VonLehman
CPA & ADVISORY FIRM

NORTHERN KENTUCKY WATER DISTRICT

December 31, 2021

Financial Statements and Independent Auditors' Report Including Supplementary Information

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NORTHERN KENTUCKY WATER DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Northern Kentucky Water District
Erlanger, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Northern Kentucky 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 Northern Kentucky Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Northern Kentucky Water District as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in the Prior Period Adjustment note to the financial statements, the previously issued financial statements for both the years ended December 31, 2020 and 2019 have been restated for the correction of an error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Kentucky 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' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Kentucky Water District's basic financial statements. The statement of revenues, expenses and changes in net position – budget to actual, statements of water operating revenue, statements of combined operation and maintenance expenses, schedule of insurance coverages, schedule of rates, rules and regulations, and the members of the commission and administrative staff are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of the Northern Kentucky 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northern Kentucky Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Kentucky Water District's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
June 30, 2022

Our discussion and analysis of Northern Kentucky Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2021. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows at the close of the most recent year by $240,485,087 (net position). This was an increase of $14,887,566 in comparison to the prior year.

- Operating revenues decreased $676,334 or 1.1% from 2020.

- The debt coverage ratio decreased from 1.99 in 2020 to 1.93 in 2021.

Overview of the Financial Statements

The discussion and analysis portion serves as an introduction to the District's basic financial statements. The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statements. The report also contains additional required supplementary information and other supplementary information in additional to the basic financial statements themselves.

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

The Statement of Net Position presents information on all the District's assets, liabilities, deferred inflows and deferred outflows with the differences 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 presents information showing how the District's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The Statement of Cash Flows presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to questions such as where cash came from, what cash was used for, and what the change in cash balance was during the reporting period.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

Overview of Annual Financial Report

Table 1 provides a summary of the District's net position for 2021 compared to 2020.

Table 1
Net Position

	December 31, 2021	December 31, 2020 (As Restated)
Assets		
Current Assets	$ 68,844,595	$ 66,527,811
Restricted Assets Noncurrent	63,364,426	38,901,855
Miscellaneous Deferred Charges	4,031,730	4,136,001
Capital Assets, Net	342,107,768	341,687,056
Total Assets	478,348,519	451,252,723
Deferred Outflows of Resources	8,712,038	11,359,648
Liabilities		
Current Liabilities	20,109,293	19,358,024
Restricted Liabilities Noncurrent	294,537	1,024,188
Other Noncurrent Liabilities	217,012,978	215,106,931
Total Liabilities	237,416,808	235,489,143
Deferred Inflows of Resources	9,158,662	1,525,707
Net Position		
Net Investment in Capital Assets	158,184,530	151,974,245
Restricted	45,654,439	37,877,667
Unrestricted	36,646,118	35,745,609
Total Net Position	**$ 240,485,087**	**$ 225,597,521**

The District's net position for 2021 increased 6.6% to $240,485,087 compared to $225,597,521 for 2020.

A portion of the District's net position (19.0%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

An additional portion of the District's net position (65.8%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position (15.2%) may be used to meet the District's ongoing obligations to customers and creditors.

The following points explain the major changes impacting net position as shown on the previous page:

- Cash and cash equivalents increased $29,090,609 from the previous year primarily due to issuance of bond anticipation notes that were unspent at year end.
- Investments decreased $1,271,527 primarily due to transfer of an investment reserve fund to cash and cash equivalents in the current year.
- Accounts receivable, net decreased $1,277,234 from the previous year due to slower payments at the end of the prior year resulting from the temporary suspension of water turn offs because of the pandemic.
- Capital assets, net of accumulated depreciation increased $420,712 from the previous year due to additions of capital assets totaling $13,146,721, depreciation expense incurred on capital assets of $12,436,919, and net disposals totaling $289,090.
- Bond indebtedness decreased $15,215,483 and notes payable decreased $1,720,458 from the previous year due to continued payments on outstanding bonds and notes. Additionally, the District issued Refunding Revenue Bonds, Series 2021 for $27,730,000 during 2021 to refund the District's outstanding Revenue Bonds Series at a lower interest rate.
- Bond Anticipation Notes increased $24,685,000 due to issuance of Series 2021A notes to fund the cost of ongoing capital improvement projects.
- Net pension liability decreased $3,635,782 and net OPEB liability decreased $1,470,224 as a result of an overall decrease in the net pension and net OPEB liability of the Kentucky Public Pension Authority's CERS non-hazardous plan.

Table 2 shows the changes in net assets for 2021, as well as revenue and expense comparisons to 2020.

