

WOOD CREEK WATER DISTRICT

INDEPENDENT AUDITORS' REPORT

AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Wood Creek Water District
London, Kentucky

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Wood Creek Water District, 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 respective financial position of the business-type activities of the Wood Creek Water District, as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Wood Creek Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit program.

Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 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, 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, so such opinion is expressed.
- Evaluate the appropriateness of 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of



Cloyd & Associates, PSC
Certified Public Accountants

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2022 on our consideration of the East Laurel Water 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 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 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 East Laurel Water District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Certified Public Accountants
Corbin, Kentucky

April 30, 2022

**WOOD CREEK WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Years ended December 31, 2021 and 2020

This discussion and analysis is intended to be an easily readable analysis of the Wood Creek Water District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements and notes that follow. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

FINANCIAL HIGHLIGHTS

- In 2021, the District's net position decreased by \$1,168,425, or 7.56%, compared to a decrease in 2020 of \$432,721 or 2.72%.
- In 2021, operating revenues increased by \$282,609, or 3.99%. In 2020, operating revenues increased by \$236,030, or 3.44%.
- Operating expenses excluding depreciation increased by \$1,214,402, or 21.13% in 2021 compared to an increase of \$105,019, or 1.86% in 2020.
- Additions to capital assets in 2021 amounted to \$3,009,045. In 2020, additions to capital assets were \$1,259,214.
- Principal payments on long-term debt were \$615,000 in 2021 and \$590,000 in 2020.

OVERVIEW OF FINANCIAL STATEMENTS

This report consists of the Management's Discussion and Analysis and the basic financial statements. The financial statements include notes that explain information included in the basic financial statements.

FINANCIAL STATEMENTS

The financial statements report information utilizing the full accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The financial statements also include a Statement of Cash Flows, which presents sources and uses of cash and changes in cash balances during the fiscal year.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

WOOD CREEK WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Years ended December 31, 2021 and 2020

NET POSITION

A summary of the District's Statement of Net Position as of December 31, 2021 and 2020 is presented below:

| | 2021 Amount | 2020 Amount | Net dollar Change | Net percentage Change |
|--|------------------------|------------------------|------------------------------|----------------------------------|
| Current assets | \$ 3,706,162 | \$ 3,619,458 | \$ 86,704 | 2.40% |
| Noncurrent assets | 1,009,995 | 1,005,331 | 4,664 | 0.46% |
| Capital assets, net of accumulated depreciation | 32,203,902 | 30,492,639 | 1,711,263 | 5.61% |
| Total Assets | 36,920,059 | 35,117,428 | 1,802,631 | 5.13% |
| Deferred outflow of resources | 2,252,424 | 2,067,240 | 185,184 | 8.96% |
| Total Deferred Outflow of Resources | 2,252,424 | 2,067,240 | 185,184 | 8.96% |
| Current liabilities | 1,411,869 | 1,120,523 | 291,346 | 26.00% |
| Noncurrent liabilities | 22,976,074 | 19,916,220 | 3,059,854 | 15.36% |
| Total Liabilities | 24,387,943 | 21,036,743 | 3,351,200 | 15.93% |
| Deferred inflow of resources | 499,717 | 694,677 | (194,960) | N/A |
| Total Deferred Inflow of Resources | 499,717 | 694,677 | (194,960) | |
| Net investment in capital assets | 17,097,902 | 16,901,158 | 196,744 | 1.16% |
| Restricted net positions | 992,724 | 985,652 | 7,072 | 0.72% |
| Unrestricted (deficit) net positions | (3,805,803) | (2,433,562) | (1,372,241) | 56.39% |
| Total Net Position | \$ 14,284,823 | \$ 15,453,248 | \$ (1,168,425) | -7.56% |

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

A summary of the District's Statement of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2021 and 2020 is presented below:

| | 2021 Amount | 2020 Amount | Net dollar Change | Net percentage Change |
|-------------------------|------------------------|------------------------|------------------------------|----------------------------------|
| Operating revenue | \$ 7,361,187 | \$ 7,078,578 | \$ 282,609 | 3.99% |
| Nonoperating revenue | 266,537 | 56,865 | 209,672 | 368.72% |
| Total revenue | 7,627,724 | 7,135,443 | 492,281 | 6.90% |
| Depreciation expense | 1,297,782 | 1,289,689 | 8,093 | 0.63% |
| Other operating expense | 6,961,917 | 5,747,515 | 1,214,402 | 21.13% |
| Nonoperating expense | 536,450 | 530,960 | 5,490 | 1.03% |
| Total expense | 8,796,149 | 7,568,164 | 1,227,985 | 16.23% |
| Changes in net position | (1,168,425) | (432,721) | (735,704) | 170.02% |
| Net position, beginning | 15,453,248 | 15,885,969 | (432,721) | -2.72% |
| Net position, ending | \$ 14,284,823 | \$ 15,453,248 | \$ (1,168,425) | -7.56% |

**WOOD CREEK WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Years ended December 31, 2021 and 2020

As reported on the Statement of Revenues, Expenses, and Changes in Net Position, net position decreased by \$1,168,425 for the year 2021 as compared to a decrease of \$432,721 for the year 2020.

The operating revenue increased by \$282,609 or 3.99 % from the prior year amounts.

CAPITAL ASSETS

On December 31, 2021, the District's investment in capital assets, net of depreciation, totaled \$32,203,902, which is an increase of \$1,711,263 or 5.61%, over the capital asset balance of \$30,492,639 at December 31, 2020.

LONG-TERM DEBT

As of December 31, 2021, the District had long-term debt of \$15,106,000 compared to \$13,591,481 at December 31, 2020, including current portion. During the year ended December 31, 2021, the District paid \$615,000 of principal payments on the long-term debt compared to \$590,000 in 2020.

CONSTRUCTION IN PROGRESS

As of December 31, 2021, the District had \$3,181,325 of construction in progress, which relates to District water line extension project.

CONTACT INFORMATION

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning this report or request for additional information should be addressed to the Office Manager, Dewayne Lewis, at Wood Creek Water District, London, Kentucky, 40741, or by calling (606) 878-9420.

WOOD CREEK WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2021 and 2020

| ASSETS | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 307,273 | \$ 974,664 |
| Investments | 251,669 | 51,250 |
| Accounts receivable, less allowance for doubtful accounts | 1,119,444 | 1,029,021 |
| Unbilled accounts receivable | 157,447 | 157,447 |
| Inventories | 1,865,787 | 1,402,565 |
| Other current assets | 4,542 | 4,511 |
| Total current assets | <u>3,706,162</u> | <u>3,619,458</u> |
| Noncurrent assets | | |
| Restricted assets | | |
| Restricted cash and cash equivalents | <u>992,724</u> | <u>985,652</u> |
| Capital assets | | |
| Nondepreciable capital assets | | |
| Land and land structures | 4,422,500 | 4,392,550 |
| Construction in progress | 3,181,325 | 812,481 |
| Total nondepreciable capital assets | <u>7,603,825</u> | <u>5,205,031</u> |
| Depreciable capital assets | | |
| Intangible | 21,836 | 21,836 |
| Source of supply and pumping | 1,748,631 | 1,748,631 |
| Water treatment equipment | 16,603,078 | 16,603,078 |
| Transmission and distribution | 17,618,559 | 17,580,544 |
| General plant | 4,027,844 | 3,613,182 |
| Collection plant | 6,859,287 | 6,788,502 |
| Pumping plant | 4,038,783 | 3,951,994 |
| Accumulated depreciation | 50,918,018 (26,317,941) | 50,307,767 (25,020,159) |
| Total depreciable capital assets, net of depreciation | <u>24,600,077</u> | <u>25,287,608</u> |
| Total capital assets (net of depreciation) | <u>32,203,902</u> | <u>30,492,639</u> |
| Other assets | | |
| Bond discount (net of accumulated amortization) | <u>17,271</u> | <u>19,679</u> |
| Total noncurrent assets | <u>33,213,897</u> | <u>31,497,970</u> |
| Total assets | <u>\$ 36,920,059</u> | <u>\$ 35,117,428</u> |

