



Warren County Water District

**Component Unit of
Warren County, Kentucky**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2021 and 2020



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REPORT



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

Opinion

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 years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

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 11, and select pension/OPEB information on pages 43 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 19, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
April 19, 2022

Warren County Water District Management's Discussion and Analysis

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, 2021 and 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, 2021:

- Total Net Position increased by \$8,237,432 or 5.6% to \$154,101,653 from \$145,864,221 reflecting completed projects recorded to utility plant. In year 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 \$2,134,476 or 12.1% to \$19,797,175 compared to \$17,662,699 in 2020 due to increases in retail rates and customer demand. In year 2020, 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 \$1,643,895 or 9.8% to \$18,468,545 compared to \$16,824,650 in 2020 due to increases in supplier wholesale rates, customer demand, and depreciation. In year 2020, 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 increased by \$357,165 or 38.6% to \$1,283,492 compared to \$926,357 in 2020 due to strong customer demand which increased metered revenue. In year 2020, 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 \$7,851,699 or 5.4%, net of depreciation, to \$152,076,935 from \$144,225,236 in 2020 due to system upgrades and improvements, placed into service and the transfer of several water & sewer line extensions from developers. In year 2020, 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 2.86 billion gallons compared to 2.71 billion gallons in the prior year, an increase of 5.5%. Total sewer service billed to customers totaled 1.28 billion gallons compared to 1.17 billion gallons in the prior year, an increase of 9.4%.
- The peak water demand month was August with 296.4 million gallons sold and the peak demand day was August 12th with 14.3 million gallons pumped.
- The water division added 840 customers and the sewer division added 699 customers throughout the year. The number of customers at the end of the year for the water and sewer divisions was 31,754 and 8,880, respectively.
- Average metered water revenue billed to customers was \$25.14 per residential customer and \$160.98 per commercial customer. Average sewer revenue was \$23.42 per residential customer and \$337.13 per commercial customer.
- The water division has a total of 1,184 miles of water main serving an average of 27 customers per mile. The sewer division has 211 miles of collection mains serving an average of 42 customers per mile.

Warren County Water District Management's Discussion and Analysis

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, 2021

Total Revenues were over budget by \$199,798 reflecting greater customer demand than budgeted. The following were near budgeted amounts: *Forfeited Discounts* (late charges), *Miscellaneous Service Revenue* (connection fees, collection fees, and meter tampering fees), *Interest Income* and *Other Revenues* (rental income, income from billing services).

Total Expenses related to providing water and sewer service and maintaining the District's distribution and collection system was under budget by \$209,694. Operating expenses below budget include the following: (1) wages & benefits, \$75,439; (2) purchased water, \$45,871; (3) sewage disposal costs, \$44,595; and (4) remaining operating expenses were below budget by a net amount of \$43,789.

Income before Contributions totaled \$1,283,492 and exceeded budget by \$409,492. *Contribution in Aid of Construction* exceeded budget by \$5,805,640 reflecting the transfer of water and sewer line extensions from developers. *Net Change in Net Position* totaled \$8,237,432 and exceeded budget by \$6,215,132.

Table 1
TABLE OF BUDGETARY COMPARISON

	Budget Year 2021	Actual Year 2021	Variances Favorable \ (Unfavorable)
Revenues			
Metered Water Revenue	\$13,687,000	\$13,826,749	\$139,749
Metered Sewer Revenue	5,392,000	5,455,083	63,083
Forfeited Discounts	214,000	211,333	(2,667)
Miscellaneous Service Revenue	294,600	295,736	1,136
Interest Income	88,300	88,387	87
Other Revenues	242,600	241,010	(1,590)
Total Revenues	19,918,500	20,118,298	199,798
Expenses			
Operating Expenses	14,201,600	13,980,973	220,627
Depreciation	4,448,300	4,439,257	9,043
Interest Expense	331,100	343,759	(12,659)
Other Expenses	63,500	70,817	(7,317)
Total Expenses	19,044,500	18,834,806	209,694
Net Income Before Contributions	874,000	1,283,492	409,492
Contribution in Aid of Construction	1,148,300	6,953,940	5,805,640
Net Change in Net Position	\$2,022,300	\$8,237,432	\$6,215,132

Warren County Water District Management's Discussion and 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 a 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 2
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 3. The District's assets exceeded liabilities by \$154,101,653 for the year.

Current & Non-Current Assets totaled \$21,639,757, an increase of \$544,069 from last year reflecting an increase in customer accounts receivable and materials & supplies inventory. *Utility Plant* is the largest portion of the District's assets and includes land, water distribution mains, sewer mains, pump stations, lift stations, storage tanks, vehicles, and equipment. In year 2021, utility plant totaled \$152,076,935 net of depreciation, reflecting an increase of

Warren County Water District Management's Discussion and Analysis

\$7,851,699 over the prior year. The increase in utility plant includes residential developments placed into service during the year and the completion of large projects such as the Morgantown Road Area Improvements, Louisville Road Pump Station Upgrades, and Automated Meter Reading (AMR) installations. *Deferred Outflows of Resources* is the prepayment of the District's defined benefit retirement plan that is amortized over ten years through 2027. *Current and Non-Current Liabilities* totaled \$9,768,994 and increased \$828,881 reflecting increases in accounts payables related to construction projects. *Long-Term Debt* totaled \$10,821,598, a decrease of \$831,949 reflecting principal payments on existing bonds and loans and refunding of four debt obligations.

The District's *Total Net Position* totaled \$154,101,653 and increased by \$8,237,432 comparatively over the prior year. *Total Liabilities & Net Position* totaled \$174,692,245 for year 2021, an increase of \$8,234,364, or 4.9%.