Table 2
Changes in Net Position

	Years Ended December 31, 2021	2020
Operating Revenues		
Water Sales	$ 58,983,695	$ 59,767,687
Forfeited Discounts	442,082	237,109
Rents From Property	383,269	548,933
Other Water Revenues	266,276	197,927
Total Operating Revenues	60,075,322	60,751,656
Operating Expenses		
Operating and Maintenance Expense	29,965,655	28,706,549
Depreciation Expense	12,436,919	12,301,512
Total Operating Expenses	42,402,574	41,008,061
Net Operating Income	17,672,748	19,743,595
Non-Operating Income (Expense)		
Investment Income	481,326	688,108
Miscellaneous Non-Operating Income	347,304	112,631
Loss on Abandonment of Mains	(289,089)	(264,847)
Interest on Long-Term Debt and Customer Deposits	(5,826,155)	(6,555,100)
Amortization of Debt Premiums and Defeasance Costs	989,953	851,294
Bond Issuance Costs	(181,821)	(226,603)
Pension Expense	(1,029,997)	(2,604,502)
Other Post Employment Benefit Expense	(267,744)	(564,502)
Arbitrage Rebate	53,883	27,184
Gain on Sale of Capital Assets	25,977	60,861
Total Non-Operating Expenses	(5,696,363)	(8,475,476)
Change in Net Position Before Capital Contributions	11,976,385	11,268,119
Capital Contributions	2,911,181	2,099,143
Change in Net Position	**$ 14,887,566**	**$ 13,367,262**

In reviewing income before capital contributions, the financial statements showed net income for the year of $11,976,385. Operating revenues decreased 1.1% mainly as a result of a decrease in water consumption in 2021 compared to 2020. Operating expenses (including depreciation) increased 3.4% from the previous year due to an increase in salary and related expenses. Non-Operating Income (Expense) increased $2,779,113 due to decreased pension and OPEB expense, as well as a reduction in interest expense on long-term debts. Capital contributions increased by $812,038 (38.7%) primarily due to the increase of mains constructed by other entities and contributed to the District.

The District budgeted for $57,297,758 in operating revenues. Actual revenues were $60,075,322, a difference of $2,777,564. The largest difference was due to water sales being overbudget by $2,825,477. The water sales were overbudget primarily due to conservative budgeting practices. Operation, maintenance, and administration expenses were budgeted at $32,153,526. Actual expenses were $29,965,655, a difference of $2,187,871. This difference is due to employee pension and benefits having a total budget of $6,418,953, while actual expenses totaled $5,762,134. The District budgeted for an increase in CERS contribution rates, however during the 2020 regular session, Senate Bill 249 froze the CERS employer rate phase-in for one year. Additionally, the District budgeted for an increase in contractual service expense, which ended under budget of $788,577 for 2021.

Capital Assets

At December 31, 2021, the capital assets reported were $342,107,768 including land, buildings, water systems, equipment, and vehicles. This represents a net increase of $420,712, or (0.1%), over last year due. Additional information on the District's capital assets can be found in Note 6 of this report.

Table 3
Capital Assets, Net of Depreciation

	December 31, 2021	December 31, 2020
Not Being Depreciated		
Land	$ 3,348,169	$ 3,267,226
Construction in Progress	12,495,400	9,363,904
Plant Acquisition Adjustment	5,516,136	5,516,136
Other Capital Assets		
Utility Plants		
Transmission and Distribution, Source of Supply, Pumping System, Power Generation, Water Treatment, and General Plant and Equipment	517,618,547	508,590,398
Subtotal	538,978,252	526,737,664
Less Accumulated Depreciation	196,870,484	185,050,608
Totals	$ 342,107,768	$ 341,687,056

Major capital additions during the year included adding mains for approximately $4,400,000 and services for approximately $1,800,000.

Long-Term Liabilities

Table 4 summarizes the District's long-term liabilities at the end of 2021 as compared to 2020.

Table 4
Outstanding Long-Term Liabilities at Year End

	December 31, 2021	December 31, 2020
Compensated Absences	$ 1,652,359	$ 1,369,138
Arbitrage Liability	241,201	295,084
Bond Anticipation Notes	24,685,000	-
Bond Indebtedness	146,149,614	161,365,097
Notes Payable	30,322,556	32,043,014
	$ 203,050,730	$ 195,072,333

At year-end, the District had $201,157,170 in outstanding bond anticipation notes, bond indebtedness, and notes payable compared to $193,408,111 last year. That is an increase of 4.0% as shown in Table 4.

Economic Factors and Next Year's Budget

The District's budget for 2022 is allowing for a slight increase in revenue from previously budgeted amounts to reflect water sales based on projected consumption and the reinstatement of forfeited discounts and disconnections for non-payment. A modest increase is anticipated for operating expenses as a result of an increase in employee related expenses along with projected increases in competitively bid chemicals, GAC, materials and supplies, contractual services, and transportation, along with decreases in purchased power, insurance and bad debt expense.