WOOD CREEK WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2021 and 2020

| DEFERRED OUTFLOW OF RESOURCES | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Deferred outflows from pensions | \$ 1,276,349 | \$ 1,485,103 |
| Deferred outflows from OPEB | 976,075 | 582,137 |
| Deferred savings from refunding bonds | - | - |
| Total deferred outflow of resources | <u>2,252,424</u> | <u>2,067,240</u> |
| Total assets and deferred outflow of resources | <u>39,172,483</u> | <u>37,184,668</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 216,232 | \$ 133,666 |
| Accured interest | 273,976 | 258,568 |
| Current portion of long-term debt | 595,500 | 615,000 |
| Line of credit | 192,500 | - |
| Other current liabilites | 133,661 | 113,289 |
| Total current liabilities | <u>1,411,869</u> | <u>1,120,523</u> |
| Noncurrent liabilities | | |
| Customer deposits | 11,300 | 11,990 |
| Unamortized premium on debt | 24,419 | 26,781 |
| OPEB liability | 2,018,034 | 1,331,570 |
| Pension liability | 6,411,821 | 5,569,398 |
| Long-term debt | 14,510,500 | 12,976,481 |
| Total noncurrent liabilities | <u>22,976,074</u> | <u>19,916,220</u> |
| Total liabilities | <u>24,387,943</u> | <u>21,036,743</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows from pensions | 117,483 | 220,224 |
| Deferred inflows from OPEB | <u>382,234</u> | <u>474,453</u> |
| Total deferred inflows | <u>499,717</u> | <u>694,677</u> |
| NET POSITION | | |
| Net investment in capital assets | 17,097,902 | 16,901,158 |
| Restricted for: | | |
| Debt service | 973,504 | 967,685 |
| Other purposes | 19,220 | 17,967 |
| Unrestricted (deficit) | <u>(3,805,803)</u> | <u>(2,433,562)</u> |
| Total net position | <u>14,284,823</u> | <u>15,453,248</u> |
| Total liabilities and net position | <u>\$ 39,172,483</u> | <u>\$ 37,184,668</u> |

WOOD CREEK WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------|---------------|
| Operating revenues | | |
| Water sales | \$ 6,087,285 | \$ 5,913,942 |
| Sewer service | 943,970 | 939,234 |
| Penalties and service charges | 115,272 | 41,392 |
| Tap-on fees | 200,250 | 184,010 |
| Other | 14,410 | - |
| Total operating revenues | 7,361,187 | 7,078,578 |
| Operating expenses | | |
| Purchased water and power | 382,484 | 324,347 |
| Water treatment | 1,868,586 | 1,586,095 |
| Transmission and distribution | 1,727,069 | 1,502,118 |
| Administration of customer accounts | 499,436 | 399,460 |
| Administration and general | 645,528 | 511,388 |
| Pension expense | 1,148,742 | 714,692 |
| Sewer maintenance and treatment | 690,026 | 706,445 |
| Amortization | 46 | 2,970 |
| Depreciation | 1,297,782 | 1,289,689 |
| Total operating expenses | 8,259,699 | 7,037,204 |
| Operating income (loss) | (898,512) | 41,374 |
| Nonoperating revenues (expenses) | | |
| Interest income | 2,615 | 2,969 |
| Federal and state grants | 262,422 | - |
| Local grants | - | - |
| Other income | 1,500 | 53,896 |
| Interest on long-term debt | (522,661) | (517,631) |
| Other expense | (13,789) | (13,329) |
| Total nonoperating revenues (expenses) | (269,913) | (474,095) |
| Change in net position | (1,168,425) | (432,721) |
| Net Position, January 1 | 15,453,248 | 15,885,969 |
| Prior period adjustment | - | - |
| Net Position, December 31 | \$ 14,284,823 | \$ 15,453,248 |

The accompanying notes are an integral part of the financial statements

WOOD CREEK WATER DISTRICT
STATEMENT OF CASH FLOWS
For the years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 7,016,714 | 6,844,083 |
| Receipts from other activities | 140,000 | 145,000 |
| Payments to employees | (2,492,836) | (2,205,667) |
| Payments to suppliers | <u>(3,686,698)</u> | <u>(2,835,082)</u> |
| Net cash used in operating activities | <u>977,180</u> | <u>1,948,334</u> |
| Cash flows from noncapital and related financing activities | | |
| Federal, state, and local grants | 262,422 | - |
| Net cash provided by noncapital and related financing activities | <u>262,422</u> | <u>-</u> |
| Cash flows from capital and related activities | | |
| Purchases of property, plant, and equipment | (3,009,045) | (1,626,437) |
| Proceeds from other income | 1,500 | 53,896 |
| Proceeds from line of credit | 192,500 | - |
| Transfers to/from investments | (200,000) | - |
| Proceeds from bonding | 2,248,551 | 812,481 |
| Principal payments on debt | (615,000) | (590,000) |
| Interest payments on debt | (507,253) | (527,897) |
| Miscellaneous nonoperating expense | <u>(13,789)</u> | <u>(13,329)</u> |
| Cash provided (used) in capital and related activities | <u>(1,902,536)</u> | <u>(1,891,286)</u> |
| Cash flows from investing activities | | |
| Interest received on investments | 2,615 | 2,969 |
| Cash provided (used) in investing activities | <u>2,615</u> | <u>2,969</u> |
| Net increase in cash and cash equivalents | (660,319) | 60,017 |
| Cash and cash equivalents, January 1 | <u>1,960,316</u> | <u>1,900,299</u> |
| Cash and cash equivalents, December 31 | <u>\$ 1,299,997</u> | <u>\$ 1,960,316</u> |
| Reconciliation of change in net position to net cash used in operating activities | | |
| Operating loss | (898,512) | 41,374 |
| Adjustments to reconcile change in net position to net cash used in operating activities: | | |
| Depreciation | 1,297,782 | 1,289,689 |
| Amortization | 46 | 2,970 |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in customer and other accounts receivable | (204,473) | (89,495) |
| (Increase) Decrease in inventory | (463,222) | 49,242 |
| (Increase) Decrease in prepaid expense and other assets | (31) | 776 |
| Increase (Decrease) in accounts payable | 82,566 | (159,372) |
| Increase (Decrease) in pension expense | 1,148,742 | 798,868 |
| Increase (Decrease) in accrued expense | 16,162 | 16,162 |
| Increase (Decrease) in customer deposits | <u>(1,880)</u> | <u>(1,880)</u> |
| Net cash provided by operating activities | <u>\$ 977,180</u> | <u>\$ 1,948,334</u> |

WOOD CREEK WATER DISTRICT
STATEMENT OF CASH FLOWS
For the years ended December 31, 2021 and 2020

Reconciliation of cash at end of year

| | | |
|--------------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 307,273 | \$ 974,664 |
| Restricted cash and cash equivalents | 992,724 | 985,652 |
| Total cash at end of year | <u>\$ 1,299,997</u> | <u>\$ 1,960,316</u> |

**WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENT**

Years ended December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Wood Creek Water District, of Laurel County, Kentucky (the District) was created in 1969 under Chapter 74 of the Kentucky Revised Statutes and is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. The District is governed by a three-person board of Commissioners, which is appointed by the Laurel County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

Wood Creek Water District is a rural water utility system whose purpose is to establish, develop, and operate a water supply and distribution system for its members and customers in Laurel County, Kentucky. The District also provides sewer services to a specific portion of the Wood Creek Lake watershed area. The District's primary source of revenue is from water sales and sewer services to its members and customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. In addition, the District applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District. The statements distinguish between governmental and business-type activities. The District does not have any governmental activities.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted cash and investments), with maturities of 90 days or less to be cash equivalents. This includes bank certificates of deposit and demand checking accounts.

