabilities* totaled $8,940,113 and decreased $185,310 reflecting decreases in accounts payables. *Long-Term Debt* totaled $11,653,547, an increase of $3,882,905 reflecting debt obligations with Kentucky Infrastructure Authority (KIA) and USDA – Rural Development obtained to fund the Plum Springs Sewer Rehabilitation and Morgantown Road Area Water Improvement projects.

The District's *Total Net Position* totaled $145,864,221 and increased by $8,769,697 comparatively over the prior year. *Total Liabilities & Net Position* totaled $166,457,881 for year 2020, an increase of $12,639,532, or 8.2%.

Table 2

CONDENSED STATEMENT OF NET POSITION

December 31, 2020

Assets	Year 2020	Year 2019	Increase (Decrease)	
Current & Non-Current Assets	$22,232,645	$20,663,735	$1,568,910	7.6%
Utility Plant	144,225,236	133,154,614	11,070,622	8.3%
Total Assets	166,457,881	153,818,349	12,639,532	8.2%
Liabilities				
Current & Non-Current Liabilities	8,940,113	9,125,423	(185,310)	-2.0%
Net Long-Term Debt	11,653,547	7,770,642	3,882,905	50.0%
Total Liabilities	20,593,660	16,896,065	3,697,595	21.9%
Net Position				
Net Investment in Capital Assets	132,924,608	124,792,119	8,132,489	6.5%
Restricted for Depreciation Reserves	5,542,526	5,368,472	174,054	3.2%
Unrestricted	7,397,087	6,761,693	635,394	9.4%
Total Net Position	145,864,221	136,922,284	8,941,937	**6.5%**
Prior Period Adjustment - Unbilled Revenue	-	172,240	(172,240)	
Total Net Position Restated	**145,864,221**	**137,094,524**	**8,769,697**	6.4%
Total Liabilities & Net Position	$166,457,881	$153,818,349	$12,639,532	8.2%

Statement of Revenues, Expenses, and Changes in Net Position

This statement identifies various revenue and expense items, which impact the change in net position. A summary of this statement is presented in Table 3 below.

Table 3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2020

	Year 2020	Year 2019	Increase (Decrease)	
Operating Revenues				
Metered Water Revenue	$12,541,207	$11,805,154	$736,053	6.2%
Metered Sewer Revenue	4,875,574	4,506,579	368,995	8.2%
Forfeited Discounts	43,767	238,753	(194,986)	-81.7%
Miscellaneous Service Revenue	202,151	297,488	(95,337)	-32.0%
Total Operating Revenues	17,662,699	16,847,974	814,725	4.8%
Operating Expenses				
Wages & Benefits	2,565,105	2,490,482	74,623	3.0%
Commissioner Fees	30,000	30,000	-	0.0%
Purchased Water	5,526,053	4,861,409	664,644	13.7%
Sewage Disposal	2,609,642	2,547,994	61,648	2.4%
Purchased Power	607,833	638,898	(31,065)	-4.9%
Materials & Chemicals	292,535	259,731	32,804	12.6%
Contractual Services	734,445	717,937	16,508	2.3%
Rental of Building	56,633	57,675	(1,042)	-1.8%
Equipment	222,511	224,210	(1,699)	-0.8%
Depreciation	4,087,337	3,808,361	278,976	7.3%
Other Operating Expenses	92,556	152,046	(59,490)	-39.1%
Total Operating Expenses	16,824,650	15,788,743	1,035,907	6.6%
Non-Operating Revenues (Expenses)				
Interest Income	145,081	267,424	(122,343)	-45.7%
Rental Income	155,416	146,336	9,080	6.2%
Non-Utility Income	97,245	121,435	(24,190)	-19.9%
Gain (Loss) on Disposals	-	(84,961)	84,961	-100.0%
Interest Expense	(309,464)	(328,774)	19,310	-5.9%
Total Non-Operating Revenues (Expenses)	88,278	121,460	(33,182)	-27.3%
Income Before Capital Contributions	**926,327**	**1,180,691**	**(254,364)**	-21.5%
Capital Contributions	7,843,370	10,946,930	(3,103,560)	-28.4%
Change in Net Position	8,769,697	12,127,621	(3,357,924)	-27.7%
Net Position, Beginning of Year	137,094,524	124,794,663	12,299,861	9.9%
Prior Period Adjustment - Unbilled Revenue	-	172,240	(172,240)	
Net Position, End of Year Restated	137,094,524	124,966,903	12,127,621	9.7%
Total Net Position, End of Year	$145,864,221	$137,094,524	$8,769,697	6.4%

Total Operating Revenue increased by $814,725 or 4.8% compared to the prior due. *Metered Water Revenue* and *Metered Sewer Revenue* which increased by $736,053 and $368,995, respectively, reflecting retail rate increases and the recording of unbilled revenue. On July 1st, retail rate increases were implemented in both water and sewer divisions to absorb wholesale purchased water and disposal rate increases from the District's provider, Bowling Green Municipal Utilities (BGMU). In year 2020, the District began recognizing unbilled revenue which increased metered water and sewer revenue by $172,503. The recording of unbilled revenue captured customer usage in December that

was not billed as part of the normal billing cycle until January 2021. Customer demand was adversely impacted by the COVID-19 pandemic resulting in decreases in commercial revenue due to factory shutdowns. Overall, the volume of water sold during the year totaled 2.71 billion gallons versus 2.79 billion gallons in the prior year, a 2.9% decrease of 80 million gallons. The volume of sewer revenue billed totaled 1.17 billion gallons versus 1.22 billion gallons last year, a 4.1% decrease of 50 million gallons. Steady growth continued in the District's service area and the water division added 771 customers for a total of 30,914, and the sewer division added 535 customers for a total of 8,181 customers. *Forfeited Discounts* which are late charges decreased by $194,986 and *Miscellaneous Service Revenue* which include connection fees, collection fees, and meter tampering fees decreased by $95,337 compared to the prior year. In March 2020, the Kentucky Public Service Commission issued a moratorium on the assessment of late charges and disconnections for non-payment. In October, the moratorium for late charges on commercial accounts was lifted as well as disconnects for non-payment. The moratorium on late charges on residential customers remained in effect through the end of the year.

Total Operating Expenses increased by $1,035,907 a 6.6% increase when compared to the prior year. *Wages & Benefits* increased by $74,623 reflecting wages paid in the District's COVID-19 operations protocol and an increase in leak detection wages. *Purchased Water* and *Sewage Disposal* costs increased by $664,644 and $61,648 respectively, due to wholesale rate increases. *Depreciation* expense increased by $278,976 corresponding utility plant additions placed into service during the year such as the Nashville Road Relocation, Plum Springs Sewer Rehabilitation, Memphis Junction Sewer Capacity Improvements, additions to the Automated Meter Reading (AMR) System, and multiple line extensions from developers.