Table 3
CONDENSED STATEMENT OF NET POSITION
December 31, 2021

Assets	Year 2021	Year 2020	Increase (Decrease)	
Current & Non-Current Assets	\$21,639,757	\$21,095,688	\$544,069	2.6%
Utility Plant	152,076,935	144,225,236	7,851,699	5.4%
Total Assets	173,716,692	165,320,924	8,395,768	5.1%
Deferred Outflows of Resources				
Deferred Outflows - Retirement Plan	975,553	1,136,957	(161,404)	-14.2%
Total Assets & Deferred Outflows	174,692,245	166,457,881	8,234,364	4.9%
Liabilities				
Current & Non-Current Liabilities	9,768,994	8,940,113	828,881	9.3%
Net Long-Term Debt	10,821,598	11,653,547	(831,949)	-7.1%
Total Liabilities	20,590,592	20,593,660	(3,068)	0.0%
Net Position				
Net Investment in Capital Assets	141,465,895	132,924,608	8,541,287	6.4%
Restricted for Depreciation Reserves	2,903,283	2,767,670	135,613	4.9%
Unrestricted	9,732,475	10,171,943	(439,468)	-4.3%
Total Net Position	154,101,653	145,864,221	8,237,432	5.6%
Total Liabilities & Net Position	\$174,692,245	\$166,457,881	\$8,234,364	4.9%

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 4 below.

Table 4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

	Year 2021	Year 2020	Increase (Decrease)	
Operating Revenues				
Metered Water Revenue	\$13,826,749	\$12,541,207	\$1,285,542	10.3%
Metered Sewer Revenue	5,455,083	4,875,574	579,509	11.9%
Forfeited Discounts	211,333	43,767	167,566	382.9%
Miscellaneous Service Revenue	304,010	202,151	101,859	50.4%
Total Operating Revenues	19,797,175	17,662,699	2,134,476	12.1%

Warren County Water District Management's Discussion and Analysis

Operating Expenses

Wages & Benefits	2,636,776	2,565,105	71,671	2.8%
Commissioner Fees	30,000	30,000	-	0.0%
Purchased Water	6,287,729	5,526,053	761,676	13.8%
Sewage Disposal	2,890,405	2,609,642	280,763	10.8%
Purchased Power	663,070	607,833	55,237	9.1%
Materials & Chemicals	265,131	292,535	(27,404)	-9.4%
Contractual Services	739,264	734,445	4,819	0.7%
Rental of Building	57,233	56,633	600	1.1%
Equipment	286,755	222,511	64,244	28.9%
Depreciation	4,439,257	4,087,337	351,920	8.6%
Other Operating Expenses	172,925	92,556	80,369	86.8%
Total Operating Expenses	18,468,545	16,824,650	1,643,895	9.8%

Non-Operating Revenues (Expenses)

Interest Income	88,387	145,081	(56,694)	-39.1%
Rental Income	166,233	155,416	10,817	7.0%
Non-Utility Income	83,631	97,245	(13,614)	-14.0%
Gain (Loss) on Disposals	61,557	-	61,557	-100.0%
Debt Issuance Cost	(101,187)	-	(101,187)	100.0%
Interest Expense	(343,759)	(309,464)	(34,295)	11.1%
Total Non-Operating Revenues (Expenses)	(45,138)	88,278	(133,416)	-151.1%
Income Before Capital Contributions	1,283,492	926,327	357,165	38.6%
Capital Contributions	6,953,940	7,843,370	(889,430)	-11.3%
Change in Net Position	8,237,432	8,769,697	(532,265)	-6.1%
Net Position, Beginning of Year	145,864,221	136,922,284	8,941,937	6.5%
Prior Period Adjustment - Unbilled Revenue	-	172,240	(172,240)	
Net Position, End of Year Restated	145,864,221	137,094,524	8,769,697	6.4%
Total Net Position, End of Year	\$154,101,653	\$145,864,221	\$8,237,432	5.6%

Total Operating Revenue increased by \$2,134,476 or 12.1% compared to the prior year. *Metered Water Revenue* and *Metered Sewer Revenue* increased by \$1,285,542 and \$579,509, respectively, reflecting retail rate increases and an increase in customer demand. 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). Overall, the volume of water sold during the year totaled 2.86 billion gallons versus 2.71 billion gallons in the prior year, a 5.5% increase of 150 million gallons. The volume of sewer revenue billed totaled 1.28 billion gallons versus 1.17 billion gallons last year, a 9.4% increase of 110 million gallons. The District experienced record growth with the water division adding 840 customers for a total of 31,754, and the sewer division adding 699 customers for a total of 8,880 customers. *Forfeited Discounts* which are late charges increased by \$167,566 and *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees increased by \$101,859 compared to the prior year due to the lifting of the Kentucky Public Service Commission moratorium on the assessment of late charges and disconnections for non-payment.

Total Operating Expenses increased by \$1,643,895, a 9.8% increase when compared to the prior year. *Wages & Benefits* increased by \$71,671 reflecting increases in system maintenance and line flushing. *Purchased Water* and *Sewage Disposal* costs increased by \$761,676 and \$280,763 respectively, due an increase in customer demand and supplier wholesale rate increases. *Depreciation* expense increased by \$351,920 due to corresponding utility plant additions placed into service during the year such as the Morgantown Road Improvements, Plum Springs Sewer Rehabilitation, Louisville Road Pump Station Upgrades, additions to the Automated Meter Reading (AMR) System, and multiple line extensions from developers.

Income Before Capital Contributions was \$1,283,492, an increase of \$357,165, or 38.6% compared to the prior year. *Capital Contributions* of \$6,953,940 were recorded during the year which includes the following: contributions from

Warren County Water District Management's Discussion and Analysis

residential developers of \$2,645,733; contributions from the Inter-Modal Transportation Authority (ITA) and the City of Bowling Green for the Transpark, Phase II Project of \$2,583,328; contributions for meter installations, sewer taps, fire protection, and capital recovery fees of \$1,526,063; contributions from the Kentucky Transportation Cabinet and Warren County Public Schools for relocations of \$138,626; and contributions from the county government for debt service of \$60,190.

Changes in Utility Plant

The largest portion of the District's assets is invested in the water distribution and sewer collection system amounting to \$152,076,935 net of depreciation, as of December 31, 2021. Table 4 details changes in capital assets.