The District's operations are presented as a proprietary fund, and as such, the District is not required to present budgetary comparison information as required supplementary information (RSI). However, the District's 1985 general bond resolution does require the adoption of an annual budget of current expenses and revenues. The annual budget is further used as a management tool, which serves as the foundation for the District's financial planning and control. Additionally, the Board also chooses to present the budgetary comparison as part of the supplementary information to the financial statements. The Board does not formally amend the budget after approval.

Contacting the District's Financial Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrative Office at 2835 Crescent Springs Road, Erlanger, KY, 41018.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	December 31, 2021	December 31, 2020 (As Restated)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	$ 42,708,186	$ 39,074,049
Investments	4,389,971	3,884,495
Accounts Receivable		
Customers, Net	6,350,629	7,785,823
Unbilled Customers	9,100,000	9,100,000
Others	228,310	70,350
Assessments Receivable	174,942	165,091
Inventory Supplies for New Installation and Maintenance, at Cost	2,048,552	1,854,834
Prepaid Items	1,118,470	1,084,532
Restricted Assets - Cash and Cash Equivalents		
Bond Proceeds Fund	486,648	37,000
Debt Service Account	1,922,180	2,453,994
Improvement, Repair & Replacement	316,707	1,017,643
Total Current Assets	68,844,595	66,527,811
Non-current Assets		
Restricted Assets - Cash and Cash Equivalents		
Bond Proceeds Fund	16,928,802	674,652
Debt Service Account	18,678,385	18,091,707
Improvement, Repair and Replacement	10,422,934	164,656
Customer Deposits Fund	-	859,532
Restricted Assets - Investments		
Debt Service Reserve Account	17,334,305	19,111,308
Miscellaneous Deferred Charges	4,031,730	4,136,001
Capital Assets		
Land, System, Buildings and Equipment	526,482,852	517,373,760
Construction in Progress	12,495,400	9,363,904
Total Capital Assets	538,978,252	526,737,664
Less Accumulated Depreciation	196,870,484	185,050,608
Total Capital Assets, Net of Accumulated Depreciation	342,107,768	341,687,056
Total Noncurrent Assets	409,503,924	384,724,912
Total Assets	478,348,519	451,252,723
Deferred Outflows of Resources		
Deferred Outflows Related to Pension	2,553,369	4,066,559
Deferred Outflows Related to Other Postemployment Benefits	3,519,560	3,597,789
Deferred Loss on Refundings	2,639,109	3,695,300
Total Deferred Outflows of Resources	8,712,038	11,359,648
Total Assets and Deferred Outflows of Resources	$ 487,060,557	$ 462,612,371

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF NET POSITION
(Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	December 31, 2021	December 31, 2020 (As Restated)
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Bonded Indebtedness	$ 12,886,273	$ 12,401,280
Notes Payable	1,751,438	1,720,459
Accounts Payable	1,264,825	942,005
Accrued Payroll and Taxes	475,742	396,705
Compensated Absences	324,632	99,611
Arbitrage Liability	225,351	-
Other Accrued Liabilities	455,497	289,327
Liabilities Payable - Restricted Assets		
Accrued Interest Payable	1,922,180	2,453,994
Accounts Payable	803,355	1,054,643
Total Current Liabilities	20,109,293	19,358,024
Non-current Liabilities		
Liabilities Payable - Restricted Assets		
Accounts Payable	294,537	164,656
Customer Deposits	-	859,532
Compensated Absences	1,327,727	1,269,527
Arbitrage Liability	15,850	295,084
Bond Anticipation Notes	24,685,000	-
Bond Indebtedness	133,263,341	148,963,817
Notes Payable	28,571,118	30,322,555
Net Pension Liability	22,419,617	26,055,399
Net Other Postemployment Benefits Liability	6,730,325	8,200,549
Total Long-Term Liabilities	217,307,515	216,131,119
Total Liabilities	237,416,808	235,489,143
Deferred Inflows of Resources		
Deferred Inflows Related to Pension	3,205,757	53,168
Deferred Inflows Related to Other Postemployment Benefits	3,132,278	1,472,539
Deferred Gain on Refundings	2,820,627	-
Total Deferred Inflows of Resources	9,158,662	1,525,707
Total Liabilities and Deferred Inflows of Resources	246,575,470	237,014,850
Net Position		
Net Investment in Capital Assets	158,184,530	151,974,245
Restricted For Debt Service Funds	36,012,690	37,203,015
Restricted For Capital Improvement Projects	9,641,749	674,652
Unrestricted	36,646,118	35,745,609
Total Net Position	240,485,087	225,597,521
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 487,060,557	$ 462,612,371