Income Before Capital Contributions was $926,327, a decrease of $254,364, or 21.5% compared to the prior year. *Capital Contributions* of $7,843,370 were recorded during the year which includes the following: contributions from residential developers of $5,984,567; contributions for meter installations, sewer taps, fire protection, and capital recovery fees of $1,156,607; contributions from the Kentucky Transportation Cabinet for relocations of $611,764; and contributions from city and county governments for debt service of $90,432.

Changes in Capital Assets

The largest portion of the District's assets is invested in the water distribution and sewer collection system amounting to $144,225,236 net of depreciation, as of December 31, 2020. Table 4 details changes in capital assets.

Table 4
CHANGES IN UTILITY PLANT
(Net of Depreciation)

	December 31, 2020	December 31, 2019	Increase (Decrease)	
WATER DIVISION				
Land	$1,323,352	$1,323,352	$0	0.0%
Structures	2,045,155	1,754,285	290,870	16.6%
Pumping Equipment	2,953,687	3,046,721	-93,034	-3.1%
Storage Tanks	8,180,262	8,099,687	80,575	1.0%
Distribution Mains	49,336,797	45,990,848	3,345,949	7.3%
Meters	16,857,740	15,655,467	1,202,273	7.7%
Hydrants	3,699,531	3,446,773	252,758	7.3%
Hardware & Software	697,506	732,263	-34,757	-4.7%
Vehicles and Equipment	1,016,192	990,978	25,214	2.5%
Other	253,900	242,110	11,790	4.9%
Construction In Progress	4,274,148	4,714,629	-440,481	-9.3%
Subtotal - Water Division	90,638,270	85,997,113	4,641,157	5.4%

SEWER DIVISION				
Land	$70,602	$70,602	$0	0.0%
Structures	8,985,073	7,945,070	1,040,003	13.1%
Pumping Equipment	3,486,210	2,315,861	1,170,349	50.5%
Collection Mains	35,254,386	29,750,885	5,503,501	18.5%
Taps	5,626,196	4,740,998	885,198	18.7%
Hardware & Software	81,351	87,220	-5,869	-6.7%
Other	58,422	52,985	5,437	10.3%
Construction In Progress	24,726	2,193,880	-2,169,154	-98.9%
Subtotal - Sewer Division	53,586,966	47,157,501	6,429,465	13.6%
TOTAL - WATER & SEWER	**$144,225,236**	**$133,154,614**	**$11,070,622**	**8.3%**

Total utility plant net of depreciation, increased by $11,070,622 or 8.3%, compared to the prior year. The increase in utility plant consisted of the following: (1) water and sewer line extensions from developers, $1,468,462 and $5,018,418 respectively; (2) Plum Springs Sewer Rehabilitation, $2,873,265; (3) Nashville Road Relocation, $2,833,881; (4) Memphis Junction Capacity Improvements, $1,181,122; (5) AMR System additions, $869,273; (6) Plum Springs & Hadley Tank Painting, $389,445; (7) Cemetery Road Bridge Replacements, $338,794; (8) service trucks additions, $207,115; (9) meter installations and other asset additions, $2,742,999; and (10) a reduction of $4,242,517 for accumulated depreciation and a decrease in construction in progress of $2,609,635.

Long-Term Debt

The District's debt obligations include United States Department of Agriculture (USDA) bonds, Water Revenue Bonds, Kentucky Rural Water Finance Corporation (KRWFC) loans, and Kentucky Infrastructure Authority (KIA) loans. In year 2020, the District received the following financing for projects: KIA Loan & USDA Bonds of $2,000,000 and $645,000, respectively for the Plum Springs Rehabilitation Project; and a KIA Loan of $2,000,000 for the Morgantown Road Improvement Project. As of December 31, 2020, the District had $12,438,627 in outstanding debt compared to $8,385,481 in the previous year, an increase of $4,053,146 consisting of additional long-term debt obligations of $4,645,000 and principal payments of $591,854.

Factors Affecting Next Year's Budget

- Growth within the District's service area is expected to add 500 new water connections and 440 sewer connections.
- A water and sewer retail rate increase of approximately 5.9% and 1.2 % respectively were budgeted effective on July 1, 2021 corresponding to wholesale purchased water and sewage disposal rate increases from the District's provider.
- The impact of the COVID-19 pandemic on commercial and industrial revenue.
- Expenditures required for maintaining existing water distribution and sewer collection systems.
- The impact of regulatory requirements from the Kentucky Division of Water, Kentucky Public Service Commission, and the Environmental Protection Agency.

The District's board of commissioners adopted the budget for year 2021 at its meeting held in November 2020. Metered water sales and metered sewer revenue combined are budgeted to increase by 6.1%. Total revenue is budgeted to increase by 7.5% and total expenses are budgeted to increase by 8.9% from year 2020. Net income before contributions is budgeted to total $593,000. Debt service payments are expected to total $1,149,800 for both divisions with a reduction in outstanding debt of $757,400. Capital expenditures for the year are budgeted to total $12,829,300 with contributions from customers and governmental agencies totaling $1,409,100, Loan proceeds from Kentucky Infrastructure Authority (KIA) totaling $2,000,000 will be used for water system improvements.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at www.warrenwater.com

Warren County Water District
Statement of Net Position

December 31,		**2020**
Assets		
Current assets		
Cash and cash equivalents	**$**	**8,192,373**
Short-term investments		**632,600**
Accounts receivable:		
Customer accounts receivable, net of allowance for uncollectibles of $432,836		**1,823,442**
Accounts receivable – Butler County Water System		**126,188**
Accounts receivable – Simpson County Water District		**186,348**
Other accounts receivable		**213,580**
Interest receivable		**12,144**
Materials and supplies inventory		**735,335**
Prepaid expenses		**91,624**
Total current assets		**12,013,634**
Non-current assets		
Utility Plant		
Utility plant in service		**201,525,231**
Construction in progress		**4,298,874**
Less accumulated depreciation		**(61,598,869)**
Total utility plant, net		**144,225,236**
Restricted cash and equivalents		**4,169,107**
Restricted investments		**3,931,777**
Investments		**623,468**
Accounts receivable:		
Accounts receivable – Butler County Water System		**121,096**
Accounts receivable – Simpson County Water District		**84,743**
Retirement security plan costs		**1,136,957**
Other assets		**151,863**
Total non-current assets		**154,444,247**
Total assets	**$**	**166,457,881**

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

Warren County Water District
Statement of Net Position

December 31,		**2020**
Liabilities		
Current liabilities		
Accounts payable	**$**	**1,453,151**
Accounts payable – Butler County Water Systems		**4,868**
Accounts payable – Simpson County Water District		**39,276**
Accrued expenses		**876,001**
Contractor advances for construction		**93,181**
Current portion of long-term debt		**765,313**
Total current liabilities		**3,231,790**
Non-current liabilities		
Long-term debt		
Bonds and loans payable		**2,722,000**
Notes payable		**9,716,627**
Less: Net unamortized bond (discount) premium		**(19,767)**
Less: Current portion of long-term debt		**(765,313)**
Net long-term debt		**11,653,547**
Customer meter deposits		**1,427,396**
Rebates payable		**2,818,366**
Unearned revenue for cellular leases		**76,081**
Total other post employment benefit obligation		**1,386,480**
Total non-current liabilities		**17,361,870**
Total liabilities		**20,593,660**
Net Position		
Net investment in capital assets		**132,924,608**
Restricted for depreciation reserves		**5,542,526**
Unrestricted		**7,397,087**
Total net position		**145,864,221**
Total liabilities and net position	**$**	**166,457,881**