Table 5
CHANGES IN UTILITY PLANT
(Net of Depreciation)

	December 31, 2021	December 31, 2020	Increase (Decrease)	
WATER DIVISION				
Land	\$1,323,353	\$1,323,352	\$1	0.0%
Structures	2,370,453	2,045,155	325,298	15.9%
Pumping Equipment	4,646,068	2,953,687	1,692,381	57.3%
Storage Tanks	8,283,126	8,180,262	102,864	1.3%
Distribution Mains	51,562,122	49,336,797	2,225,325	4.5%
Meters	19,020,955	16,857,740	2,163,215	12.8%
Hydrants	3,819,070	3,699,531	119,539	3.2%
Hardware & Software	592,655	697,506	-104,851	-15.0%
Vehicles and Equipment	1,046,157	1,016,192	29,965	2.9%
Other	333,555	253,900	79,655	31.4%
Construction In Progress	1,326,048	4,274,148	-2,948,100	-69.0%
Subtotal - Water Division	94,323,561	90,638,270	3,685,291	4.1%
SEWER DIVISION				
Land	\$70,602	\$70,602	\$0	0.0%
Structures	9,027,816	8,985,073	42,743	0.5%
Pumping Equipment	3,394,247	3,486,210	-91,963	-2.6%
Collection Mains	35,566,871	35,254,386	312,485	0.9%
Taps	6,350,010	5,626,196	723,814	12.9%
Hardware & Software	67,342	81,351	-14,009	-17.2%
Other	136,036	58,422	77,614	132.9%
Construction In Progress	3,140,450	24,726	3,115,724	12601.0%
Subtotal - Sewer Division	57,753,374	53,586,966	4,166,408	7.8%
TOTAL - WATER & SEWER	\$152,076,935	\$144,225,236	\$7,851,699	5.4%

Total utility plant net of depreciation, increased by \$7,851,699 or 5.4%, compared to the prior year. The increase in utility plant consisted of the following: (1) water and sewer line extensions from developers, \$1,205,773 and \$1,724,530 respectively; (2) Morgantown Road Area Improvements, \$2,607,060; (3) Louisville Road Pump Station Upgrades, \$1,711,867; (4) AMR System additions, \$1,682,301; (5) Plum Springs #2, Hammett Hill Tank Painting, and Hays #1 Tank Painting, \$423,904; (6) meter installations and other asset additions, \$2,800,131; (9) an increase in construction in progress, \$167,624; and (10) a reduction of \$4,471,491 for accumulated depreciation.

Warren County Water District Management's Discussion and Analysis

Long-Term Debt

The District's debt obligations include United States Department of Agriculture (USDA) bonds, Kentucky Rural Water Finance Corporation (KRWFC) loans, and Kentucky Infrastructure Authority (KIA) loans. In June 2021, the District issued the KRWFC, Series 2021A loan refunding four debt obligations resulting in principal and interest savings of \$670,600. As of December 31, 2021, the District had \$11,385,745 in outstanding principal compared to \$12,438,627 in the previous year, a reduction of \$1,052,882.

Factors Affecting Next Year's Budget

- The inflationary impact on the cost of materials, equipment, and services.
- Growth within the District's service area is expected to add 714 new water connections and 524 sewer connections.
- A water and sewer retail rate increase of approximately 5.1% and 1.9 % respectively were budgeted effective on July 1, 2022 corresponding to wholesale purchased water and sewage disposal rate increases from the District's provider.
- The District budgeted system improvements that will be funded by proceeds from the American Rescue Plan Act (ARPA).
- 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 2022 at its meeting held in November 2021. Metered water sales and metered sewer revenue combined are budgeted to increase by 6.5%. Total revenue is budgeted to increase by 5.9% and total expenses are budgeted to increase by 10.8% from year 2021. Net income before contributions is budgeted to total \$413,300. Debt service payments are expected to total \$1,124,800 for both divisions with a reduction in outstanding debt of \$772,300. Capital expenditures for the year are budgeted to total \$29,224,200 with contributions from customers and governmental agencies totaling \$16,454,600, from financing totaling \$5,052,100, and from in-house funds totaling \$7,717,500.

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.



FINANCIAL STATEMENTS



Warren County Water District Statements of Net Position

December 31,	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 10,783,665	\$ 8,552,678
Short-term investments	-	632,600
Accounts receivable:		
Customer accounts receivable, net of allowance for uncollectibles of \$459,801 and \$432,836, respectively	2,315,456	1,823,442
Accounts receivable – Butler County Water System	136,692	126,188
Accounts receivable – Simpson County Water District	94,481	186,348
Other accounts receivable	541,671	213,580
Interest receivable	7,658	12,144
Materials and supplies inventory	992,195	735,335
Prepaid expenses	94,902	91,624
Total current assets	14,966,720	12,373,939
Non-current assets		
Utility Plant		
Utility plant in service	213,680,797	201,525,231
Construction in progress	4,466,498	4,298,874
Less accumulated depreciation	(66,070,360)	(61,598,869)
Total utility plant, net	152,076,935	144,225,236
Restricted cash and equivalents	4,782,212	3,808,802
Restricted investments	608,885	1,517,226
Investments	882,077	3,038,019
Accounts receivable:		
Accounts receivable – Butler County Water System	131,284	121,096
Accounts receivable – Simpson County Water District	91,992	84,743
Other assets	176,587	151,863
Total non-current assets	158,749,972	152,946,985
Total assets	173,716,692	165,320,924
Deferred outflows of resources		
Deferred outflows related to retirement security plan	975,553	1,136,957
Total assets and deferred outflows	\$ 174,692,245	\$ 166,457,881

-Continued-

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

Warren County Water District
Statements of Net Position
(Continued)

<i>December 31,</i>	2021	2020
Liabilities		
Current liabilities		
Accounts payable	\$ 2,059,939	\$ 1,453,151
Accounts payable – Butler County Water System	5,614	4,868
Accounts payable – Simpson County Water District	7,302	39,276
Accrued expenses	862,690	876,001
Contractor advances for construction	88,611	93,181
Current portion of long-term debt	739,779	765,313
Total current liabilities	3,763,935	3,231,790
Non-current liabilities		
Long-term debt		
Bonds and loans payable	1,584,500	2,722,000
Notes payable	9,801,245	9,716,627
Less: Net unamortized bond premium (discount)	175,632	(19,767)
Less: Current portion of long-term debt	(739,779)	(765,313)
Net long-term debt	10,821,598	11,653,547
Customer meter deposits	1,528,876	1,427,396
Rebates payable	2,915,375	2,818,366
Unearned revenue for cellular leases	76,366	76,081
Total other post employment benefit obligation	1,484,442	1,386,480
Total non-current liabilities	16,826,657	17,361,870
Total liabilities	20,590,592	20,593,660
Net Position		
Net investment in capital assets	141,465,895	132,924,608
Restricted for depreciation reserves	2,903,283	2,767,670
Unrestricted	9,732,475	10,171,943
Total net position	154,101,653	145,864,221
Total liabilities and net position	\$ 174,692,245	\$ 166,457,881