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31, 2021	Years Ended December 31, 2020 (As Restated)
Operating Revenues		
Water Sales	$ 58,983,695	$ 59,767,687
Forfeited Discounts	442,082	237,109
Rents From Property	383,269	548,933
Other Water Revenues	266,276	197,927
Total Operating Revenues	60,075,322	60,751,656
Operating Expenses		
Operating and Maintenance Expense	29,965,655	28,706,549
Depreciation Expense	12,436,919	12,301,512
Total Operating Expenses	42,402,574	41,008,061
Net Operating Income	17,672,748	19,743,595
Non-Operating Income (Expense)		
Investment Income	481,326	688,108
Miscellaneous Non-Operating Income	347,304	112,631
Loss on Abandonment of Mains	(289,089)	(264,847)
Interest on Long-Term Debt and Customer Deposits	(5,826,155)	(6,555,100)
Amortization of Debt Premiums and Defeasance Costs	989,953	851,294
Bond Issuance Costs	(181,821)	(226,603)
Pension Expense	(1,029,997)	(2,604,502)
Other Post Employment Benefit Expense	(267,744)	(564,502)
Arbitrage Rebate (Expense)	53,883	27,184
Gain on Sale of Capital Assets	25,977	60,861
Total Non-Operating Income (Expenses)	(5,696,363)	(8,475,476)
Change in Net Position Before Capital Contributions	11,976,385	11,268,119
Capital Contributions	2,911,181	2,099,143
Change in Net Position	14,887,566	13,367,262
Net Position - Beginning of Year	225,597,521	212,230,259
Net Position - End of Year	$ 240,485,087	$ 225,597,521

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2021	2020 (As Restated)
Cash Flows From Operating Activities		
Received From Customers	$ 60,483,173	$ 59,024,741
Received for Miscellaneous Non-Operating Income	347,304	112,631
Paid to Suppliers for Goods and Services	(14,270,905)	(14,181,880)
Paid to or on Behalf of Employees for Services	(15,088,294)	(14,245,342)
Net Cash Provided by Operating Activities	31,471,278	30,710,150
Cash Flows From Investing Activities		
Purchase of Investments	(43,124,955)	(53,241,616)
Proceeds From Sale of Investments	44,624,625	52,656,436
Investment Income	281,979	667,923
Net Cash Provided by Investing Activities	1,781,649	82,743
Cash Flows From Capital and Related Financing Activities		
Principal Paid on Debt	(12,752,459)	(13,442,555)
Debt Proceeds	24,685,000	735,347
Interest Paid on Bonds and Notes	(5,804,373)	(6,724,363)
Acquisition and Construction of Capital Assets	(10,316,463)	(8,531,994)
Proceeds on Sale of Capital Assets	25,977	92,722
Payment on Arbitrage Liability	-	(412,209)
Net Cash Used by Capital and Related Financing Activities	(4,162,318)	(28,283,052)
Net Change in Cash	29,090,609	2,509,841
Cash and Cash Equivalents Beginning of Year	62,373,233	59,863,392
Cash and Cash Equivalents End of Year	$ 91,463,842	$ 62,373,233
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	$ 17,672,748	$ 19,743,595
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	12,436,919	12,301,512
Miscellaneous Non-Operating Income	347,304	112,631
Change in Assets and Liabilities		
Accounts Receivable, Net	1,277,234	(1,634,349)
Assessments Receivable	(9,851)	(9,278)
Inventory Supplies	(193,718)	(187,565)
Prepaid Items	(33,938)	(271,127)
Miscellaneous Deferred Charges	104,271	344,781
Accounts Payable	201,413	78,574
Accrued Payroll and Taxes	79,037	(60,309)
Accrued Compensated Absences	283,221	364,012
Other Accrued Liabilities	166,170	10,961
Customer Deposits	(859,532)	(83,288)
Net Cash Provided by Operating Activities	$ 31,471,278	$ 30,710,150

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF CASH FLOWS
(Continued)

	Years Ended December 31, 2021	Years Ended December 31, 2020
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Change in Fair Value of Investments	$ (244,161)	$ (1,673,767)
Contributions of Capital Assets	$ 2,911,181	$ 2,099,143
Current Refunding of Revenue Bonds, Series 2012	$ 33,013,731	$ -
Current Refunding of Revenue Bonds, Series 2011	$ -	$ 22,587,779
Retirement of Rural Development Loan 91-02 through Refunding Revenue Bonds, Series 2020	$ -	$ 1,641,000
Accrued Interest on Refunding	$ 553,596	$ 274,955
Bond Issuance Costs on Refunding	$ 181,821	$ 226,603
Deferred (Gain) Loss on Refunding	$ (3,520,545)	$ 76,496
Pension Expense	$ (1,029,997)	$ (2,604,502)
Other Post Employment Benefit Expense	$ (267,744)	$ (564,502)
Amortization Expense	$ (989,953)	$ (851,294)
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents - Current	$ 42,708,186	$ 39,074,049
Cash and Cash Equivalents - Restricted	48,755,656	23,299,184
Total Cash and Cash Equivalents	$ 91,463,842	$ 62,373,233

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northern Kentucky Water District (the District) was established August 28, 1996 and became operational January 1, 1997 as a result of a merger agreement executed by the Kenton District Water District No. 1 and the Campbell District Kentucky Water District. The District was organized and operates under the provisions of Kentucky Revised Statutes (Chapter 74). The District owns and operates water production and distribution facilities which are used to furnish water supplies within their service area as approved by the Commonwealth of Kentucky Public Service Commission.