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

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position

For the year ended December 31,	2020
Operating Revenues	
Metered sales	
Residential	$ 10,219,953
Industrial	4,276,732
Commercial	2,920,096
Total metered sales	17,416,781
Forfeited discounts	43,767
Miscellaneous service revenue	202,151
Total operating revenues	17,662,699
Operating Expenses	
Source of supply expense	
Purchased water	5,526,053
Sewage disposal	2,609,642
Total source of supply expense	8,135,695
Pumping plant expense	
Salaries and benefits	15
Power purchased	596,117
Chemicals	23,030
Contractual services	5,598
Rental expense	4,826
Insurance	14,263
Total pumping plant expense	643,849
Transmission and distribution expense	
Salaries and benefits	1,038,159
Power purchased	11,716
Contractual services	180,046
Rental expense	18,608
Transportation	137,881
Insurance	45,573
Materials and supplies	229,902
Total transmission and distribution expense	1,661,885

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

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position

For the year ended December 31,	**2020**
Operating Expenses	
Customer accounts expense	
Salaries and benefits	**899,082**
Contractual services	**255,587**
Uncollectible accounts	**19,927**
Rental expense	**28,316**
Transportation	**80,910**
Insurance	**7,470**
Miscellaneous	**4,291**
Materials and supplies	**9,905**
Total customer accounts expense	**1,305,488**
Administrative and general expense	
Salaries and benefits	**566,123**
Office supplies	**29,698**
Commissioner fees	**30,000**
Contractual services	**293,214**
Insurance	**11,060**
Rental expense	**4,883**
Regulatory commission expense	**32,199**
Miscellaneous	**19,499**
Transportation	**3,720**
Total administrative and general expense	**990,396**
Depreciation	**4,087,337**
Total operating expenses	**16,824,650**
Operating income	**838,049**
Non-Operating Revenues (Expenses)	
Interest income	**145,081**
Rental income	**155,416**
Non-utility income	**97,245**
Interest expense	**(309,464)**
Total non-operating revenues (expenses) - net	**88,278**

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

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position

For the year ended December 31,	2020
Income before capital contributions	**926,327**
Capital contributions	**7,843,370**
Change in net position	**8,769,697**
Total net position – beginning of year, as previously reported	**136,922,284**
Prior period entry - Note 2	**172,240**
Total net position – beginning of year, as restated	**137,094,524**
Total net position – end of year	**$ 145,864,221**

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

Warren County Water District
Statement of Cash Flows

For the year ended December 31,	2020
Operating Activities	
Receipts from customers and users	$ 16,693,885
Receipts from rental and non-utility income	252,661
Payments to suppliers for goods and services	(10,670,986)
Payments to employees	(1,698,301)
Net cash provided by (used in) operating activities	4,577,259
Noncapital Financing Activities	
Interest paid on customer deposits	(23,513)
Net cash used in noncapital financing activities	(23,513)
Capital and Related Financing Activities	
Proceeds from long-term debt	4,645,000
Principal repayment on long-term debt	(591,854)
Interest paid on long-term debt	(285,951)
Acquisition and construction of capital assets	(7,518,367)
Net cash used in capital and related financing activities	(3,751,172)
Investing Activities	
Purchase of short-term investments	649,022
Maturity of short-term investments	(498,020)
Interest income	146,572
Net cash provided by investing activities	297,574
Net increase in cash and cash equivalents	1,100,148
Balances – beginning of year	11,261,332
Balances – end of year	$ 12,361,480

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

For the year ended December 31,		2020
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$	838,049
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation expense		4,291,115
Amortization of debt premium / discount		3,219
Rental and non-utility income		252,661
Changes in assets and liabilities:		
Net increase in accounts receivable		(968,814)
Net decrease in other receivables		416,172
Net decrease in prepaid expenses		17,480
Net increase in materials and supplies inventory		(78,600)
Net decrease in retirement security plan costs		161,405
Net decrease in other assets		3,342
Net decrease in accounts payable		(532,499)
Net decrease in accrued liabilities		(82,511)
Net decrease in contractor advances		(201,232)
Net increase in customer deposits		76,483
Net increase in rebates payable		506,012
Net increase in other liabilities		3,945
Net decrease in other post employment benefit obligation		(128,968)
Net cash provided by operating activities	$	4,577,259
Non-Cash Capital and Financing Activities		
Contributed constructed water and sewer lines at cost	$	7,843,370
Total non-cash investing, capital, and financing activities	$	7,843,370

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Warren County Water District ("District") is a tax-exempt division of Warren County, Kentucky organized under KRS 74.010. The District operates water and sewer services for the residents of Warren County, Kentucky and surrounding areas.

Reporting Entity

The District is governed by a five-member board of commissioners (the "Board"). The criteria for determining the District as a component unit of Warren County, Kentucky, the primary government, is financial accountability. In accordance with Section 2100; *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to impose its will on that organization. The commissioners of the Board are appointed by the Warren County Judge Executive. Warren County is able to impose its will on the District through the ability to remove appointed members of the Board at will.

Measuring Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

The District's cash equivalents are considered to be liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of restricted and unrestricted cash and cash equivalents.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Customer accounts receivable result from unpaid billings for service to customers and from unpaid billings related to work performed or materials sold to certain entities. All customer accounts receivable are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the District is based on past history of uncollectible accounts and management's analysis of current accounts. Customer accounts receivable also contains an estimate of services rendered, but not yet billed as of the end of the year. The receivable is derived from the cycle billings generated subsequent to year end and prorated for usage in December.

Materials and Supplies

All materials and supplies inventories are valued using the weighted average cost method.

Prepaid Items

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

Restricted Assets

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

Investments

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

Utility Plant

Utility plant, which include property, plant, equipment, and construction in progress, are recorded at historical cost or estimated historical cost if purchased or constructed. Original cost includes materials, labor, transportation, and such other indirect costs as engineering, supervision, and employee fringe benefits.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2020 the District capitalized $41,647 of interest costs.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Utility Plant (Continued)

As property units are retired in the ordinary course of business, the cost of the property plus removal cost less salvage, is charged to accumulated depreciation. Property, plant, and equipment of the Utility are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Transmission and Distribution	50 years
Equipment	10 years
Service Trucks, Software and Hardware	5-10 years
Tools	12.5 years
Furniture and Fixtures	10 years

Long Term Debt

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

Retirement Security Plan

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan ("RS Plan") administered by the National Rural Electric Cooperative Association ("NRECA"), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. Note 8 provides further detail on the RS Plan.