Investments

The District is authorized by state statute to invest in: 1) obligations of the United States and of its agencies and instrumentalities; 2) bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; 3) shares of any savings and loan insured by an agency of the government of the United States up to the amount so insured; 4) interest bearing deposits in nationally chartered or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts provided such bank shall pledge, as security, obligations of the United States government, its agencies and instrumentalities.

The District's investments include certificates of deposits with maturity dates of three months or more. Certificates of deposits in excess of FDIC insurance are collateralized by securities held by the pledging bank.

Accounts Receivable

Accounts receivables arise as services are rendered for which collections have not been realized and are carried net of a provision for doubtful accounts. The provision for doubtful accounts is estimated using a percentage of accounts more than 90 days past due. At December 31, 2021 and 2020, the provision for doubtful accounts was \$3,464 and \$3,464, respectively.

Unbilled Receivables

The District estimated unbilled revenues from water sales, on a pro rata basis, at the end of each fiscal year. The estimated amount is based on amounts billed during the following month of the close of the fiscal year.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories of materials and supplies are stated at historical cost. The carrying value is determined on a first-in, first-out basis.

Capital Assets

Capital assets include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, and equipment that have a useful life of more than one reporting period based on the District's capitalization policy. The cost of additions to the utility plant and major replacements of retired property is capitalized, and the cost of repairs, maintenance, and minor replacements are charged to expense. By District policy, capital assets are defined as assets with a cost of \$1,000 or more and an estimated useful life in excess of one year. Cost includes direct labor, outside services, materials and transportation employee fringe benefits, and overhead. Interest incurred during construction is capitalized.

The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from disposal is credited or charged in the non-operating section of the statements of revenues, expenses, and changes in net assets. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The range of useful lives of assets is as follows:

| <u>Assets Classification</u> | <u>Range of Lives</u> |
|---------------------------------------|-----------------------|
| Intangible | 40 years |
| Transmission and distribution mains | 50 years |
| Structures and improvements | 50 years |
| Pumping and water treatment equipment | 25 years |
| Meters, hydrants and services | 20 years |
| Other equipment | 5-10 years |

Accounts payable

Accounts payable represent expenses incurred in the current year to be paid in the subsequent year. The majority of the District's accounts payable are to vendors or for purchase of water.

Long-Term Debt

Long-term debt is recorded at face value. Issue costs relating to prepaid insurance, loan discounts, and loan premiums related to the issuance of debt are deferred and amortized over the term of the respective loans outstanding using the straight-line method.

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation benefits are not accrued beyond any fiscal year. Sick leave benefits may be used to supplement an employee's retirement if the employee is at retirement age or has at least twenty-six years and six months' service. At December 31, 2021 and 2020, the District did not record any sick leave accrual and management feels that no sick leave benefits are currently payable.

Customer Deposits

The District collects and holds in escrow a \$60 deposit from customers to insure collection of its water charges. Interest at an annual rate of 1% is paid on these deposits.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets and any unamortized debt cost or premium.

Restricted – This component of net position consists of 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.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by the prior refunding of revenue bonds and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

**WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – RESTRICTED CASH

The District includes all sinking fund deposits, funds required for other debt service, and funds related to specific projects or customer accounts to be restricted. At December 31, 2021 and 2020 restricted cash amounted to \$992,724 and \$985,652, respectively. This includes restrictions for customer deposits of \$19,220 and \$17,967 and restrictions for debt service of \$973,504 and \$967,685, respectively.

NOTE 3 – INVESTMENTS – INTEREST RATE RISK

According to KRS 91A.060, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The District classifies only certificates of deposit as investments and does not consider interest rate risk to be significant.

NOTE 4 – CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2021, and 2020, the District's bank balances were \$1,267,844 and \$2,011,633 respectively. In accordance with Kentucky Revised Statute (KRS) 91A.060, deposits are to be collateralized to the extent uninsured by FDIC. According to KRS 41.240(4), it shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District's deposits were fully insured or collateralized with securities held by an agent of the District in the District's name at December 31, 2021 and 2020.

**WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2021 and 2020

NOTE 5 – INVESTMENTS

As of December 31, 2021, and 2020, the District had the following investments:

| | Rating | Fair Value | |
|-------------------------|-----------|------------|-----------|
| | | 2021 | 2020 |
| Certificate of Deposits | Not Rated | \$ 251,669 | \$ 51,250 |

The District deposits cash with banks for future debt service. The bank may choose to invest the deposit but assumes all risk.

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

NOTE 6 – RECEIVABLES

At December 31, 2021 and 2020, customer and other accounts receivable are as follows:

| | 2021 | 2020 |
|------------------------------|--------------|--------------|
| Due from customers | \$ 473,158 | \$ 490,891 |
| Due from related parties | 631,703 | 518,248 |
| Due from others | 18,047 | 23,346 |
| Provision for uncollectibles | (3,464) | (3,464) |
| | <hr/> | <hr/> |
| | \$ 1,119,444 | \$ 1,029,021 |

The above detail does not include unbilled receivables of \$157,447.

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 7 – CAPITAL ASSETS

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

| | Balance | | Balance | |
|-------------------------------------|--------------------------|---------------------|-------------------|--------------------------|
| | December 31, 2020 | Additions | Deductions | December 31, 2021 |
| Water Operations: | | | | |
| Land and improvements | \$ 4,341,042 | 24,950 | \$ - | \$ 4,365,992 |
| Construction in progress | 812,481 | 2,368,844 | - | 3,181,325 |
| Intangible | 21,836 | - | - | 21,836 |
| Source of supply and pumping | 1,748,631 | - | - | 1,748,631 |
| Water treatment plant | 16,603,078 | - | - | 16,603,078 |
| Transmission and distribution plant | 17,580,544 | 38,015 | - | 17,618,559 |
| General plant | 3,340,448 | 414,662 | - | 3,755,110 |
| Total capital assets | <u>44,448,060</u> | <u>2,846,471</u> | <u>-</u> | <u>47,294,531</u> |
| Less: Accumulated depreciation | | | | |
| Intangible | 21,938 | - | - | 21,938 |
| Source of supply and pumping | 1,393,485 | 54,500 | - | 1,447,985 |
| Water treatment plant | 6,556,054 | 403,795 | - | 6,959,849 |
| Transmission and distribution plant | 9,110,653 | 348,828 | - | 9,459,481 |
| General plant | 2,324,748 | 210,138 | - | 2,534,886 |
| Total accumulated depreciation | <u>19,406,878</u> | <u>1,017,261</u> | <u>-</u> | <u>20,424,139</u> |
| Net capital assets-water | <u>25,041,182</u> | <u>1,829,210</u> | <u>-</u> | <u>26,870,392</u> |
| Sewer Operations | | | | |
| Land and improvements | 51,508 | 5,000 | - | 56,508 |
| General plant | 272,734 | - | - | 272,734 |
| Collection plant | 6,788,502 | 70,785 | - | 6,859,287 |
| Pumping plant | 3,951,994 | 86,789 | - | 4,038,783 |
| Construction in progress | - | - | - | - |
| Total capital assets | <u>11,064,738</u> | <u>162,574</u> | <u>-</u> | <u>11,227,312</u> |
| Less: Accumulated depreciation | | | | |
| General plant | 266,259 | 1,850 | - | 268,109 |
| Collection plant | 2,690,183 | 196,164 | - | 2,886,347 |
| Pumping plant | 2,656,839 | 82,507 | - | 2,739,346 |
| Construction in progress | - | - | - | - |
| Total accumulated depreciation | <u>5,613,281</u> | <u>280,521</u> | <u>-</u> | <u>5,893,802</u> |
| Net capital assets sewer | <u>5,451,457</u> | <u>(117,947)</u> | <u>-</u> | <u>5,333,510</u> |
| Net capital assets-total | <u>\$ 30,492,639</u> | <u>\$ 1,711,263</u> | <u>\$ -</u> | <u>\$ 32,203,902</u> |