Presentation, Basis of Accounting, and Measurement Focus

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

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

The enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses.

The enterprise fund is reported using an economic resources measurement focus. This measurement focus includes all assets and liabilities (whether current or noncurrent) associated with the activity in the fund's statement of net position.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Certain estimates relate to unsettle transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues from water sales, forfeited discounts, rents from property, and other water revenues are reported as operating revenues. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid unrestricted debt instruments purchased with a maturity of three months or less to be cash equivalents.

The District is authorized by bond resolution to invest in direct obligations of the United States, or obligations guaranteed by the United States, obligations of certain federal agencies and instrumentalities, including U.S. dollar-denominated deposits in commercial banks which are insured by the Federal Deposit Insurance Corporation or fully collateralized by the foregoing, and public housing bonds or project notes issued by public housing authorities annual contribution contracts with the United States or by requisition or payment agreement with the United States.

Investments

Investments are reported at fair value based on quoted market prices.

Accounts Receivable - Customers

The District follows a quarterly cycle billing procedure with approximately one-third of the meter readings billed each month. When meter readings are delayed, bills are rendered based on estimated meter readings to promote consistency of water revenue. In order to accomplish a proper matching of revenues with expenses and to fairly state assets, an analysis is prepared of the final quarterly billings in the year to determine the estimated amount of water delivered but unbilled at year end.

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The District begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the District's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Receivables are written off as uncollectible after the District has used reasonable collection efforts and deems then uncollectible. Based on these criteria, the District has estimated an allowance for doubtful accounts of $90,000 and $470,000 at December 31, 2021 and 2020, respectively.

Assessments Receivable

Direct assessments from property owners are recorded as a receivable by the District at the time the improvement project is completed.

Inventory

Inventory is valued at the lower of cost, using the moving average method, or net realizable value. Inventories consist of expendable supplies held for new water line installations and maintenance and are charged to expenditures on an "as used" basis.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is therefore deferred until that time. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred inflows of resources related to pensions and other postemployment benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflows of resources represent a consumption of net positions that applies to a future period, and therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred outflows of resources related to pensions and other postemployment benefits.

Capital Assets

Prior to 1978, capital assets were recorded as expenditures at the time of purchase and capitalized to the Plant Fund. No depreciation was provided on capital assets and continuing property records were not maintained.

The District obtained an independent appraisal which includes a detailed listing of District buildings, structures and contents. The appraisal serves as the basis for detailed property records that is updated on a continuous basis.

Capital assets are stated at cost or appraised value and depreciated over the estimated useful lives of the related assets. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized.

Depreciation of the capital assets is computed on the straight-line method over the estimated the following useful lives of the assets:

Structures and Improvements	35 - 40 Years
Supply Mains	35 - 45 Years
Pumping and Water Treatment Equipment	20 - 40 Years
Distribution Reservoirs and Mains	30 - 75 Years
Services, Meters, Hydrants	35 - 75 Years
Office Furniture and Equipment	5 - 25 Years
Other Equipment	7 - 20 Years

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use are held in construction in progress. When the asset is ready for use, related costs are transferred to the appropriate capital asset account.

Capital Contributions

These contributions represent assessments/reimbursements to recover the costs of new services and extensions of the distribution system. The District does not include the amount of costs incurred and contributed by outside contractors for installation of distribution systems which the District absorbs and provides for their operations and maintenance.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. 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 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postemployment Benefits Other Than Pensions (OPEB)

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

Compensated Absences

Employees of the District are entitled to paid vacation and sick depending on length of service and other factors. The amounts recorded for accumulated vacation and sick as of December 31, 2021 and 2020 were $1,652,359 and $1,369,138, respectively.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. All other net position that does not meet the definition of "restricted" or "net investment in capital assets" is considered unrestricted.

Bond Premiums and Issue Costs

Bonds payable are reported, net of any premiums, which are amortized over the life of the applicable bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recognized as an expense in the year incurred.