In prior years, the District was given the opportunity to lower the retirement age of their employees to sixty two. The cost of reducing the retirement age of the District's retirement plan has been deferred and is being amortized using the straight-line method over a thirty-year period as allowed by the agreement with the retirement group.

In prior years, the District made a prepayment of $1,556,940 to the District's retirement plan in order to achieve a lower annual required contribution ("ARC") requirement along with making various modifications to the District's retirement plan. The payment will lower the ARC over a ten-year period ending in 2028; therefore, the payment will be amortized over a ten-year period as a component of the District's pension costs.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the total OPEB liability and OPEB expense, information about the District's employees and contributions made have been determined on the same basis as they are reported to the District's actuary. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Note 10 provides further detail on the total OPEB liability.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post-Employment Benefits (OPEB) Liability (Continued)

For defined benefit OPEB, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Rebates Payable

Rebates payable are amounts paid by contractors to improve property by adding water and/or sewer connections which are eligible to be refunded to the contractor either entirely or in part, dependent upon the number of future residents attaching to the water and/or sewer connections. Amounts not refunded are transferred to capital contributions after the ten-year eligibility period has lapsed or when it is highly unlikely that the rebate will be requested by contractors.

Bond Discount and Premiums

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

Capital Contributions

The donor cost of contributed property and equipment is included in capital contributions. Contributions are recognized in the statements of revenues, expenses, and changes in net position when earned. Contributions may include connect fees; developer contributed utility systems; capital grants and other supplemental support by other utilities and industrial customers; and federal, state, and local grants in support of system improvements. Assets acquired through contributions from developers or other customers are capitalized at donor cost at the date of donations.

Net Position

The District classifies its net position into the following three categories:

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Concentration of Credit Risk

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

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through April 16, 2021, which was the date the financial statements were made available.

Recent Accounting Pronouncements Not Yet Adopted

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements Not Yet Adopted (Continued)

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB statement 95 postponed the effective date by one year from the original effective date. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

The District is evaluating the requirements of the above statements and the impact on reporting.

Note 2: PRIOR PERIOD ENTRY

On January 1, 2020, the District began recognizing unbilled services to customers as the balance became significant with the growth of the District's customer base. The District's beginning net position has been increased by $172,240 as a result of the recording of unbilled revenue.

Note 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits and Certificates of Deposit

At December 31, 2020 the District's deposits and certificates of deposit consisted of the following:

December 31,		2020
Cash and cash equivalents	$	8,187,523
Restricted cash and cash equivalents		4,169,107
Short-term investments		632,600
Investments		623,468
Restricted investments		3,931,777
	$	17,544,475

The District maintains its deposits and certificates of deposit with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2020 the carrying amount of the District's deposits and certificates of deposit totaled $17,544,475 and the bank balances totaled $17,605,490. Of the bank balances, $17,605,490, were covered by FDIC insurance or by collateral held by an institution for the pledging bank in the District's name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's formal deposit policy for custodial credit risk requires deposits in banks which are in excess of the FDIC insurance coverage to be secured by the bank pledging securities in direct obligations of the United States of America or by approved security bonds. As of December 31, 2020 none of the District's deposits and certificates of deposit were exposed to custodial credit risk.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. However, the District's bond agreement further limits its investment choices.

Concentration of Credit Risk

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

Interest Rate Risk

The District's investment policy limits investment maturities of less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments consisted of the following at December 31, 2020:

December 31,		**2020**
Sinking funds	**$**	**746,092**
Depreciation funds		**5,542,526**
Debt service reserve funds		**372,140**
Customer deposits		**1,440,126**
	$	**8,100,884**

The sinking funds and debt service reserve funds are restricted to the payment of principal and interest on long-term debt.

The depreciation funds are restricted to payment for improvements and approved repairs.

The customer deposits fund is restricted to hold customer deposits until service is terminated.

Note 4: CUSTOMER ACCOUNTS RECEIVABLE

At December 31, 2020, customer accounts receivable consist of the following:

December 31,		**2020**
Customer Accounts Receivable:		
Billed	**$**	**1,223,865**
Unbilled		**1,032,413**
Total		**2,256,278**
Less allowance for uncollectibles		**(432,836)**
Customer Accounts Receivable - net	**$**	**1,823,442**

Note 5: UTILITY PLANT

Utility plant activity for the year ended December 31, 2020 is as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Utility plant, not being depreciated				
Land and land rights	$ 1,393,954	$ -	$ -	$ 1,393,954
Construction in progress	6,908,509	8,310,227	10,919,862	4,298,874
Total utility plant, not being depreciated	8,302,463	8,310,227	10,919,862	5,692,828
Utility plant, being depreciated				
Buildings and improvements	12,510,104	1,612,041	-	14,122,145
Mains and pumping	131,061,316	12,471,921	30,645	143,502,592
Meters and hydrants	33,151,056	3,237,695	17,953	36,370,798
Office furniture and equipment	2,961,159	159,306	-	3,120,465
Equipment	2,524,868	490,409	-	3,015,277
Total utility plant, being depreciated	182,208,503	17,971,372	48,598	200,131,277
Less accumulated depreciation	57,356,352	4,291,115	48,598	61,598,869
Total utility plant, being depreciated, net	124,852,151	13,680,257	-	138,532,408
Total utility plant, net	$ 133,154,614	$21,990,484	$10,919,862	$ 144,225,236

Note 6: LONG-TERM DEBT

Long-term debt consists of the following:

December 31,	**2020**
Revenue bonds, U.S. Department of Agriculture Series 1993, with a 4.5% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2033.	**$ 424,000**
Water refunding revenue bonds, Series 2004A, with varying interest rates commencing at 2.00% and increasing to 4.50% over the life of the bond issue, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2025.	**650,000**

Note 6: LONG-TERM DEBT (CONTINUED)

December 31,	**2020**
Revenue bonds, U.S. Department of Agriculture Series 2005A, with a 4.25% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2045.	**1,003,000**
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C11-02, with a 3.00% interest rate, payable monthly. Principal payments are due monthly until payoff June 1, 2033.	**570,963**
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C15-003, with a 3.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2036.	**920,664**
Refunding revenue bonds, Kentucky Rural Water Finance Corporation Series 2012B, with varying interest rates commencing at 2.20% and increasing to 4.20% over the life of the loan, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2039.	**1,435,000**
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2013B, with varying interest rates commencing at 2.30% and increasing to 3.30% over the life of the loan, payable semiannually. Principal payments are due annually every February 1, and vary until payoff on February 1, 2028.	**1,060,000**
Refunding revenue bonds, Kentucky Rural Water Finance Corporation Series 2016B, with varying interest rates between 2.25% and 3.25% over the life of the loan, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2030.	**1,730,000**
Note payable/direct borrowing, Kentucky Infrastructure Association Loan B19-006, with a 2.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2040.	**2,000,000**

NOTE 6: LONG-TERM DEBT (CONTINUED)

December 31,	**2020**
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C19-002, with a 3.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2040.	**2,000,000**
Revenue bonds, U.S. Department of Agriculture Series 2019, with a 2.375% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2060.	**645,000**
Total bonds and notes payable/direct borrowings	**12,438,627**
Less unamortized premium (discount) on bonds - net	**(19,767)**
Less current portion of bonds and notes payable	**(765,313)**
Net long-term debt	**$ 11,653,547**

In May 2019, the District adopted a Bond Resolution authorizing and providing for the issuance and sale of $645,000 in Sewer System Revenue Bonds, Series 2019, to finance the cost of sewer system extensions, additions, and improvements. On April 15,2020 the bonds were issued at an annual interest rate of 2.375%.