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

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

<i>For the years ended December 31,</i>	2021	2020
Operating Revenues		
Metered sales		
Residential	\$ 11,040,168	\$ 10,219,953
Industrial	4,843,750	4,276,732
Commercial	3,397,914	2,920,096
Total metered sales	19,281,832	17,416,781
Forfeited discounts	211,333	43,767
Miscellaneous service revenue	304,010	202,151
Total operating revenues	19,797,175	17,662,699
Operating Expenses		
Source of supply expense		
Purchased water	6,287,729	5,526,053
Sewage disposal	2,890,405	2,609,642
Total source of supply expense	9,178,134	8,135,695
Pumping plant expense		
Salaries and benefits	-	15
Power purchased	651,104	596,117
Chemicals	18,473	23,030
Contractual services	6,218	5,598
Rental expense	4,906	4,826
Insurance	13,625	14,263
Total pumping plant expense	694,326	643,849
Transmission and distribution expense		
Salaries and benefits	1,019,628	1,038,159
Power purchased	11,966	11,716
Contractual services	163,448	180,046
Rental expense	18,805	18,608
Transportation	178,679	137,881
Insurance	42,049	45,573
Materials and supplies	196,756	229,902
Total transmission and distribution expense	1,631,331	1,661,885

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

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

<i>For the years ended December 31,</i>	2021	2020
Operating Expenses		
Customer accounts expense		
Salaries and benefits	880,969	899,082
Contractual services	269,490	255,587
Uncollectible accounts	27,203	19,927
Rental expense	28,616	28,316
Transportation	100,303	80,910
Insurance	7,169	7,470
Miscellaneous	6,944	4,291
Materials and supplies	11,752	9,905
Total customer accounts expense	1,332,446	1,305,488
Administrative and general expense		
Salaries and benefits	736,179	566,123
Office supplies	38,150	29,698
Commissioner fees	30,000	30,000
Contractual services	300,108	293,214
Insurance	12,294	11,060
Rental expense	4,906	4,883
Regulatory commission expense	34,778	32,199
Miscellaneous	28,863	19,499
Transportation	7,773	3,720
Total administrative and general expense	1,193,051	990,396
Depreciation	4,439,257	4,087,337
Total operating expenses	18,468,545	16,824,650
Operating income	1,328,630	838,049
Non-Operating Revenues (Expenses)		
Interest income	88,387	145,081
Rental income	166,233	155,416
Non-utility income	83,631	97,245
Gain on disposal of assets	61,557	-
Debt issuance cost	(101,187)	-
Interest expense	(343,759)	(309,464)
Total non-operating revenues (expenses) - net	(45,138)	88,278

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

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

<i>For the years ended December 31,</i>	2021	-continued- 2020
Income before capital contributions	1,283,492	926,327
Capital contributions	6,953,940	7,843,370
Change in net position	8,237,432	8,769,697
Total net position - beginning of year, as previously reported	145,864,221	136,922,284
Prior period entry - Note 2	-	172,240
Total net position – beginning of year	145,864,221	137,094,524
Total net position – end of year	\$ 154,101,653	\$ 145,864,221

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

Warren County Water District Statements of Cash Flows

<i>For the years ended December 31,</i>	2021	2020
Operating Activities		
Receipts from customers and users	\$ 19,305,161	\$ 16,693,885
Receipts from rental and non-utility income	249,864	252,661
Payments to suppliers for goods and services	(11,561,226)	(10,670,986)
Payments to employees	(1,623,006)	(1,698,301)
Net cash provided by operating activities	6,370,793	4,577,259
Noncapital Financing Activities		
Interest paid on customer deposits	(1,590)	(23,513)
Net cash used in noncapital financing activities	(1,590)	(23,513)
Capital and Related Financing Activities		
Proceeds from long-term debt	2,930,000	4,645,000
Principal repayment on long-term debt	(3,982,882)	(591,854)
Proceeds from sale of assets	74,629	-
Interest paid on long-term debt	(357,112)	(285,951)
Acquisition and construction of capital assets	(5,619,197)	(7,518,367)
Net cash used in capital and related financing activities	(6,954,562)	(3,751,172)
Investing Activities		
Maturity of short-term investments	7,551,382	649,022
Purchase of short-term investments	(3,854,499)	(498,020)
Interest income	92,873	146,572
Net cash provided by investing activities	3,789,756	297,574
Net increase in cash and cash equivalents	3,204,397	1,100,148
Balances – beginning of year	12,361,480	11,261,332
Balances – end of year	\$ 15,565,877	\$ 12,361,480

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

Warren County Water District Statements of Cash Flows

For the years ended December 31,

2021

2020

Reconciliation of Operating Income to Net Cash Provided By Operating Activities

Operating income	\$ 1,328,630	\$ 838,049
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation expense	4,668,736	4,291,115
Amortization of debt premium / discount	14,943	3,219
Rental and non-utility income	249,864	252,661
Gain on disposal of assets	(61,557)	-
Changes in assets and liabilities:		
Net increase in accounts receivable	(492,014)	(968,814)
Net (increase) decrease in other receivables	(264,165)	416,172
Net (increase) decrease in prepaid expenses	(3,278)	17,480
Net increase in materials and supplies inventory	(256,860)	(78,600)
Net decrease in retirement security plan costs	161,404	161,405
Net (increase) decrease in other assets	(24,724)	3,342
Net increase (decrease) in accounts payable	575,560	(532,499)
Net decrease in accrued liabilities	(13,311)	(82,511)
Net decrease in contractor advances	(4,570)	(201,232)
Net increase in customer deposits	101,480	76,483
Net increase in unamortized bond discount / premium	195,399	-
Net increase in rebates payable	97,009	506,012
Net increase in other liabilities	285	3,945
Net increase (decrease) in other post employment benefit obligation	97,962	(128,968)
Net cash provided by operating activities	\$ 6,370,793	\$ 4,577,259

Non-Cash Capital and Financing Activities

Contributed constructed water and sewer lines at cost	\$ 6,953,940	\$ 7,843,370
Total non-cash capital and financing activities	\$ 6,953,940	\$ 7,843,370

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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.