Recently Issued Significant Accounting Standards

Lease Accounting Standard

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal years beginning after June 15, 2021. The District is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

Conduit Debt Obligations

GASB Statement No. 91*, Conduit Debt Obligations,* was issued to provide a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. The requirements of GASB Statement No. 91 are effective for reporting periods beginning after December 15, 2021. The District is currently evaluating the impact GASB Statement No. 91 may have on its financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Omnibus 2020

GASB Statement No. 92, *Omnibus 2020*, was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 92 are effective for fiscal years or reporting periods beginning after June 15, 2021, other than the requirements related to the effective date of GASB Statement No. 87, which is effective upon issuance. The District is currently evaluating the impact GASB Statement No. 92 may have on its financial statements.

Replacement of Interbank Offered Rates

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of GASB Statement No. 93, except paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirements in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal year periods beginning after June 15, 2021. However, these did not have a significant impact to the District's financial statements. The District is currently evaluating the impact that the remaining aspects of GASB Statement No. 93 may have on its financial statements.

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. The requirements of GASB Statement No. 94 are effective for fiscal years beginning after June 15, 2022. The District is currently evaluating the impact GASB Statement No. 94 may have on its financial statements.

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022. The District is currently evaluating the impact GASB Statement No. 96 may have on its financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, was issued to (1) increase consistency and comparability related to the fiduciary reporting of component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans. Aspects of GASB Statement No. 97 are effective immediately, however there was no significant impact to the District's financial statements for the year ended December 31, 2020. Other requirements of GASB Statement No. 97 are effective for fiscal years or reporting periods beginning after June 15, 2021. However, these did not have a significant impact to the District's financial statements. The District is currently evaluating the impact that the remaining aspects of GASB Statement No. 97 may have on its financial statements.

Omnibus 2022

GASB Statement No. 99, *Omnibus 2022*, was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of GASB Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. Other aspects of GASB 99 are effective immediately. However, there was not a significant impact to the District's financial statements for the year ended December 31, 2021. The District is currently evaluating the impact the remaining aspects of GASB Statement No. 99 may have on its financial statements.

Subsequent Events

The District has evaluated subsequent events through June 30, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investment Policy

<u>General Policy</u>

It is the policy of the District to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and District regulations governing the investments of public funds.

<u>Authorized Investment Instruments</u>

In accordance with KRS 66.480, the District is authorized to invest in the following:

A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.

B) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.

C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.

D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).

E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.

F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.

G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.

H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

I) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.

J) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).

K) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).

L) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

Overall investments in (E), (F), (G), (K), and (L) investment types are restricted to 20% of total local government investments.

Custodial Credit Risk – Deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of December 31, 2021 and 2020, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District had no custodial credit risk at December 31, 2021 and 2020.

Credit Risk – Investments. The District's investments are subject to minimal credit risk because they are invested in Federal Agency securities which are generally considered free of default risk due to the perceived stability of the U.S. Government.

NOTE 3 – RESTRICTED ASSETS

Restricted assets consist of monies and other resources which are restricted legally as described below:

Bond Proceeds Fund – These assets contain the bond proceeds plus investment interest earned that are available for paying the cost of construction and acquisition contracts relating to the water system as provided in the various bond ordinances.

	December 31	
	2021	2020
Cash and Cash Equivalents	$ 17,415,450	$ 711,652

Debt Service Reserve Account – These assets hold an amount that will equal the aggregate debt service reserve requirement (defined as the maximum annual debt service requirement in any succeeding bond fiscal year). The account assets are:

	2021	2020
Cash and Cash Equivalents	$ 10,649,698	$ 12,378,350
Purchase and Resale Agreements	732,136	732,136
Forward Delivery Agreements	4,112,089	4,076,931
United States Treasuries	-	1,871,691
FHLB Bonds	1,800,000	-
Accrued Interest Receivable and CD Market Change	40,382	52,200
	$ 17,334,305	$ 19,111,308

Debt Service Account – These assets accumulate monies for the purpose of paying interest on the bonds when due and payable and paying the principal of the bonds when due and payable. The account assets are:

	2021	2020
Cash and Cash Equivalents	$ 20,600,565	$ 20,545,701

Improvement, Repair, and Replacement – These assets are available to make major repairs and replacements and to pay the cost of construction of additions, extensions and improvements to the water system. The account assets are:

	2021	2020
Cash and Cash Equivalents	$ 10,739,641	$ 1,182,299

NOTE 3 – RESTRICTED ASSETS (Continued)

Customer Deposits – These assets are available to secure deposits paid by customers that have been collected in accordance with the District's tariff. When services are terminated, the deposit, plus interest, is applied to any unpaid bills or refunded to the customer if all billings have been paid. The account assets are:

	December 31	
	2021	2020
Cash and Cash Equivalents	$ -	$ 859,532

NOTE 4 – ACCOUNTS RECEIVABLE

	2021	2020
Accounts Receivable Arising From Billings of Metered Water Sales, Net of Allowance	$ 6,350,629	$ 7,785,823
Accrual for Estimated Unbilled Water Revenue	9,100,000	9,100,000
Other	228,310	70,350
Total	$ 15,678,939	$ 16,956,173

NOTE 5 – FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the markets for the security type and the inputs used to determine their fair value, as follows:

LEVEL 1 – Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the District has the ability to access.