In July 2019, the District approved and authorized an assistance agreement with the Kentucky Infrastructure Authority. The assistance agreement is a $2,000,000 revolving fund loan at an interest rate of 2.00% for 20 years. The revolving loan was fully drawn down as of December 2020.

In April 2020, the District approved and authorized an assistance agreement with the Kentucky Infrastructure Authority. The assistance agreement is a $2,000,000 revolving fund loan at an interest rate of 3.00% for 20 years. The revolving loan was fully drawn down as of December 2020.

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

The District's outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the District is unable to make a payment at the times specified in the agreement.

Unamortized net premiums and discounts on the debt issuances totaled $19,767 as of December 31, 2020. Related amortization expenses for the year ended December 31, 2020 totaled $3,219.

Note 6: LONG-TERM DEBT (CONTINUED)

The following is a summary of long-term debt transactions for the year ended December 31, 2020:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 1993	$ 446,500	$ -	$ 22,500	$ 424,000	$ 24,000
Refunding Series 2004A	765,000	-	115,000	650,000	120,000
USDA Series 2005A	1,026,000	-	23,000	1,003,000	24,000
KIA C11-02	608,061	-	37,098	570,963	38,226
KIA C15-003	964,920	-	44,256	920,664	45,594
KRWFC 2012B	1,490,000	-	55,000	1,435,000	55,000
KRWFC 2013B	1,200,000	-	140,000	1,060,000	140,000
KRWFC 2016B	1,885,000	-	155,000	1,730,000	155,000
KIA B19-006	-	2,000,000	-	2,000,000	82,232
KIA C19-002	-	2,000,000	-	2,000,000	74,261
USDA Series 2019	-	645,000	-	645,000	7,000
	$ 8,385,481	$ 4,645,000	$ 591,854	$ 12,438,627	$ 765,313

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2020 are as follows:

Year(s)	Principal	Interest	Total
2021	$ 765,313	$ 375,567	$ 1,140,880
2022	784,251	351,158	1,135,409
2023	818,368	327,120	1,145,487
2024	837,666	301,962	1,139,628
2025	862,154	274,877	1,137,031
2026-2030	3,400,061	1,035,528	4,435,589
2031-2035	2,295,099	595,152	2,890,251
2036-2040	1,957,216	260,937	2,218,153
2041-2045	361,000	76,871	437,871
2046-2050	98,000	36,813	134,813
2051-2055	118,500	23,982	142,482
2056-2060	141,000	8,438	149,438
Total	$ 12,438,627	$ 3,668,404	$ 16,107,032

Note 6: LONG-TERM DEBT (CONTINUED)

The District has pledged future water customer revenues, net of specified operating expenses, to repay $12,438,627 in water system long-term debt. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely from water customer net revenues and are payable through 2060. The total principal and interest remaining to be paid on the bonds is $16,107,032. Principal and interest paid for the current year and total customer net revenues were $877,805 and $17,662,699 respectively.

Note 7: RELATED PARTIES

The District provides management, engineering, and repair and maintenance services to both, the Butler County Water System and Simpson County Water District as defined in the "Joint Operations Agreement" dated February 14, 2019. In the ordinary course of business, the District has and expects to continue to have transactions with Butler County Water Systems and Simpson County Water District.

In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2020:

	Accounts Receivable	Accounts Payable
Butler County Water Systems	$ 247,284	$ 4,868
Simpson County Water District	$ 271,091	$ 39,276

For the year ended December 31, 2020, the District allocated expenses to related parties as follows:

Description	Butler County Water Systems	Simpson County Water District
Wages and benefits:		
Operation	$ 415,264	$ 234,106
Administrative:		
Supervision and administration	126,328	90,346
Accounting	34,877	24,932
Customer service	94,394	52,141
Engineering	9,036	13,649
Operations - other	136,497	96,141
Additions to plant	106,170	179,614
Special projects	3,317	13,176
Totals	$ 925,883	$ 704,105

Note 8: MAJOR SUPPLIER

The District purchases all water and sewer services from the Bowling Green Municipal Utilities ("BGMU"). The agreement was renewed on December 4, 2018 for an additional forty-five years. Any rate adjustments are approved by BGMU, the District, and the Kentucky Public Service Commission.

Note 9: EMPLOYEE RETIREMENT PLAN

Plan Description

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan ("RS Plan") administered by the National Rural Electric Cooperative Association ("NRECA"), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78.

Financial Information

The RS Plan publishes a financial statement and a copy can be obtained by writing or calling the Plan Administrator, NRECA, PO Box 6007, Lincoln, NE, 68506; telephone number 866-NRECA99. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145; PN 333).

Benefits Provided

The District had 59 employees participating in the RS Plan on December 31, 2020. Upon retirement at the normal age of sixty-two, the annual estimated benefit is calculated as: Benefit Level (1.6% eligible service years from January 1, 1976 to April 1, 1999, 1.85% for service years from April 1, 1999 to January 1, 2018, and 1% for service years after January 1, 2018) multiplied by the number of continuous years in the plan multiplied by the average of the highest five salary years. Other plans were in effect prior to January 1, 1976 and benefit calculations will vary in accordance with an employee's hire date. The District decreased the normal retirement age to sixty-two and increased the benefit level. The District's Board of Commissioners has the authority to amend certain terms of the RS Plan, including benefit levels provided for each year of service, normal retirement age, eligibility for participation, and required employee contributions to the plan. Other terms such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by the District. Each employer in the RS plan elects to participate in the plan.

Contribution Requirements

The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payrolls over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each employer's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's pay level). The District must contribute annually in accordance with the terms of the RS Plan. The District's Board of Commissioners may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. The District's

Note 9: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Contribution Requirements (Continued)

contribution rate for Year 2020 was 11.56% of employees' base pay for those employees who have been employed with the District for over one year and have worked the number of hours to qualify.

The District can choose to withdraw from the RS Plan, subject to plan provisions that require the District to fully fund its share of the RS Plan liabilities before withdrawing.

Note 10: POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired District employees and their dependents under certain conditions. A summary of retiree medical, prescription drug and dental insurance benefits are in the District's Operating Policy N0. 109, paragraph J. This Operating Policy may be obtained by writing to John Dix, General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. The District does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

Benefits Provided

Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement after reaching age 60 and meeting a combined age plus years of service of at least 75. Coverage during retirement continues in the group health plans. Employees covered by the plan make contributions toward the plan premiums.