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 7 – CAPITAL ASSETS (continued)

| | Balance | | | Balance |
|-------------------------------------|--------------------------|------------------|-------------------|--------------------------|
| | December 31, 2019 | Additions | Deductions | December 31, 2020 |
| Water Operations: | | | | |
| Land and improvements | \$ 4,341,042 | | \$ - | \$ 4,341,042 |
| Construction in progress | 12,000 | 800,481 | - | 812,481 |
| Intangible | 21,836 | - | - | 21,836 |
| Source of supply and pumping | 1,714,262 | 34,369 | - | 1,748,631 |
| Water treatment plant | 16,603,078 | - | - | 16,603,078 |
| Transmission and distribution plant | 17,498,021 | 82,523 | - | 17,580,544 |
| General plant | 3,119,786 | 341,841 | 121,179 | 3,340,448 |
| Total capital assets | 43,310,025 | 1,259,214 | 121,179 | 44,448,060 |
| Less: Accumulated depreciation | | | | |
| Intangible | 21,938 | | - | 21,938 |
| Source of supply and pumping | 1,344,438 | 49,047 | - | 1,393,485 |
| Water treatment plant | 6,152,251 | 403,803 | - | 6,556,054 |
| Transmission and distribution plant | 8,762,750 | 347,903 | - | 9,110,653 |
| General plant | 2,154,663 | 207,084 | 36,999 | 2,324,748 |
| Total accumulated depreciation | 18,436,040 | 1,007,837 | 36,999 | 19,406,878 |
| Net capital assets-water | 24,873,985 | 251,377 | 84,180 | 25,041,182 |
| Sewer Operations | | | | |
| Land and improvements | 51,508 | - | - | 51,508 |
| General plant | 272,734 | - | - | 272,734 |
| Collection plant | 6,617,697 | 170,805 | - | 6,788,502 |
| Pumping plant | 3,755,576 | 196,418 | - | 3,951,994 |
| Construction in progress | - | - | - | - |
| Total capital assets | 10,697,515 | 367,223 | - | 11,064,738 |
| Less: Accumulated depreciation | | | | |
| General plant | 264,409 | 1,850 | - | 266,259 |
| Collection plant | 2,489,377 | 200,806 | - | 2,690,183 |
| Pumping plant | 2,577,643 | 79,196 | - | 2,656,839 |
| Construction in progress | - | - | - | - |
| Total accumulated depreciation | 5,331,429 | 281,852 | - | 5,613,281 |
| Net capital assets sewer | 5,366,086 | 85,371 | - | 5,451,457 |
| Net capital assets-total | \$ 30,240,071 | \$ 336,748 | \$ 84,180.00 | \$ 30,492,639 |

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 8 – LONG-TERM DEBT

The District's long-term debt consists of bonds payable to Rural Development (RD) and Kentucky Rural Water Finance Corporation (KRWFC), which were obtained for various acquisitions of plant and equipment. Additionally, long-term debt also included lease purchase agreements for various equipment purchases. The bonds mature annually in varying series over the period 2022 to 2061. A summary of the bonds is presented below:

| RURAL DEVELOPMENT | | | | | | | | |
|--|------------------------|-----------------------|-----------------------|-------------------------------------|---------------------------|-----------------------------|-------------------------------------|----------------------------|
| Bond Issue | Original Amount | Maturity Dates | Interest Rates | 12/31/20 Outstanding Balance | 12/31/20 Additions | 12/31/20 Retirements | 12/31/21 Outstanding Balance | Due Within One Year |
| 91-13 | 7,250,000 | 1/1/2045 | 4.25% | \$ 5,928,000 | \$ - | \$ 135,000 | \$ 5,793,000 | \$ 141,000 |
| 91-16 | 725,000 | 1/1/2045 | 4.25% | 590,500 | - | 13,500 | 577,000 | 14,500 |
| 91-21 | 2,942,000 | 1/1/2061 | 1.75% | - | 2,942,000 | - | 2,942,000 | 51,500 |
| Total RD Bonds Payable | | | | \$ 6,518,500 | \$ 2,942,000 | \$ 148,500 | \$ 9,312,000 | \$ 207,000 |
| KRWFC | | | | | | | | |
| 2005B | 3,594,000 | 7/1/2031 | 4.00%-4.50% | 2,037,000 | - | 148,000 | 1,889,000 | 152,000 |
| 2007A | 2,086,000 | 7/1/2036 | 4.05%-4.425% | 1,443,000 | - | 65,000 | 1,378,000 | 68,000 |
| 2015B | 2,780,000 | 7/1/2038 | 2.25%-3.50% | 1,860,000 | - | 190,000 | 1,670,000 | 155,000 |
| Total KRWFC Bonds Payable | | | | \$ 5,340,000 | \$ - | \$ 403,000 | \$ 4,937,000 | \$ 375,000 |
| OPEN MARKET | | | | | | | | |
| 1998 | \$ 665,000 | 1/1/2022 | 4.00% | \$ 50,000 | \$ - | \$ 50,000 | \$ - | \$ - |
| Total Open Market Bonds Payable | | | | \$ 50,000 | \$ - | \$ 50,000 | \$ - | \$ - |
| INTERIM FINANCING | | | | | | | | |
| 2020 | \$ 812,481 | 7/1/2022 | 2.00% | \$ 812,481 | \$ - | \$ 812,481 | \$ - | \$ - |
| Total Open Market Bonds Payable | | | | \$ 812,481 | \$ - | \$ 812,481 | \$ - | \$ - |
| LINE OF CREDIT | | | | | | | | |
| 2021 | \$ 200,000 | OPEN | 1.50% | \$ - | \$ 192,500 | \$ - | \$ 192,500 | \$ - |
| Total Line of Credit | | | | \$ - | \$ 192,500 | \$ - | \$ 192,500 | \$ - |
| WASTEWATER DIVISION - RURAL DEVELOPMENT | | | | | | | | |
| 2018 | \$ 896,000 | 1/1/2058 | 4.00% | \$ 870,500 | \$ - | \$ 13,500 | \$ 857,000 | \$ 13,500 |
| Total Open Market Bonds Payable | | | | \$ 870,500 | \$ - | \$ 13,500 | \$ 857,000 | \$ 13,500 |
| Total Outstanding Debt | | | | \$ 12,779,000 | \$ 3,134,500 | \$ 615,000 | \$ 15,298,500 | \$ 595,500 |

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 8 – LONG-TERM DEBT – (continued)

Future bond principal and interest payment amounts are as follows:

| YEAR | LOCAL | | | TOTAL |
|-----------|---------------|--------------|---------------|-------|
| | PRINCIPAL | INTEREST | | |
| 2022 | \$ 595,500 | \$ 555,162 | \$ 1,150,662 | |
| 2023 | 590,500 | 532,643 | 1,123,143 | |
| 2024 | 613,000 | 509,573 | 1,122,573 | |
| 2025 | 631,000 | 485,583 | 1,116,583 | |
| 2026 | 656,000 | 460,643 | 1,116,643 | |
| 2027-2031 | 3,416,500 | 1,903,364 | 5,319,864 | |
| 2032-2036 | 2,613,000 | 1,310,142 | 3,923,142 | |
| 2037-2041 | 2,209,500 | 836,760 | 3,046,260 | |
| 2042-2046 | 2,058,000 | 393,419 | 2,451,419 | |
| 2047-2051 | 552,500 | 158,552 | 711,052 | |
| 2052-2056 | 610,500 | 90,172 | 700,672 | |
| 2057-2061 | 560,000 | 23,139 | 583,139 | |
| | <hr/> | <hr/> | <hr/> | |
| | \$ 15,106,000 | \$ 7,259,152 | \$ 22,365,152 | |

NOTE 9 – SERVICES PROVIDED TO OTHER WATER DISTRICTS

Wood Creek Water District sells water for resale and provides maintenance, construction, and office services to West Laurel Water Association, Incorporated and East Laurel Water District. The actual costs of maintenance and construction services are accumulated in specific expense accounts and charges for services are netted against such expense accounts. Wood Creek Water District bills the related water companies for the materials.