LEVEL 2 – Other observable inputs (included but no limited to, quotes process for similar assets or liabilities in the markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks, and default rates) or other market- corroborated inputs).

LEVEL 3 – Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE 5 – FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Investments				
Certificates of Deposit	$ 438,466	$ -	$ -	$ 438,466
Commercial Paper	-	3,951,505	-	3,951,505
Total Investments	438,466	3,951,505	-	4,389,971
Restricted Investments				
Cash and Cash Equivalents	10,690,080	-	-	10,690,080
Purchase and Resale Agreements	-	732,136	-	732,136
Forward Delivery Agreements	-	4,112,089	-	4,112,089
FHLB Bonds	-	1,800,000	-	1,800,000
Total Restricted Investments	10,690,080	6,644,225	-	17,334,305
Total Assets at Fair Value	$ 11,128,546	$ 10,595,730	$ -	$ 21,724,276

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Investments				
Certificates of Deposit	$ 441,034	$ -	$ -	$ 441,034
Commercial Paper	-	3,443,461	-	3,443,461
Total Investments	441,034	3,443,461	-	3,884,495
Restricted Investments				
Cash and Cash Equivalents	12,430,550	-	-	12,430,550
Purchase and Resale Agreements	-	732,136	-	732,136
FAMC and FHLB Discount Notes	-	4,076,931	-	4,076,931
United States Treasuries	-	1,871,691	-	1,871,691
Total Restricted Investments	12,430,550	6,680,758	-	19,111,308
Total Assets at Fair Value	$ 12,871,584	$ 10,124,219	$ -	$ 22,995,803

NOTE 6 – CAPITAL ASSETS

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

	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021
Land, System, Buildings and Equipment				
Land and Land Rights	$ 3,267,226	$ 80,943	$ -	$ 3,348,169
Structures and Improvements	128,948,788	344,678	-	129,293,466
Lake River and Other Intakes	1,463,171	-		1,463,171
Supply Mains	2,865,693	-	-	2,865,693
Power Generation Plant	3,491,523	544,504	-	4,036,027
Pumping Equipment	11,982,266	550,721	-	12,532,987
Water Treatment Equipment	30,253,266	737,992	-	30,991,258
Distribution Reservoirs and Standpipes	11,354,093	-	-	11,354,093
Transmissions and Distribution Mains	229,742,195	4,411,381	(420,683)	233,732,893
Services	34,483,517	1,782,133	(231,623)	36,034,027
Meters and Meter	20,550,391	465,638	(132,967)	20,883,062
Installations Hydrants	10,778,716	224,784	(40,696)	10,962,804
Other Plant and Miscellaneous Equipment	3,419,128	8,300	-	3,427,428
Office Furniture and Equipment	4,214,129	18,218	-	4,232,347
Transportation Equipment	5,069,122	731,644	(80,164)	5,720,602
Tools, Shop, and Garage Equipment	991,016	24,418	-	1,015,434
Laboratory Equipment	827,678	5,300	-	832,978
Power Operated Equipment	1,275,926	7,063	-	1,282,989
Communication Equipment	6,287,274	77,508	-	6,364,782
Miscellaneous Equipment	592,506	-	-	592,506
Utility Plant Acquisition Adjustment	545,925	-	-	545,925
Acquisition Adjustment - Newport	4,970,211	-	-	4,970,211
Total Land, System, Buildings and Equipment	517,373,760	10,015,225	(906,133)	526,482,852
Construction in Progress	9,363,904	8,614,131	(5,482,635)	12,495,400
Total Capital Assets	526,737,664	18,629,356	(6,388,768)	538,978,252
Less Accumulated Depreciation	185,050,608	12,436,919	(617,043)	196,870,484
Capital Assets - Net	$ 341,687,056	$ 6,192,437	$ (5,771,725)	$ 342,107,768

NOTE 7 – ARBITRAGE

The Tax Reform Act of 1986 (Act) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt and requires the District to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain of the District's debt and interest earned on the proceeds thereof are subject to the requirements of the Act. The District has accrued a liability for estimated rebatable arbitrage earnings and has set aside such earnings as restricted cash. At December 31, 2021 and 2020, the arbitrage rebate liability was $241,201 and $295,084, respectively.

Rebate calculations are prepared annually. However, any liability due is only required to be paid every 5 years from the original date of the bond. During the year ended December 31, 2021 and 2020, the District paid $-0- and $412,209, respectively.