Plan Membership

Plan membership consisted of the following:

December 31,	**2020**
Inactive members currently receiving benefits	**4**
Active members	**62**
Total	**66**

Investment Policy

The District's obligation is unfunded at December 31, 2020. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Contributions

The contribution requirements of retired employees are established and may be amended by the District's Board of Commissioners. If an employee retires at a minimum age of 60 and their age plus years of service equals 75, the District will pay 70 percent of the premium for employee and spouse coverage for a period not to exceed 5 years. All retirees and their spouses may be allowed to retain the coverage as set forth with a 100 percent of the premium being paid by the retiree. For fiscal year 2020 the District contributed $81,011 towards the healthcare plan.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Alternative Measurement Method (AMM)
Measurement Date	December 31, 2020
Valuation Date	December 31, 2020
Reporting Date	December 31, 2020
Measurement Period	January 1, 2020 to December 31, 2020
Discount Rate	2.12%
As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total OPEB liability was 2.12% as of December 31, 2020.	
General Inflation	3.00%
Salary Increases	2.50%
Health Care Cost Trend Rates	4% - all years
Mortality	2016 United States Life Tables

This AMM valuation reflects the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 4.1% to 2.12%.

Discount Rate

The discount rate used to measure the OPEB liability was 2.12% for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate changed from the prior measurement date.

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Total OPEB Liability

	As of December 31, 2020
Actuarial Present Value of Future Benefits	
Retired - Employees/Spouses	$ 61,803
Actives - Employees/Spouses	3,126,745
Total	$ 3,188,548
Total OPEB Liability	
Retired - Employees/Spouses	$ 61,803
Actives - Employees/Spouses	1,324,677
Total	$ 1,386,480

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is $0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

Changes in the Total OPEB Liability

December 31,	2020
Balance Forward - beginning of year	$ 1,515,448
Changes for the year:	
Service cost	88,789
Interest in the total OPEB liability	64,112
Changes in benefits	-
Difference between expected and actual experience	(209,922)
Changes in assumptions	9,064
Benefit payments, including employee refunds	(81,011)
Net changes	(128,968)
Balance, end of year	$ 1,386,480

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Expense

	Year Ended December 31, 2020
Service Cost	$ 88,789
Interest on Total OPEB Liability	64,112
Effect of Plan Changes	-
Economic/Demographic (Gains)/Losses	(209,922)
Assumption Changes	9,064
OPEB Expense	$ (47,957)

Expected Remaining Service Lives

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

However, if using AMM procedures changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors are immediately recognized in OPEB expense.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (1.12%) and 1-percentage-point higher (3.12%) than the current discount rate:

	1% Decrease (1.12%)	Current Discount Rate (2.12%)	1% Increase (3.12%)
District's total OPEB liability	$ 1,433,416	$ 1,386,480	$ 1,304,579

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (3.00%) and 1-percentage-point higher (5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Current Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
District's total OPEB liability	$ 1,203,770	$ 1,386,480	$ 1,604,524

Note 11: OTHER EMPLOYEE BENEFITS

The District currently participates in 401(a) and 457(b) retirement plans through Transamerica Retirement Solutions Corporation. Full-time employees meeting certain eligibility requirements can participate in the plan to the extent allowed under Internal Revenue Service rules. The District's contribution to the plan is limited to employees who have been employed for over one year and consists of a 3% contribution and a 100% matching contribution of up to 4% of the employee's base salary. For the year ended December 31, 2020, the District contributed $238,463 to the 401(a) plan.

Employees with less than twenty-five years of continuous service shall accrue annual leave at the rate of fifteen days per year. Employees with more than twenty-five years of continuous service accrue annual leave at the rate of twenty days per year. Unused annual leave in excess of ten days accumulate at the end of the year and are payable upon request to employees with more than 240 accumulated annual leave days. All accumulated annual leave is payable to employees upon termination. At December 31, 2020 the District's accrued compensated absences for annual leave totaled $377,264.

Employees accrue sick days at the rate of one sick day per month worked. The sick pay accumulation is unlimited and is payable upon retirement for all sick leave in excess of 800 hours at the rate of one day's pay for each 100 hours or fraction thereof. At December 31, 2020 the District's accrued compensated absences for sick leave totaled $34,539.

Note 12: RISKS OF LOSS

The District's risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management and agents on an annual basis.

Note 13: COMMITMENTS

The District has entered into an agreement with an entity to develop the water and sewer system for their plant with a grant received from the Kentucky Cabinet for Economic Development ("KCED"). To meet the requirements of the KCED, the District had to place a surety with KCED for $615,000 until July 1, 2025, which equals the cost of the grant. In turn, the Intermodal Transportation Authority agrees to return the surety in the form of water and sewer improvement if the entity does not meet the employment goals required by the grant agreement.

In August 2017, WCWD's Board of Commissioners approved the installation of an automated meter reading (AMR) system. The project will be installed on approximately 31,500 meters over a five year period and will collect consumption data using a radio based transmission system that will eliminate the need to physically read meters each month. The AMR system will include acoustic leak detection capabilities that will continuously monitor mains and service lines for water leaks. The estimated cost of the project is $6,835,175 and will be funded by WCWD. The project started installation in February 2019 and is projected to be completed in December 2023. Total cost incurred as of December 31, 2020 is $3,911,352.

Pump Station Upgrades & Relocation, Kelly Vance/ Louisville Road & Greenwood #2 Project will consist of upgrading 3 important pump stations. The Kelly Vance pump station will be completely replaced due to its age and degradation. Louisville Rd and Greenwood #2 will receive substantial upgrades. The anticipated total cost of the project is $1,540,000. Total cost incurred as of December 31, 2020 is $454,083.

The District has committed to re-coating four (4) potable water storage tanks during 2021. These storage tanks are Pleasant Hill, Hayes #1, Plum Springs #2, and Hammitt Hill. The total anticipated expenditure for these recoating projects is $505,000

The District has entered into a contract to replace the Elrod Road Lift Station due to the structure reaching the end of its useful life and becoming a constant maintenance liability. The anticipated expenditure for this contract is $332,000.

Note 14: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of April 16, 2021.

Note 15: SUBSEQUENT EVENTS

On March 5, 2021 the District entered into an agreement with Warren County, KY and the City of Bowling Green, KY to pledge a percentage of future metered revenues generated from customers in a joint City-County development, which shall be paid to the City and County.

Warren County Water District
Schedule of Employer Required Contributions

RETIREMENT SECURITY PLAN

	Year 1 2020	Year 2 2019	Year 3 2018	Year 4 2017	Year 5 2016	Year 6 2015	Year 7 2014	Year 8 2013	Year 9 2012	Year 10 2011
Contractually Required Contribution	$ 371,285	$ 343,827	$ 335,398	$ 782,066	$ 785,396	$ 674,876	$ 658,698	$ 689,385	$ 626,233	$ 587,412

NOTE: This schedule is intended to present a ten-year trend per GASB 78.

The table below summarized the District's contribution rates, contractually required contribution amounts, and factors significantly affecting contribution rates for the RS Plan.