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-participating non-negotiable certificates of deposit and are recorded at cost. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool, 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, constructed, or contributed. 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. Effective January 1, 2021 the District adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, thereby, interest cost incurred before the end of a construction period is recognized as an expense. However, prior to implementation in 2020, interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2020 the District capitalized \$41,647 of interest costs.

Warren County Water District Notes to Financial Statements

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 District 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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The District has two items that qualify for reporting as deferred outflows of resources, the deferred amount of prepayments to the District's retirement security plan. See retirement security plan note below.

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.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the statement of net position. Accumulated sick leave lapses when employees leave the employment of the District and, accordingly upon separation from service, no monetary obligation exists.

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 recognized

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Security Plan (continued)

as a deferred outflow of resources 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 as a deferred outflow of resources 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Reclassifications

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through April 19, 2022, which was the date the financial statements were made available. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The District has implemented 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.

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.

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 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.

Warren County Water District Notes to Financial Statements

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, 2021 and 2020 the District's deposits and certificates of deposit consisted of the following:

<i>December 31,</i>	2021	2020
Cash and cash equivalents	\$ 10,778,815	\$ 8,547,828
Restricted cash and cash equivalents	4,782,212	3,808,802
Short-term investments	-	632,600
Investments	882,077	3,038,019
Restricted investments	608,885	1,517,226
	\$ 17,051,989	\$ 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, 2021 and 2020 the carrying amount of the District's deposits and certificates of deposit totaled \$17,051,989 and \$17,544,475, respectively, and the bank balances totaled \$17,545,359 and \$17,605,490, respectively. Of the bank balances, \$17,545,359 and \$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, 2021 and 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.

Warren County Water District Notes to Financial Statements

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

Interest Rate Risk

The District'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.

Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments consisted of the following at December 31, 2021 and :

<i>December 31,</i>	2021	2020
Sinking funds	\$ 680,552	\$ 746,092
Depreciation funds	2,903,283	2,767,670
Debt service reserve funds	272,140	372,140
Customer deposits	1,535,122	1,440,126
	\$ 5,391,097	\$ 5,326,028

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, 2021 and 2020, customer accounts receivable consist of the following:

<i>December 31,</i>	2021	2020
Billed	\$ 1,373,219	\$ 1,223,865
Unbilled	1,402,038	1,032,413
Total	2,775,257	2,256,278
Less allowance for uncollectibles	(459,801)	(432,836)
Customer accounts receivable - net	\$ 2,315,456	\$ 1,823,442

Warren County Water District
Notes to Financial Statements

NOTE 5: UTILITY PLANT

Utility plant activity for the year ended December 31, 2021 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	4,298,874	12,435,663	12,268,039	4,466,498
Total utility plant, not being depreciated	5,692,828	12,435,663	12,268,039	5,860,452
Utility plant, being depreciated				
Buildings and improvements	14,122,145	692,992	-	14,815,137
Mains and pumping	143,502,592	7,285,651	-	150,788,243
Meters and hydrants	36,370,798	4,017,081	22,646	40,365,233
Office furniture and equipment	3,120,465	85,206	-	3,205,671
Equipment	3,015,277	321,308	224,026	3,112,559
Total utility plant, being depreciated	200,131,277	12,402,238	246,672	212,286,843
Less accumulated depreciation	61,598,869	4,668,736	197,245	66,070,360
Total utility plant, being depreciated, net	138,532,408	7,733,502	49,427	146,216,483
Total utility plant, net	\$ 144,225,236	\$ 20,169,165	\$ 12,317,466	\$ 152,076,935

Warren County Water District
Notes to Financial Statements

NOTE 5: UTILITY PLANT (Continued)

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,	2021	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

Warren County Water District
Notes to Financial Statements

NOTE 6: LONG-TERM DEBT (CONTINUED)

<i>December 31,</i>	2021	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.	954,000	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.	532,738	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.	920,000	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.	1,575,000	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.	1,925,739	2,000,000

Warren County Water District
Notes to Financial Statements

NOTE 6: LONG-TERM DEBT (CONTINUED)

<i>December 31,</i>	2021	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.	1,917,768	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.	630,500	645,000
Revenue bonds, U.S. Department of Agriculture Series 2021, with a 4.00% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2039.	2,930,000	-
Total bonds and notes payable/direct borrowings	11,385,745	12,438,627
Less unamortized premium (discount) on bonds - net	175,632	(19,767)
Less current portion of bonds and notes payable	(739,779)	(765,313)
Net long-term debt	\$ 10,821,598	\$ 11,653,547

On June 8, 2021, the District issued \$2,930,000 in Refunding Revenue Bonds with an interest rate of 4.0 to 4.3 percent to refund \$400,000 of outstanding 1993 Series bonds with an interest rate of 4.5 percent, to refund \$530,000 of outstanding 2004 Series bonds with an interest rate of 4.3 and 4.5 percent, to refund \$1,380,000 of outstanding 2012 Series bonds with an interest rate of 3.2 to 4.2 percent, and to pay \$898,037 of an outstanding loan payable to the Kentucky Infrastructure Authority with an interest rate of 3.0 percent. The net proceeds of \$3,249,401, net of \$102,268 in underwriting fees, insurance, and other issuance costs. An additional \$211,326 of Series 1993, 2004, and 2012 sinking fund monies and original issuance premium of \$210,342 were used to refund the 1993, 2004, and 2012 Series bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$17,131. This difference is being charged to operations through the year 2048 using the effective-interest method. The District completed the refunding to reduce its total debt service payments over the next 18 years by \$457,120 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$339,362.

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.

Warren County Water District Notes to Financial Statements

NOTE 6: LONG-TERM DEBT (CONTINUED)

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 \$175,632 and (19,767) as of December 31, 2021 and 2020, respectively. Related amortization income/(expenses) for the years ended December 31, 2021 and 2020 totaled \$14,943 and (3,219), respectively.