Accounts receivable from East Laurel Water District and West Laurel Water Association, Incorporated are summarized below:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| <u>East Laurel Water District</u> | | |
| Accounts receivable | \$ 256,265 | \$ 246,673 |
| Accounts receivable - wastewater | <u>183,652</u> | <u>82,441</u> |
| | <u>\$ 439,917</u> | <u>\$ 329,114</u> |
| <u>West Laurel Water Association, Incorporated</u> | | |
| Accounts receivable | \$ 181,757 | \$ 184,300 |
| Accounts receivable - wastewater | <u>10,029</u> | <u>4,834</u> |
| | <u>\$ 191,786</u> | <u>\$ 189,134</u> |

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 9 – SERVICES PROVIDED TO OTHER WATER DISTRICTS – (continued)

The following is a summary of amounts paid to Wood Creek Water District for water and services:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| <u>East Laurel Water District</u> | | |
| Purchased water | \$ 1,735,385 | \$ 1,655,824 |
| Materials, labor, and other | 885,761 | 977,176 |
| | <u>\$ 2,621,146</u> | <u>\$ 2,633,000</u> |
| <u>West Laurel Water Association, Incorporated</u> | | |
| Purchased water | \$ 1,290,890 | \$ 1,254,926 |
| Materials, labor, and other | 794,300 | 902,516 |
| | <u>\$ 2,085,190</u> | <u>\$ 2,157,442</u> |

NOTE 10 – RETIREMENT PLAN

The District's full-time employees, or employees who work an average of 100 hours per month, are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers' retirement system created and operating under Kentucky Law.

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

Plan Description – The County Employees Retirement System covers substantially all regular full-time employees of the District. CERS is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained from <http://kyret.ky.gov/>.

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

| | | |
|--------|----------------------|--|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Unreduced retirement | 27 Years service or 65 years old |
| | Reduced retirement | At least 5 years service and 55 years old Or at least 25 years service and any age |
| Tier 2 | Participation date | September 1, 2009 – December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old |
| Tier 3 | Participation date | After December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available |
| | Reduced retirement | |

**WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2021 and 2020

NOTE 10 – RETIREMENT PLAN – (continued)

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

Contributions – Required contributions by the employee are based on the tier.

| | <u>Required Contribution</u> |
|--------|------------------------------|
| Tier 1 | 5% |
| Tier 2 | 5% +1% for insurance |
| Tier 3 | 5% +1% for insurance |

Funding Policy – Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 24.06% of the employee's total compensation subject to contribution.

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

At December 31, 2021, the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|--------------|
| District's proportionate share of the CERS net pension liability | \$ 6,411,821 |
|--|--------------|

The net pension liability for the plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was 0.083573%.

For the year ended December 31, 2021, the District recognized \$948,436 in pension expense related to CERS. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

See table on next page

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 10 – RETIREMENT PLAN – (continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 159,891 | \$ - |
| Changes in assumptions | 250,371 | - |
| Net difference between projected and actual earnings on pension plan investments | 277,931 | 117,483 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 314,996 | - |
| District contributions subsequent to the measurement date | <u>273,160</u> | <u>-</u> |
| Total | <u>\$1,276,349</u> | <u>\$ 117,483</u> |

The \$273,160 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | | |
|----------------------------|--------------------------|--|
| 2021 | \$ 435,468 | |
| 2022 | 295,116 | |
| 2023 | 90,683 | |
| 2024 | <u>64,439</u> | |
| | <u>\$ 885,706</u> | |

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

| | <u>CERS</u> |
|--|-------------|
| Inflation | 2.30% |
| Projected salary increases | 3.3-10.3% |
| Investment rate of return, net of investment expense & inflation | 6.25% |

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 10 – RETIREMENT PLAN – (continued)

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by the pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | Current Discount | | |
|--|------------------|--------------|--------------|
| | 1% Decrease | Rate | 1% Increase |
| CERS | 5.25% | 6.25% | 7.25% |
| District's proportionate share of net pension liability | \$ 7,907,170 | \$ 6,411,821 | \$ 5,173,615 |

Pension plan fiduciary net position — Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

The District's total payroll subject to CERS for the years ended December 31, 2021, 2020, and 2019 was \$2,492,836, \$2,339,030 and \$2,126,922 respectively. The District's matching contributions to CERS for the years ended December 31, 2021, 2020, and 2019 was \$599,776, \$562,771, and \$499,837 respectively.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN

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

Plan description—Employees are provided OPEBs through the County Employees Retirement System Non-Hazardous (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for

**WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2021 and 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

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

Contributions—Required contributions by the employee are based on the tier:

| | | |
|--------|-------------------------|---------------------------------------|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Contribution percentage | 0.00% |
| Tier 2 | Participation date | September 1, 2008 - December 31, 2013 |
| | Contribution percentage | 1% |
| Tier 3 | Participation date | After December 31, 2013 |
| | Contribution percentage | 1% |

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

At June 30, 2021, the District reported a liability of \$2,018,034 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020 the District's proportion was .083597 percent.

For the year ended June 30, 2021, the District recognized OPEB expense of \$200,307. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

See table on next page

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 337,171 | \$ 337,434 |
| Changes in assumptions | 351,019 | 2,135 |
| Net difference between projected and actual earnings on pension plan investments | 108,253 | 41,178 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 112,262 | 1,487 |
| District contributions subsequent to the measurement date | <u>67,370</u> | - |
| Total | <u>\$ 976,075</u> | <u>\$ 382,234</u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$67,370 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| <u>Year ended June 30:</u> | | |
|----------------------------|-------------------|--|
| 2021 | \$ 137,575 | |
| 2022 | 157,425 | |
| 2023 | 119,343 | |
| 2024 | 113,692 | |
| 2025 | <u>(1,564)</u> | |
| | <u>\$ 526,471</u> | |

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distributions analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate – The Discount rate used to measure the total OPEB liability was 5.34%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to

WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years ended December 31, 2021 and 2020

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|-----------------------|--------------|
| CERS | 4.34% | 5.34% | 6.34% |
| District's proportionate share of net pension liability | \$ 2,592,581 | \$ 2,018,034 | \$ 1,546,139 |

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Trend Rate | 1% Increase |
|---|--------------|-----------------------|--------------|
| CERS | | | |
| District's proportionate share of net pension liability | \$ 1,562,463 | \$ 2,018,034 | \$ 2,570,880 |

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

NOTE 12 – PRIOR PERIOD ADJUSTMENT

At January 1, 2020, management made a reclassification between the Water Fund's beginning net position and the Wastewater Fund beginning net position in the amount of \$17,157. This was due to a reclass of a fixed asset from the prior period. Our opinion has not been modified with respect to this adjustment. This adjustment was made for the year ended December 31, 2020.