Year	Contribution Rate	Contribution Amount Required and Paid	Average Age	Factors Significantly Affecting Contribution Rate
2011	23.53	$ 587,412	42	No new factors.
2012	23.98	$ 626,233	43	Increase in the average age of District participants.
2013	25.89	$ 689,385	43	Actual 2011 investment return was significantly lower than assumed 8.5% expected annual return.
2014	26.37	$ 658,698	44	Increase in the average age of District participants.
2015	25.89	$ 674,879	43	Decrease in the average age of District participants.
2016	27.17	$ 785,396	44	Increase in the average age of District participants and lower than assumed 7.75% expected annual return.
2017	27.55	$ 782,066	45	Increase in the average age of District participants.
2018	11.86	$ 335,398	45	Decrease in the contribution rate due to prepayment of unfunded balance and reduction of benefits.
2019	11.55	$ 343,827	43	Decrease in the average age of District participants.
2020	11.56	$ 371,285	42	Decrease in the average age of District participants.

NOTE: This schedule is intended to present a ten-year trend per GASB 78.

Warren County Water District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

	2020	2019	2018
Total OPEB Liability			
Service cost	**$ 88,789**	$ 86,623	$ 54,508
Interest	**64,112**	61,497	35,620
Changes of benefit terms	**-**	-	406,050
Difference between expected and actual experience	**(209,922)**	-	136,938
Changes of assumptions	**9,064**	-	(24,914)
Benefit payments	**(81,011)**	(91,962)	(73,479)
Net change in total OPEB liability	**(128,968)**	56,158	534,723
Total OPEB liability - beginning	**1,515,448**	1,459,290	924,567
Total OPEB liability - ending	**$ 1,386,480**	$ 1,515,448	$1,459,290
Covered-employee payroll	**$ 3,909,436**	$ 3,409,453	$3,326,296
District total OPEB liability as a percentage of covered-employee payroll	**35.46%**	44.45%	43.87%

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

Notes to Schedule

Changes of Benefit Terms

In 2018 there was a change in the benefit terms which expands the allowed coverage period from three years to five years. The retirement age assumption was changed from age 63 to age 62 in reflection of this change. There was no change in the benefit terms for 2019.

Changes of Assumptions

In 2018, the discount rate was increased from 3.78% to 4.10%. There was no change in assumptions for 2019.

In 2020, the discount rate was decreased from 4.10% to 2.12%. Future health care cost trend rates were adjusted from 5% to 4%.

Warren County Water District
Schedule of Budgetary Comparison

For the year ended December 31, 2020

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Metered water revenue	$ 12,647,000	$ 12,527,000	$ 12,541,207	$ 14,207
Metered sewer revenue	5,101,000	4,901,000	4,875,574	(25,426)
Forfeited discounts	267,300	42,300	43,767	1,467
Miscellaneous service revenue	300,100	210,100	193,901	(16,199)
Other water revenue	8,000	8,000	7,650	(350)
Other sewer revenue	600	600	600	-
Interest income	221,500	153,500	145,081	(8,419)
Rental income - utility property	146,700	154,700	155,416	716
Non-utility income - recycling	53,800	18,800	13,443	(5,357)
Non-utility income - storm water	64,700	64,700	65,026	326
Non-utility income - miscellaneous	-	-	13,910	13,910
Total revenues	18,810,700	18,080,700	18,055,575	(25,125)
Expenses				
Salaries and wages	1,594,300	1,639,300	1,618,340	20,960
Commissioner fees	30,000	30,000	30,000	-
Fringe benefits	977,300	981,300	946,765	34,535
Purchased water	5,623,000	5,573,000	5,526,053	46,947
Sewage disposal	2,762,000	2,662,000	2,609,642	52,358
Purchased power	673,400	625,400	607,833	17,567
Chemicals	30,900	24,900	23,030	1,870
Materials and supplies	235,200	274,200	269,505	4,695
Contractual services - accounting	24,000	24,000	22,394	1,606
Contractual services - legal	8,000	19,000	18,040	960
Contractual services - other	725,100	705,100	694,011	11,089
Rental of building / property	60,000	58,000	56,633	1,367
Equipment expense	229,400	231,400	222,511	8,889
Insurance - general liability	79,800	73,800	73,276	524
Insurance - other	5,200	5,200	5,090	110
Regulatory expense	31,200	32,200	32,199	1
Bad debt expense	16,500	24,500	19,927	4,573
Miscellaneous expense	28,500	25,500	23,894	1,606
Total expenses	13,133,800	13,008,800	12,799,143	209,657

Warren County Water District
Schedule of Budgetary Comparison

For the year ended December 31, 2020

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Other (Revenues) and Expenses				
Depreciation	4,180,800	4,098,800	4,087,337	11,463
Miscellaneous non-operating income	(3,600)	(18,400)	-	(18,400)
Interest expense	345,300	304,300	309,464	(5,164)
Unamortized debt expense	2,600	3,600	-	3,600
Disposition gain	-	-	(4,866)	4,866
OPEB expense	40,000	40,500	(61,830)	102,330
Total other (revenues) expenses	4,565,100	4,428,800	4,330,105	98,695
Total expenses	17,698,900	17,437,600	17,129,248	308,352
Income before capital contributions	1,111,800	643,100	926,327	283,227
Capital contributions	1,148,300	1,148,300	7,843,370	6,695,070
Change in net position	$ 2,260,100	$ 1,791,400	$ 8,769,697	$ 6,978,297

Warren County Water District
Statement of Net Position by Division

December 31, 2020	Water Division	Sewer Division	Eliminating Entries	Total
Assets				
Current assets				
Cash and cash equivalents	$ 3,173,016	$ 5,019,357	$ -	$ 8,192,373
Short-term investments	632,600	-	-	632,600
Accounts receivable:				
Customer accounts receivable, net of allowance for uncollectibles	1,290,987	532,455	-	1,823,442
Accounts receivable – Butler County Water System	125,917	271	-	126,188
Accounts receivable – Simpson County Water District	186,314	34	-	186,348
Accounts receivable – Water Division	-	482,701	(482,701)	-
Accounts receivable – Sewer Division	64,269	-	(64,269)	-
Other accounts receivable	93,172	120,408	-	213,580
Interest receivable	10,412	1,732	-	12,144
Materials and supplies inventory	735,335	-	-	735,335
Prepaid expenses	79,446	12,178	-	91,624
Total current assets	6,391,468	6,169,136	(546,970)	12,013,634
Non-current assets				
Utility Plant				
Utility plant in service	132,742,421	68,782,810	-	201,525,231
Construction in progress	4,274,148	24,726	-	4,298,874
Less accumulated depreciation	(46,378,299)	(15,220,570)	-	(61,598,869)
Total utility plant, net	90,638,270	53,586,966	-	144,225,236