The following is a summary of long-term debt transactions for the year ended December 31, 2021:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 1993	\$ 424,000	\$ -	\$ 424,000	\$ -	\$ -
Refunding Series 2004A	650,000	-	650,000	-	-
USDA Series 2005A	1,003,000	-	49,000	954,000	-
KIA C11-02	570,963	-	38,225	532,738	39,389
KIA C15-003	920,664	-	920,664	-	-
KRWFC 2012B	1,435,000	-	1,435,000	-	-
KRWFC 2013B	1,060,000	-	140,000	920,000	145,000
KRWFC 2016B	1,730,000	-	155,000	1,575,000	160,000
KIA B19-006	2,000,000	-	82,232	1,917,768	83,884
KIA C19-002	2,000,000	-	74,261	1,925,739	76,506
USDA Series 2019	645,000	-	14,500	630,500	-
USDA Series 2021	-	2,930,000	-	2,930,000	235,000
	<u>\$ 12,438,627</u>	<u>\$ 2,930,000</u>	<u>\$ 3,982,882</u>	<u>\$ 11,385,745</u>	<u>\$ 739,779</u>

Warren County Water District Notes to Financial Statements

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
	<u>\$ 8,385,481</u>	<u>\$ 4,645,000</u>	<u>\$ 591,854</u>	<u>\$ 12,438,627</u>	<u>\$ 765,313</u>

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

Year(s)	Principal	Interest	Total
2022	\$ 739,779	\$ 470,386	\$ 1,210,165
2023	808,476	476,141	1,284,616
2024	830,312	471,413	1,301,725
2025	856,793	475,406	1,332,199
2026	713,922	313,347	1,027,269
2027-2031	3,114,523	1,422,420	4,536,944
2032-2036	2,160,902	1,125,079	3,285,981
2037-2041	1,511,538	410,590	1,922,129
2042-2046	310,000	64,159	374,159
2047-2051	102,000	34,438	136,438
2052-2056	123,000	21,114	144,114
2057-2060	114,500	5,404	119,904
<u>Total</u>	<u>\$ 11,385,745</u>	<u>\$ 5,289,897</u>	<u>\$ 16,675,642</u>

Warren County Water District Notes to Financial Statements

NOTE 6: LONG-TERM DEBT (CONTINUED)

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$11,385,745 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 \$16,675,642. Principal and interest paid for the current year and total customer net revenues were \$1,131,957 and \$19,797,175 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 System 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, 2021:

	Accounts Receivable	Accounts Payable
Butler County Water System	\$ 267,976	\$ 5,614
Simpson County Water District	\$ 186,473	\$ 7,302

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

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

Warren County Water District Notes to Financial Statements

NOTE 7: RELATED PARTIES (Continued)

For the year ended December 31, 2021, the District allocated expenses to related parties as follows:

Description	Butler County Water System	Simpson County Water District
Wages and benefits:		
Operation	\$ 466,612	\$ 210,590
Administrative:		
Supervision and administration	129,800	92,358
Accounting	38,309	27,259
Customer service	96,910	60,912
Engineering	13,577	23,255
Operations - other	205,461	120,185
Additions to plant	103,147	142,895
Special projects	22,924	40,167
Totals	\$ 1,076,740	\$ 717,621

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

Description	Butler County Water System	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 54 and 59 employees participating in the RS Plan on December 31, 2021 and 2020, respectively. 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 2021 was 12.13% and 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 NO. 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:

<i>December 31,</i>	2021	2020
Inactive members currently receiving benefits	4	4
Active members	62	62
Total	66	66

Investment Policy

The District's obligation is unfunded at December 31, 2021 and 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 years 2021 and 2020 respectively, the District contributed \$47,085 and \$81,011 towards the healthcare plan.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. For 2021 assume actuarial assumptions are exactly realized. Update procedures were used to roll forward the service cost and total OPEB liability to the December 31, measurement date. 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.

Warren County Water District
Notes to Financial Statements

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	<u>\$ 3,188,548</u>
Total OPEB Liability	
Retired - Employees/Spouses	\$ 61,803
Actives - Employees/Spouses	1,324,677
Total	<u>\$ 1,386,480</u>

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

<i>December 31,</i>	2021	2020
Balance Forward - beginning of year	\$ 1,386,480	\$ 1,515,448
Changes for the year:		
Service cost	113,742	88,789
Interest in the total OPEB liability	31,305	64,112
Changes in benefits	-	-
Difference between expected and actual experience	-	(209,922)
Changes in assumptions	-	9,064
Benefit payments, including employee refunds	(47,085)	(81,011)
Net changes	97,962	(128,968)
Balance, end of year	<u>\$ 1,484,442</u>	<u>\$ 1,386,480</u>

Warren County Water District Notes to Financial Statements

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Expense

	Year Ended December 31, 2021	Year Ended December 31, 2020
Service Cost	\$ 113,742	\$ 88,789
Interest on Total OPEB Liability	31,305	64,112
Effect of Plan Changes	-	-
Economic/Demographic (Gains)/Losses	-	(209,922)
Assumption Changes	-	9,064
OPEB Expense	<u>\$ 145,047</u>	<u>\$ (47,957)</u>

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.

2021 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	\$ 1,534,694	\$ 1,484,442	\$ 1,396,754

Warren County Water District Notes to Financial Statements

Note 10: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

2020 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

2021 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	\$ 1,288,823	\$ 1,484,442	\$ 1,717,892

2020 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, 2021 and 2020, respectively, the District contributed \$218,008 and \$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, 2021 and 2020, the District's accrued compensated absences for annual leave totaled \$412,172 and \$377,264, respectively.

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, 2021 and 2020, the District's accrued compensated absences for sick leave totaled \$40,385 and \$34,539, respectively.

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, which is a joint venture with the City of Bowling Green, KY (City) and Warren County, KY (County), 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 joint city-county development 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.

The District has entered into a contract to extend water and sewer service into the next phase of the joint City-County development which will be reimbursed by these entities. The anticipated expenditure for this contract is \$2,899,933. The total cost incurred as of December 31, 2021 is \$2,602,118. Costs related to the extension of the water and sewer service will be contributed by the City-County development upon the receipt of cost reimbursements. The District has entered into an additional agreement with the County and the City to pledge a percentage of future metered revenues generated from customers in this joint City-County development, which shall be paid to the City and County, annually.

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

Note 13: COMMITMENTS (CONTINUED)

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, 2021 is \$5,682,853.

The District has committed to re-coating the Pleasant Hill water storage tank. The total anticipated expenditure for this project is \$153,000.

The District has committed to rehabilitating the Countryside sewer lift station. The total anticipated expenditure for this project is \$87,445.

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. The total cost incurred as of December 31, 2021 is \$141,450.