**WOOD CREEK WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

Years ended December 31, 2021 and 2020

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. The insurance coverage is acquired through Wood Creek Water District which includes coverage for Wood Creek Water District, East Laurel Water District, and West Laurel Water Association, Incorporated. The District pays for and is entitled to its respective share of coverage. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

NOTE 14 – IMPACT OF COVID

In March 2020, the World Health Organization ("WHO") declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. This prompted many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. We believe the ultimate financial impact of the COVID-19 pandemic on the District is likely to be determined by factors which are uncertain, unpredictable, and outside the control of the Board. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely affect future revenues.

NOTE 15 – SUBSEQUENT EVENTS

Management of the District has evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through the date of the audit report, the date on which the financial statements were available to be issued.

No events have occurred subsequent to the date of the financial statements that would require adjustment to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WOOD CREEK WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM

Year ended December 31, 2021

| | District's proportion of net pension liability (asset) | District's proportionate share of the net pension liability (asset) | District's covered-employee payroll | District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------|--|---|-------------------------------------|---|--|
| 2021 | 0.08% | \$ 6,411,821 | \$ 2,492,836 | 257.21% | 47.81% |
| 2020 | 0.08% | \$ 5,569,398 | \$ 2,339,030 | 238.11% | 50.45% |
| 2019 | 0.07% | \$ 4,535,815 | \$ 2,126,922 | 213.26% | 53.54% |
| 2018 | 0.07% | \$ 4,320,560 | \$ 2,025,425 | 213.32% | 53.30% |
| 2017 | 0.08% | \$ 3,501,830 | \$ 1,746,491 | 200.51% | 55.50% |
| 2016 | 0.08% | \$ 3,501,830 | \$ 1,746,491 | 200.51% | 59.97% |
| 2015 | 0.08% | \$ 3,254,156 | \$ 1,743,561 | 186.64% | 66.80% |

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

WOOD CREEK WATER DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Year ended December 31, 2021

| | <u>Contractually required contribution</u> | <u>Contributions in relation to contractually required contribution</u> | <u>Contribution deficiency (excess)</u> | <u>District's covered-employee payroll</u> | <u>Contributions as a percentage of covered-employee payroll</u> |
|------|--|---|---|--|--|
| 2020 | \$ 481,117 | \$ 481,117 | \$ - | \$ 2,492,836 | 19.30% |
| 2020 | \$ 451,433 | \$ 451,433 | \$ - | \$ 2,339,030 | 19.30% |
| 2019 | \$ 377,438 | \$ 377,438 | \$ - | \$ 2,126,922 | 17.75% |
| 2018 | \$ 301,121 | \$ 301,121 | \$ - | \$ 2,025,425 | 14.87% |
| 2017 | \$ 317,211 | \$ 317,211 | \$ - | \$ 1,746,491 | 18.16% |
| 2016 | \$ 317,211 | \$ 317,211 | \$ - | \$ 1,746,491 | 18.16% |
| 2015 | \$ 302,501 | \$ 302,501 | \$ - | \$ 1,743,561 | 17.35% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

WOOD CREEK WATER DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND
Year ended December 31, 2021**

Changes of Benefit Terms

None.

Changes of Assumptions

WOOD CREEK WATER DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
County Employees Retirement System
Year ended December 31, 2021

| | District's proportion of net OPEB liability (asset) | District's proportionate share of the net OPEB liability (asset) | District's covered-employee payroll | District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|------|---|--|-------------------------------------|--|---|
| 2021 | 0.08% | \$ 2,018,034 | \$ 2,492,836 | 80.95% | 51.67% |
| 2020 | 0.08% | \$ 1,331,570 | \$ 2,339,030 | 56.93% | 60.44% |
| 2019 | 0.07% | \$ 1,322,253 | \$ 2,126,922 | 62.17% | 57.62% |
| 2018 | 0.07% | \$ 1,483,914 | \$ 2,025,425 | 73.26% | 81.10% |

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

WOOD CREEK WATER DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

County Employees Retirement System

Year ended December 31, 2021

| | <u>Contractually required contribution</u> | <u>Contributions in relation to contractually required contribution</u> | <u>Contribution deficiency (excess)</u> | <u>District's covered-employee payroll</u> | <u>Contributions as a percentage of covered-employee payroll</u> |
|------|--|---|---|--|--|
| 2021 | \$ 118,659 | \$ 118,659 | \$ - | \$ 2,492,836 | 4.76% |
| 2020 | \$ 111,338 | \$ 111,338 | \$ - | \$ 2,339,030 | 4.76% |
| 2019 | \$ 122,400 | \$ 122,400 | \$ - | \$ 2,126,922 | 5.75% |
| 2018 | \$ 97,739 | \$ 97,739 | \$ - | \$ 2,025,425 | 4.83% |

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

WOOD CREEK WATER DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
Year ended December 31, 2021**

Changes of Benefit Terms

None.

Changes of Assumptions

The Single Discount Rate changed from 5.68% to 5.34%.

SUPPLEMENTARY INFORMATION

WOOD CREEK WATER DISTRICT
DEPARTMENTAL STATEMENT OF NET POSITION - WATER FUND
December 31, 2021 and 2020

| ASSETS | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 238,916 | \$ 683,625 |
| Investments | 251,669 | 51,250 |
| Accounts receivable, less allowance for doubtful accounts | 759,111 | 764,621 |
| Unbilled accounts receivable | 157,447 | 157,447 |
| Inventories | 1,331,177 | 978,776 |
| Due from other funds | 35,549 | 169,454 |
| Other current assets | 4,542 | 4,511 |
| Total current assets | <u>2,778,411</u> | <u>2,809,684</u> |
| Noncurrent assets | | |
| Restricted assets | | |
| Restricted cash and cash equivalents | <u>992,724</u> | <u>985,652</u> |
| Capital Assets | | |
| Nondepreciable capital assets | | |
| Construction in progress | 3,181,325 | 812,481 |
| Land and land structures | 4,365,992 | 4,341,042 |
| Total nondepreciable capital assets | <u>7,547,317</u> | <u>5,153,523</u> |
| Depreciable Capital Assets | | |
| Intangible | 21,836 | 21,836 |
| Source of supply and pumping | 1,748,631 | 1,748,631 |
| Water treatment equipment | 16,603,078 | 16,603,078 |
| Transmission and distribution | 17,618,559 | 17,580,544 |
| General plant | 3,755,110 | 3,340,448 |
| Accumulated depreciation | <u>39,747,214</u> | <u>39,294,537</u> |
| Total depreciable capital assets, net of depreciation | <u>19,323,075</u> | <u>19,887,659</u> |
| Total capital assets (net of depreciation) | <u>26,870,392</u> | <u>25,041,182</u> |
| Other assets | | |
| Bond discount (net of accumulated amortization) | <u>17,271</u> | <u>19,679</u> |
| Total noncurrent assets | <u>27,880,387</u> | <u>26,046,513</u> |
| Total assets | <u>\$ 30,658,798</u> | <u>\$ 28,856,197</u> |