Warren County Water District
Statement of Net Position by Division

December 31, 2020	Water Division	Sewer Division	Eliminating Entries	Total
Non-current assets				
Restricted cash and equivalents	2,745,020	1,424,087	-	4,169,107
Restricted investments	2,394,017	1,537,760	-	3,931,777
Investments	342,657	280,811	-	623,468
Accounts receivable:				
Accounts receivable – Butler County Water System	121,096	-	-	121,096
Accounts receivable – Simpson County Water District	84,743	-	-	84,743
Accounts receivable – Sewer Division	161,991	-	(161,991)	-
Unamortized retirement security plan costs	1,136,957		-	1,136,957
Other assets	130,824	21,039	-	151,863
Total non-current assets	97,755,575	56,850,663	(161,991)	154,444,247
Total assets	$ 104,147,043	$ 63,019,799	$ (708,961)	$ 166,457,881

Warren County Water District
Statement of Net Position by Division

December 31, 2020	Water Division	Sewer Division	Eliminating Entries	Total
Liabilities				
Current liabilities				
Accounts payable	$ 1,145,179	$ 515,595	$ (207,623)	$ 1,453,151
Accounts payable – Butler County Water Systems	4,868	-	-	4,868
Accounts payable – Simpson County Water District	39,276	-	-	39,276
Accounts payable – Water Division	-	18,637	(18,637)	-
Accounts payable – Sewer Division	482,701	-	(482,701)	-
Accrued expenses	817,396	58,605	-	876,001
Contractor advances for construction	35,880	57,301	-	93,181
Current portion of long-term debt	445,472	319,841	-	765,313
Total current liabilities	2,970,772	969,979	(708,961)	3,231,790
Non-current liabilities				
Long-term Obligations				
Bonds and loans payable	1,653,000	1,069,000	-	2,722,000
Notes payable	6,155,245	3,561,382	-	9,716,627
Less: Net unamortized bond (discount) premium	(19,767)	-	-	(19,767)
Less: Current portion of long-term debt	(445,472)	(319,841)	-	(765,313)
Net long-term obligations	7,343,006	4,310,541	-	11,653,547
Customer meter deposits	1,101,807	325,589	-	1,427,396
Rebates payable	1,577,130	1,241,236	-	2,818,366
Unearned revenue for cellular leases	76,081	-	-	76,081
Other post employment benefit obligation	1,386,480	-	-	1,386,480
Total non-current liabilities	11,484,504	5,877,366	-	17,361,870
Total liabilities	14,455,276	6,847,345	(708,961)	20,593,660

Warren County Water District
Statement of Net Position by Division

December 31, 2020	Division	Division	Entries	Total
Net Position				
Net investment in capital assets	83,593,653	49,330,955	-	132,924,608
Restricted	3,287,809	2,254,717	-	5,542,526
Unrestricted	2,810,305	4,586,782	-	7,397,087
Total net position	89,691,767	56,172,454	-	145,864,221
Total liabilities and net position	$ 104,147,043	$ 63,019,799	$ (708,961)	$ 166,457,881

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

For the year ended December 31, 2020	Water Division	Sewer Division	Eliminating Entries	Total
Operating Revenues				
Metered sales				
Residential	$ 8,203,044	$ 2,016,909	$ -	$ 10,219,953
Industrial	2,081,164	2,195,568	-	4,276,732
Commercial	2,256,999	663,097	-	2,920,096
Total metered sales	12,541,207	4,875,574	-	17,416,781
Forfeited discounts	31,874	11,893	-	43,767
Miscellaneous service revenue	170,813	31,338	-	202,151
Total operating revenues	12,743,894	4,918,805	-	17,662,699
Operating Expenses				
Source of supply expense				
Purchased water	5,526,053	-	-	5,526,053
Sewage disposal	-	2,609,642	-	2,609,642
Total source of supply expense	5,526,053	2,609,642	-	8,135,695
Pumping plant expense				
Salaries and benefits	15	-	-	15
Power purchased	458,264	137,853	-	596,117
Chemicals	-	23,030	-	23,030
Contractual services	2,832	2,766	-	5,598
Rental expense	4,826	-	-	4,826
Insurance	10,161	4,102	-	14,263
Total pumping plant expense	476,098	167,751	-	643,849

For the year ended December 31, 2020	Water Division	Sewer Division	Eliminating Entries	Total
Operating Expenses (Continued)				
Transmission and distribution expense				
Salaries and benefits	847,450	190,709	-	1,038,159
Power purchased	11,716	-	-	11,716
Contractual services	123,338	56,708	-	180,046
Rental expense	18,608	-	-	18,608
Transportation	106,777	31,104	-	137,881
Insurance	43,184	2,389	-	45,573
Materials and supplies	173,849	56,053	-	229,902
Total transmission and distribution expense	1,324,922	336,963	-	1,661,885
Customer accounts expense				
Salaries and benefits	806,512	92,570	-	899,082
Contractual services	204,941	50,646	-	255,587
Uncollectible accounts	17,448	2,479	-	19,927
Rental expense	28,316	-	-	28,316
Transportation	80,814	96	-	80,910
Insurance	5,081	2,389	-	7,470
Miscellaneous	4,291	-	-	4,291
Materials and supplies	9,640	265	-	9,905
Total customer accounts expense	1,157,043	148,445	-	1,305,488

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

For the year ended December 31, 2020	Water Division	Sewer Division	Eliminating Entries	Total
Administrative and general expense				
Salaries and benefits	464,211	101,912	-	566,123
Office supplies	26,524	3,174	-	29,698
Commissioner fees	15,000	15,000	-	30,000
Contractual services	242,110	51,104	-	293,214
Insurance	6,126	4,934	-	11,060
Rental expense	4,883	-	-	4,883
Regulatory commission expense	23,667	8,532	-	32,199
Miscellaneous	12,317	7,182	-	19,499
Transportation	3,708	12	-	3,720
Total administrative and general expense	798,546	191,850	-	990,396
Depreciation	2,828,373	1,258,964	-	4,087,337
Total operating expenses	12,111,035	4,713,615	-	16,824,650
Operating income	632,859	205,190	-	838,049
Non-Operating Revenues (Expenses)				
Interest income	98,426	46,655	-	145,081
Rental income	135,811	19,605	-	155,416
Non-utility income	97,224	21	-	97,245
Interest expense	(225,259)	(84,205)	-	(309,464)
Total non-operating revenues (expenses) - net	106,202	(17,924)	-	88,278

Warren County Water District
Statement of Revenues, Expenses, and Changes in Net Position by Division

For the year ended December 31, 2020	Water Division	Sewer Division	Eliminating Entries	Total
Income before capital contributions	739,061	187,266	-	926,327
Capital contributions	2,587,552	5,255,818	-	7,843,370
Change in net position	3,326,613	5,443,084	-	8,769,697
Total net position – beginning of year, as previously reported	86,191,614	50,730,670	-	136,922,284
Prior period entry - Note 2	173,531	(1,291)	-	172,240
Total net position – beginning of year, as restated	86,365,145	50,729,379	-	137,094,524
Total net position – end of year	$ 89,691,758	$ 56,172,463	$ -	$ 145,864,221

REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS

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

Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Warren County Water District (the "District"), a component unit of Warren County, Kentucky, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 16, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
April 16, 2021

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