The District has entered into a contract to replace an aging section of waterline on Hwy 185 and Penns Chapel Road in northern Warren County. The anticipated expenditure for this contract is \$284,000. The total cost incurred as of December 31, 2021 is \$71,221.

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.

Note: 15 SUBSEQUENT EVENTS

In February 2022, the District purchased approximately 15 acres of land at a cost of \$1.3 million, which is planned to be the new location of the District offices.

Warren County Water District
Schedule of Employer Required Contributions

RETIREMENT SECURITY PLAN

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 376,320	\$ 371,285	\$ 343,827	\$ 335,398	\$ 782,066	\$ 785,396	\$ 674,876	\$ 658,698	\$ 689,385	\$ 626,233

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

Warren County Water District Notes to the Schedule of Employer Required Contributions

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
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.
2021	12.13	\$ 376,320	43	Increase 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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 113,742	\$ 88,789	\$ 86,623	\$ 54,508
Interest	31,305	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	(47,085)	(81,011)	(91,962)	(73,479)
 Net change in total OPEB liability	 97,962	 (128,968)	 56,158	 534,723
 Total OPEB liability - beginning	 1,386,480	 1,515,448	 1,459,290	 924,567
 Total OPEB liability - ending	 <u>\$ 1,484,442</u>	 <u>\$ 1,386,480</u>	 <u>\$ 1,515,448</u>	 <u>\$ 1,459,290</u>
 Covered-employee payroll	 \$ 4,007,172	 \$ 3,909,436	 \$ 3,409,453	 \$ 3,326,296
 District total OPEB liability as a percentage of covered-employee payroll	 37.04%	 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, 2020, or 2021.

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%. There was no change in assumptions for 2021.

Warren County Water District Schedule of Budgetary Comparison

For the year ended December 31, 2021

	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Metered water revenue	\$ 13,157,000	\$ 13,687,000	\$ 13,826,749	\$ 139,749
Metered sewer revenue	5,068,000	5,392,000	5,455,083	63,083
Forfeited discounts	266,500	214,000	211,333	(2,667)
Miscellaneous service revenue	322,500	294,600	295,736	1,136
Other water revenue	8,600	8,600	7,674	(926)
Other sewer revenue	-	-	600	600
Interest income	91,500	88,300	88,387	87
Rental income - utility property	160,700	167,700	166,233	(1,467)
Non-utility income - storm water	66,000	66,300	66,503	203
Total revenues	19,140,800	19,918,500	20,118,298	199,798
Expenses				
Salaries and wages	1,701,600	1,661,600	1,619,480	42,120
Commissioner fees	30,000	30,000	30,000	-
Fringe benefits	1,043,300	1,002,300	968,981	33,319
Purchased water	6,170,600	6,333,600	6,287,729	45,871
Sewage disposal	2,739,000	2,935,000	2,890,405	44,595
Purchased power	680,400	673,100	663,070	10,030
Chemicals	23,800	21,800	18,473	3,327
Materials and supplies	263,300	261,300	246,658	14,642
Contractual services - accounting	24,000	27,000	25,626	1,374
Contractual services - legal	21,000	12,000	6,788	5,212
Contractual services - other	722,500	708,500	706,850	1,650
Rental of building / property	60,000	60,000	57,233	2,767
Equipment expense	245,800	300,800	286,755	14,045
Insurance - general liability	72,600	70,600	70,012	588
Insurance - other	5,200	5,700	5,125	575
Regulatory expense	32,500	35,500	34,778	722
Bad debt expense	25,600	31,100	27,203	3,897
Miscellaneous expense	22,700	31,700	35,807	(4,107)
Total expenses	13,883,900	14,201,600	13,980,973	220,627

Warren County Water District Schedule of Budgetary Comparison

For the year ended December 31, 2021

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Other (Revenues) and Expenses				
Depreciation	4,432,900	4,448,300	4,439,257	9,043
Miscellaneous non-operating income	(10,000)	(15,000)	(17,128)	2,128
Interest expense	399,100	331,100	343,759	(12,659)
Unamortized debt expense	2,800	103,800	101,187	2,613
Disposition gain	-	(74,700)	(61,557)	(13,143)
OPEB expense	40,900	49,400	48,315	1,085
Total other (revenues) expenses	4,865,700	4,842,900	4,853,833	(10,933)
Total expenses	18,749,600	19,044,500	18,834,806	209,694
Income before capital contributions	391,200	874,000	1,283,492	409,492
Capital contributions	1,148,300	1,148,300	6,953,940	5,805,640
Change in net position	\$ 1,539,500	\$ 2,022,300	\$ 8,237,432	\$ 6,215,132

Warren County Water District
Statement of Net Position by Division

<i>December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 3,134,504	\$ 7,649,161	\$ -	\$ 10,783,665
Accounts receivable:				
Customer accounts receivable, net of allowance for uncollectibles	1,600,847	714,609	-	2,315,456
Accounts receivable – Butler County Water System	136,692	-	-	136,692
Accounts receivable – Simpson County Water District	94,481	-	-	94,481
Accounts receivable – Water Division	-	448,226	(448,226)	-
Accounts receivable – Sewer Division	171,738	-	(171,738)	-
Other accounts receivable	244,635	297,036	-	541,671
Interest receivable	7,516	142	-	7,658
Materials and supplies inventory	992,195	-	-	992,195
Prepaid expenses	82,204	12,698	-	94,902
Total current assets	6,464,812	9,121,872	(619,964)	14,966,720
Non-current assets				
Utility Plant				
Utility plant in service	142,413,420	71,267,377	-	213,680,797
Construction in progress	1,326,048	3,140,450	-	4,466,498
Less accumulated depreciation	(49,415,907)	(16,654,453)	-	(66,070,360)
Total utility plant, net	94,323,561	57,753,374	-	152,076,935

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Non-current assets				
Restricted cash and equivalents	3,686,358	1,095,854	-	4,782,212
Restricted investments	358,885	250,000	-	608,885
Investments	597,392	284,685	-	882,077
Accounts receivable:				
Accounts receivable – Butler County Water System	131,284	-	-	131,284
Accounts receivable – Simpson County Water District	91,992	-	-	91,992
Accounts receivable – Sewer Division	178,841	-	(178,841)	-
Other assets	126,392	50,195	-	176,587
Total non-current assets	99,494,705	59,434,108	(178,841)	158,749,972
Total assets	105,959,517	68,555,980	(798,805)	173,716,692
Deferred outflows of resources				
Deferred outflows related to retirement security plan	975,553	-	-	975,553
Total assets and deferred outflows	\$ 106,935,070	\$ 68,555,980	\$ (798,805)	\$ 174,692,245