WOOD CREEK WATER DISTRICT
DEPARTMENTAL STATEMENT OF NET POSITION - WATER FUND
December 31, 2021 and 2020

| DEFERRED OUTFLOW OF RESOURCES | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Deferred outflows from pensions | \$ 1,276,349 | \$ 1,485,103 |
| Deferred outflows from OPEB | 976,075 | 582,137 |
| Deferred savings from refunding bonds | - | - |
| Total deferred savings from refunding bonds | <u>2,252,424</u> | <u>2,067,240</u> |
| Total assets and deferred outflow of resources | <u>\$ 32,911,222</u> | <u>\$ 30,923,437</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 178,476 | 102,855 |
| Accured interest | 262,257 | 246,664 |
| Due to other funds | 143,251 | 86,226 |
| Current portion of long-term debt | 582,000 | 601,500 |
| Line of credit | 192,500 | - |
| Other current liabilites | 133,661 | 113,289 |
| Total current liabilities | <u>1,492,145</u> | <u>1,150,534</u> |
| Noncurrent liabilities | | |
| Customer deposits | 11,300 | 11,990 |
| Unamortized premium on debt | 24,419 | 26,781 |
| Net OPEB liability | 2,018,034 | 1,331,570 |
| Net pension liability | 6,411,821 | 5,569,398 |
| Long-term debt | 13,667,000 | 12,119,481 |
| Total noncurrent liabilities | <u>22,132,574</u> | <u>19,059,220</u> |
| Total liabilities | <u>23,624,719</u> | <u>20,209,754</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows from pensions | 117,483 | 220,224 |
| Deferred inflows from OPEB | 382,234 | 474,453 |
| Total deferred inflows of resources | <u>499,717</u> | <u>694,677</u> |
| NET POSITION | | |
| Net investment in capital assets | 12,621,392 | 12,320,201 |
| Restricted for: | | |
| Debt service | 973,504 | 967,685 |
| Other purposes | 19,220 | 17,967 |
| Unrestricted (deficit) | (4,827,330) | (3,286,847) |
| Total net position | <u>8,786,786</u> | <u>10,019,006</u> |
| Total liabilities and net position | <u>\$ 32,911,222</u> | <u>\$ 30,923,437</u> |

| | |
|-----------|-----------|
| 35,549 | 169,454 |
| (143,251) | (86,226) |
| (107,702) | 83,228 |
| 8,894,488 | 9,935,778 |

WOOD CREEK WATER DISTRICT
DEPARTMENTAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WATER FUND
For the years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|--------------|---------------|
| Operating revenues | | |
| Water sales | \$ 6,087,285 | \$ 5,913,942 |
| Penalties and service charges | 107,077 | 39,384 |
| Tap-on fees | 60,250 | 39,010 |
| Other operating income | - | - |
| Total operating revenues | 6,254,612 | 5,992,336 |
| Operating expenses | | |
| Purchased water and power | 359,103 | 302,762 |
| Water treatment | 1,868,586 | 1,586,095 |
| Transmission and distribution | 1,727,069 | 1,502,118 |
| Administration of customer accounts | 499,436 | 399,460 |
| Administration and general | 620,141 | 484,227 |
| Pension expense | 1,148,742 | 714,692 |
| Amortization | 46 | 2,970 |
| Depreciation | 1,017,261 | 1,007,837 |
| Total operating expenses | 7,240,384 | 6,000,161 |
| Operating income (loss) | (985,772) | (7,825) |
| Nonoperating revenues (expenses) | | |
| Interest income | 2,511 | 2,839 |
| Grant income | 262,422 | - |
| Other nonoperating revenue | 1,500 | 53,896 |
| Interest on long-term debt | (499,092) | (493,691) |
| Miscellaneous | (13,789) | (13,329) |
| Total nonoperating revenues (expenses) | (246,448) | (450,285) |
| Change in net position | (1,232,220) | (458,110) |
| Net Position, January 1 | 10,019,006 | 10,459,959 |
| Restatement of net position (See Note 12) | - | 17,157 |
| Net Position, December 31 | \$ 8,786,786 | \$ 10,019,006 |

WOOD CREEK WATER DISTRICT
DEPARTMENTAL STATEMENT OF CASH FLOWS - WATER FUND
For the years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 6,260,122 | \$ 5,944,312 |
| Receipts from other activities | - | - |
| Payments to employees | (2,492,836) | (2,205,667) |
| Payments to suppliers | <u>(2,844,028)</u> | <u>(2,217,202)</u> |
| Net cash used in operating activities | <u>923,258</u> | <u>1,521,443</u> |
| Cash flows from noncapital and related financing activities | | |
| Federal, state, and local grants | <u>262,422</u> | - |
| Net cash provided by noncapital and related financing activities | <u>262,422</u> | - |
| Cash flows from capital and related activities | | |
| Purchases of property, plant, and equipment | (2,846,471) | (1,259,214) |
| Proceeds from other income | 1,500 | 53,896 |
| Loans to sewer funds | 133,904 | (4,748) |
| Proceeds from line of credit | 192,500 | - |
| Transfer (to)/from investments | (200,000) | - |
| Payments on loans from sewer fund | (57,024) | (3,950) |
| Proceeds from bonding | 2,248,551 | 812,481 |
| Principal payments on debt | (601,500) | (577,000) |
| Interest payments on debt | (483,499) | (503,778) |
| Miscellaneous nonoperating expense | <u>(13,789)</u> | <u>(13,329)</u> |
| Cash provided (used) in capital and related activities | <u>(1,625,828)</u> | <u>(1,495,642)</u> |
| Cash flows from investing activities | | |
| Interest received on investments | <u>2,511</u> | <u>2,839</u> |
| Cash provided (used) in investing activities | <u>2,511</u> | <u>2,839</u> |
| Net increase in cash and cash equivalents | (437,637) | 28,640 |
| Cash and cash equivalents as of January 1 | <u>1,669,277</u> | <u>1,640,637</u> |
| Cash and cash equivalents as of December 31 | <u>\$ 1,231,640</u> | <u>\$ 1,669,277</u> |
| Reconciliation of change in net position to net cash used in operating activities | | |
| Operating income/(loss) | \$ (985,772) | \$ (7,825) |
| Adjustments to reconcile change in net position to net cash used in operating activities: | | |
| Depreciation | 1,017,261 | 1,007,837 |
| Amortization | 46 | 2,970 |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in customer and other accounts receivable | 5,510 | (48,024) |
| (Increase) Decrease in inventory | (352,401) | (111,112) |
| (Increase) Decrease in prepaid expense and other assets | (31) | 776 |
| Increase (Decrease) in accounts payable | 75,621 | (136,329) |
| Net change in pension expense | 1,148,742 | 798,868 |
| Increase (Decrease) in accrued expense | 16,162 | 16,162 |

WOOD CREEK WATER DISTRICT
DEPARTMENTAL STATEMENT OF CASH FLOWS - WATER FUND
For the years ended December 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Increase (Decrease) in current liabilities | (1,880) | (1,880) |
| Increase (Decrease) in customer deposits | \$ 925,279 | \$ 1,521,443 |
| Net cash provided by operating activities | | |
| Reconciliation of cash at end of year | | |
| Cash and cash equivalents | \$ 238,916 | \$ 663,033 |
| Restricted cash and cash equivalents | 992,724 | 977,604 |
| Total cash at end of year | <u>\$ 1,231,640</u> | <u>\$ 1,640,637</u> |