Warren County Water District
Statement of Net Position by Division

<i>December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Liabilities				
Current liabilities				
Accounts payable	\$ 1,214,902	\$ 1,070,077	\$ (225,040)	\$ 2,059,939
Accounts payable – Butler County Water System	5,614	-	-	5,614
Accounts payable – Simpson County Water District	7,302	-	-	7,302
Accounts payable – Water Division	-	125,539	(125,539)	-
Accounts payable – Sewer Division	448,226	-	(448,226)	-
Accrued expenses	821,838	40,852	-	862,690
Contractor advances for construction	27,052	61,559	-	88,611
Current portion of long-term debt	488,454	251,325	-	739,779
Total current liabilities	3,013,388	1,549,352	(798,805)	3,763,935
Non-current liabilities				
Long-term Obligations				
Bonds and loans payable	954,000	630,500	-	1,584,500
Notes payable	6,035,097	3,766,148	-	9,801,245
Less: Net unamortized bond premium (discount)	81,232	94,400	-	175,632
Less: Current portion of long-term debt	(488,454)	(251,325)	-	(739,779)
Net long-term obligations	6,581,875	4,239,723	-	10,821,598
Customer meter deposits	1,166,770	362,106	-	1,528,876
Rebates payable	1,659,652	1,255,723	-	2,915,375
Unearned revenue for cellular leases	76,366	-	-	76,366
Other post employment benefit obligation	1,484,442	-	-	1,484,442
Total non-current liabilities	10,969,105	5,857,552	-	16,826,657
Total liabilities	13,982,493	7,406,904	(798,805)	20,590,592

**Warren County Water District
Statement of Net Position by Division**

<i>December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Net Position				
Net investment in capital assets	87,802,955	53,662,940	-	141,465,895
Restricted	2,573,165	330,118	-	2,903,283
Unrestricted	2,576,457	7,156,018	-	9,732,475
Total net position	92,952,577	61,149,076	-	154,101,653
Total liabilities and net position	\$ 106,935,070	\$ 68,555,980	\$ (798,805)	\$ 174,692,245

Warren County Water District

Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>For the year ended December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Revenues				
Metered sales				
Residential	\$ 8,814,959	\$ 2,225,209	\$ -	\$ 11,040,168
Industrial	2,409,095	2,434,655	-	4,843,750
Commercial	2,602,695	795,219	-	3,397,914
Total metered sales	13,826,749	5,455,083	-	19,281,832
Forfeited discounts	155,320	56,013	-	211,333
Miscellaneous service revenue	268,832	35,178	-	304,010
Total operating revenues	14,250,901	5,546,274	-	19,797,175
Operating Expenses				
Source of supply expense				
Purchased water	6,287,729	-	-	6,287,729
Sewage disposal	-	2,890,405	-	2,890,405
Total source of supply expense	6,287,729	2,890,405	-	9,178,134
Pumping plant expense				
Salaries and benefits	-	-	-	-
Power purchased	500,352	150,752	-	651,104
Chemicals	-	18,473	-	18,473
Contractual services	3,140	3,078	-	6,218
Rental expense	4,906	-	-	4,906
Insurance	9,302	4,323	-	13,625
Total pumping plant expense	517,700	176,626	-	694,326

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

<i>For the year ended December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Operating Expenses (Continued)				
Transmission and distribution expense				
Salaries and benefits	838,471	181,157	-	1,019,628
Power purchased	11,966	-	-	11,966
Contractual services	117,169	46,279	-	163,448
Rental expense	18,805	-	-	18,805
Transportation	143,234	35,445	-	178,679
Insurance	39,531	2,518	-	42,049
Materials and supplies	159,127	37,629	-	196,756
Total transmission and distribution expense	1,328,303	303,028	-	1,631,331
Customer accounts expense				
Salaries and benefits	779,855	101,114	-	880,969
Contractual services	212,809	56,681	-	269,490
Uncollectible accounts	22,859	4,344	-	27,203
Rental expense	28,616	-	-	28,616
Transportation	100,165	138	-	100,303
Insurance	4,651	2,518	-	7,169
Miscellaneous	6,777	167	-	6,944
Materials and supplies	11,432	320	-	11,752
Total customer accounts expense	1,167,164	165,282	-	1,332,446

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

<i>For the year ended December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Administrative and general expense				
Salaries and benefits	600,038	136,141	-	736,179
Office supplies	32,455	5,695	-	38,150
Commissioner fees	15,000	15,000	-	30,000
Contractual services	257,408	42,700	-	300,108
Insurance	7,231	5,063	-	12,294
Rental expense	4,906	-	-	4,906
Regulatory commission expense	25,251	9,527	-	34,778
Miscellaneous	20,545	8,318	-	28,863
Transportation	7,693	80	-	7,773
Total administrative and general expense	970,527	222,524	-	1,193,051
Depreciation	3,005,374	1,433,883	-	4,439,257
Total operating expenses	13,276,797	5,191,748	-	18,468,545
Operating income	974,104	354,526	-	1,328,630
Non-Operating Revenues (Expenses)				
Interest income	51,569	36,818	-	88,387
Rental income	141,563	24,670	-	166,233
Non-utility income	83,628	3	-	83,631
Loss on disposal of assets	61,557	-	-	61,557
Debt issuance cost	(57,732)	(43,455)	-	(101,187)
Interest expense	(233,446)	(110,313)	-	(343,759)
Total non-operating revenues (expenses) - net	47,139	(92,277)	-	(45,138)

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

<i>For the year ended December 31, 2021</i>	Water Division	Sewer Division	Eliminating Entries	Total
Income before capital contributions	1,021,243	262,249	-	1,283,492
Capital contributions	2,239,567	4,714,373	-	6,953,940
Change in net position	3,260,810	4,976,622	-	8,237,432
Total net position – beginning of year	89,691,758	56,172,463	-	145,864,221
Total net position – end of year	\$ 92,952,568	\$ 61,149,085	\$ -	\$ 154,101,653

**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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 19, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 District'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 District'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 19, 2022



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