WOOD CREEK WATER DISTRICT
DEPARTMENTAL STATEMENTS OF NET POSITION - SEWER FUND
December 31, 2021 and 2020

| ASSETS | <u>2021</u> | <u>2020</u> |
|---|--------------|--------------|
| Current assets | | |
| Cash and cash equivalents | \$ 68,357 | \$ 291,039 |
| Accounts receivable, less allowance for doubtful accounts | 360,333 | 264,400 |
| Inventories | 534,610 | 423,789 |
| Due from other funds | 143,251 | 86,226 |
| Total current assets | 1,106,551 | 1,065,454 |
| Capital Assets | | |
| Nondepreciable capital assets | | |
| Land and land structures | 56,508 | 51,508 |
| Construction in progress | | - |
| Total nondepreciable capital assets | 56,508 | 51,508 |
| Depreciable Capital Assets | | |
| General plant | 272,734 | 272,734 |
| Collection plant | 6,859,287 | 6,788,502 |
| Pumping plant | 4,038,783 | 3,951,994 |
| Accumulated depreciation | 11,170,804 | 11,013,230 |
| Total depreciable capital assets, net of depreciation | (5,893,802) | (5,613,281) |
| Total capital assets (net of depreciation) | 5,277,002 | 5,399,949 |
| Total noncurrent assets | 5,333,510 | 5,451,457 |
| Total assets | \$ 6,440,061 | \$ 6,516,911 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 37,756 | \$ 30,811 |
| Current portion of long-term debt | 13,500 | 13,500 |
| Accrued interest | 11,719 | 11,904 |
| Due to other funds | 35,549 | 169,454 |
| Total current liabilities | 98,524 | 225,669 |
| Noncurrent liabilities | | |
| Long-term debt | 843,500 | 857,000 |
| Total noncurrent liabilities | 843,500 | 857,000 |
| Total liabilities | 942,024 | 1,082,669 |
| NET POSITION | | |
| Net investment in capital assets | 4,476,510 | 4,580,957 |
| Unrestricted (deficit) | 1,021,527 | 853,285 |
| Total net position | \$ 5,498,037 | \$ 5,434,242 |

WOOD CREEK WATER DISTRICT
DEPARTMENTAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
SEWER FUND
For the years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Operating revenues | | |
| Sewer services | \$ 943,970 | \$ 939,234 |
| Penalties and service charges | 8,195 | 2,008 |
| Tap on fees | 140,000 | 145,000 |
| Other operating income | <u>14,410</u> | - |
| Total operating revenues | <u>1,106,575</u> | <u>1,086,242</u> |
| Operating expenses | | |
| Purchased water and power | 23,381 | 21,585 |
| Administration and general | 25,387 | 27,161 |
| Sewer maintenance and treatment | 690,026 | 706,445 |
| Depreciation | <u>280,521</u> | <u>281,852</u> |
| Total operating expenses | <u>1,019,315</u> | <u>1,037,043</u> |
| Operating income (loss) | <u>87,260</u> | <u>49,199</u> |
| Nonoperating revenues (expenses) | | |
| Interest income | 104 | 130 |
| Federal and state grants | - | - |
| Local grants | - | - |
| Interest on long-term debt | (23,569) | (23,940) |
| Miscellaneous | - | - |
| Total nonoperating revenues (expenses) | <u>(23,465)</u> | <u>(23,810)</u> |
| Change in net position | 63,795 | 25,389 |
| Net Position, January 1 | <u>5,434,242</u> | <u>5,426,010</u> |
| Restatement of net position (See Note 12) | - | (17,157) |
| Net Position, December 31 | <u>\$ 5,498,037</u> | <u>\$ 5,434,242</u> |

WOOD CREEK WATER DISTRICT
DEPARTMENTAL STATEMENT OF CASH FLOWS - SEWER FUND
For the years ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|------------------|-------------------|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 756,592 | \$ 899,771 |
| Receipts from other activities | 140,000 | 145,000 |
| Payments to suppliers | <u>(842,670)</u> | <u>(617,880)</u> |
| Net cash used in operating activities | <u>53,922</u> | <u>426,891</u> |
| Cash flows from noncapital and related financing activities | | |
| Federal, state, and local grants | <u>-</u> | <u>-</u> |
| Net cash provided by noncapital and related financing activities | <u>-</u> | <u>-</u> |
| Cash flows from capital and related activities | | |
| Purchases of property, plant, and equipment | (162,574) | (367,223) |
| Payments received from loans to water fund | 57,024 | 3,950 |
| Proceeds received on loan from water fund | <u>(133,904)</u> | <u>4,748</u> |
| Principal payments on debt | <u>(13,500)</u> | <u>(13,000)</u> |
| Interest on debt | <u>(23,754)</u> | <u>(24,119)</u> |
| Cash provided (used) in capital and related activities | <u>(276,708)</u> | <u>(395,644)</u> |
| Cash flows from investing activities | | |
| Interest received on investments | <u>104</u> | <u>130</u> |
| Cash provided (used) in investing activities | <u>104</u> | <u>130</u> |
| Net increase in cash and cash equivalents | <u>(222,682)</u> | <u>31,377</u> |
| Cash and cash equivalents as of January 1 | <u>291,039</u> | <u>259,662</u> |
| Cash and cash equivalents as of December 31 | <u>\$ 68,357</u> | <u>\$ 291,039</u> |
| Reconciliation of change in net position to net cash used in operating activities | | |
| Operating income/(loss) | \$ 87,260 | \$ 49,199 |
| Adjustments to reconcile change in net position to net cash used in operating activities: | | |
| Depreciation | 280,521 | 281,852 |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in customer and other accounts receivable | (209,983) | (41,471) |
| (Increase) Decrease in inventory | (110,821) | 160,354 |
| Increase (Decrease) in accounts payable | 6,945 | (23,043) |
| Increase (Decrease) in other payables | <u>-</u> | <u>-</u> |
| Net cash provided by operating activities | <u>\$ 53,922</u> | <u>\$ 426,891</u> |

WOOD CREEK WATER DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended December 31, 2021

| Federal Grantor Pass-Through Grantor Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|--|---------------------------|-------------------------------------|------------------|
| US Department of Agriculture | | | |
| Water and Waste Disposal Systems for Rural Communities Fiscal Year 21 | 10.760 | 2021-WL | <u>2,368,844</u> |
| Total US Department of Agriculture | | | <u>2,368,844</u> |
| Total Expenditure of Federal Awards | | | <u>2,368,844</u> |

WOOD CREEK WATER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Years ended December 31, 2021 and 2020

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Wood Creek Water District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.



Cloyd & Associates, PSC
Certified Public Accountants

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

To the Commissioners
Wood Creek Water District
London, 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 business type activities of Wood Creek Water District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Wood Creek Water District's basic financial statements, and have issued our report thereon dated April 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wood Creek Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wood Creek Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wood Creek Water 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
April 30, 2022



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Commissioners
Wood Creek Water District
London, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Wood Creek Water District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Wood Creek Water District's major federal programs for the year ended December 31, 2021. The Wood Creek Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Wood Creek Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Wood Creek Water District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Wood Creek Water District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Wood Creek Water District's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Wood Creek Water District's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Wood Creek Water District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, 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 Wood Creek Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Wood Creek Water District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Wood Creek Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal*



control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
April 30, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WOOD CREEK WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2021

Section I – Summary of Auditor's Results
Financial Statements

| | | | |
|--|--------------------|---|------|
| Type of auditors' report issued | Unmodified | | |
| Internal control over financial reporting: | | | |
| Material weakness identified | Yes | ✓ | No |
| Significant deficiencies identified that are not considered to be material weaknesses reported | Yes | ✓ | None |
| Noncompliance material to financial statement noted | Yes | ✓ | No |
| Federal Awards | | | |
| Internal control over major programs: | | | |
| Material weaknesses identified | Yes | ✓ | No |
| Significant deficiencies identified that are not considered to be material weaknesses reported | Yes | ✓ | None |
| Type of auditors' report issued on compliance for major programs | Unmodified | | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | Yes | ✓ | No |
| Identification of major programs: | | | |
| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number</u> | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | | |
| Dollar threshold used to distinguish between Type A and Type B program | \$750,000 | | |
| Auditee qualified as low risk | Yes | ✓ | No |

(continued)

WOOD CREEK WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year ended December 31, 2021

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

WOOD CREEK WATER DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended December 31, 2021

Status of Prior Year Findings

There were no prior year audit findings