NOTE 8 – LONG-TERM DEBT

Revenue Bonds

Water District Refunding Revenue Bonds, Series 2012

In June 2012, the District issued $54,840,000 of Refunding Revenue Bonds, Series 2012 for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 1997, 1998, 2001A and 2002A-REF in the principal amount of $63,350,000. The bonds were refunded in December 2021 by the Refunding Revenue Bonds, Series 2021.

Water District Revenue Bonds, Series 2013A

In June 2013, the District sold $26,400,000 of its Revenue Bonds in order to fund various construction projects. The 2013 bonds maturing on or after February 2023 are subject to redemption after 2023 at a redemption price of 100%.

The Water District Revenue Bonds, Series 2013A are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	5.00%	$ 835,000	$ 891,651	$ 1,726,651
2023	5.00%	880,000	848,776	1,728,776
2024	5.00%	925,000	803,651	1,728,651
2025	5.00%	970,000	756,276	1,726,276
2026	5.00%	1,020,000	706,526	1,726,526
2027-2031	4.00-5.00%	5,795,000	2,843,445	8,638,445
2032-2036	4.13-4.50%	7,155,000	1,481,028	8,636,028
2037-2038	4.13-4.25%	3,310,000	142,164	3,452,164
Total		$ 20,890,000	$ 8,473,517	$ 29,363,517

NOTE 8 – LONG-TERM DEBT (Continued)

Water District Refunding Revenue Bonds, Series 2013B

In September 2013, the District issued $24,120,000 of Refunding Revenue Bonds, Series 2013B for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2002B, 2003A, and 2003B in the principal amount $25,685,000. The bonds were sold at a premium of $1,789,625, for a total source of funds of $25,909,625. The 2013 bonds maturing on or after February 2023 are subject to redemption after 2023 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $364,880. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 18 years by $1,302,804 and obtains an economic gain (difference between the present values of the old and new debt service) of $1,081,327.

The Water District Refunding Revenue Bonds, Series 2013B are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	5.00%	$ 1,430,000	$ 489,450	$ 1,919,450
2023	5.00%	1,500,000	416,200	1,916,200
2024	5.00%	1,570,000	347,300	1,917,300
2025	4.00%	1,635,000	283,200	1,918,200
2026	4.00%	1,700,000	216,500	1,916,500
2027-2028	4.00-5.00%	3,650,000	184,750	3,834,750
Total		$ 11,485,000	$ 1,937,400	$ 13,422,400

Water District Refunding Revenue Bonds, Series 2014B

In December 2014, the District issued $15,805,000 of Refunding Revenue Bonds, Series 2014B for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2003C and 2004 in the principal amount $16,715,000. The bonds were sold at a premium of $1,263,374, for a total source of funds of $17,068,374. The 2014 bonds maturing on or after August 2023 are subject to redemption after 2023 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $290,040. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by $1,678,190 and obtains an economic gain (difference between the present values of the old and new debt service) of $1,469,689.

The Water District Refunding Revenue Bonds, Series 2014B are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	5.00%	$ 465,000	$ 135,263	$ 600,263
2023	5.00%	485,000	116,363	601,363
2024	3.00%	495,000	101,663	596,663
2025	3.00%	515,000	83,938	598,938
2026	4.00%	540,000	62,838	602,838
2027-2029	3.00-4.00%	1,710,000	79,995	1,789,995
Total		$ 4,210,000	$ 580,060	$ 4,790,060

NOTE 8 – LONG-TERM DEBT (Continued)

Water District Refunding Revenue Bonds, Series 2016A

In November 2016, the District issued $41,905,000 of Refunding Revenue Bonds, Series 2016A for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2009 and for the current refunding of the outstanding Revenue Bond Series 2006 in the principal amount $44,340,000. The bonds were sold at a premium of $5,161,005, for a total source of funds of $47,066,005. The 2016 bonds maturing on or after August 2026 are subject to redemption after 2026 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $2,629,474. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by $1,678,190 and obtains an economic gain (difference between the present values of the old and new debt service) of $7,844,962.

The Water District Refunding Revenue Bonds, Series 2016A are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	5.00%	$ 2,450,000	$ 1,235,900	$ 3,685,900
2023	5.00%	2,685,000	1,107,525	3,792,525
2024	5.00%	2,715,000	972,525	3,687,525
2025	5.00%	2,865,000	833,025	3,698,025
2026	5.00%	3,015,000	686,025	3,701,025
2027-2031	3.00-5.00%	17,100,000	1,436,485	18,536,485
Total		$ 30,830,000	$ 6,271,485	$ 37,101,485

Water District Refunding Revenue Bonds, Series 2019

In September 2019, the District issued $17,845,000 of Revenue Bonds, Series 2019 for the purpose of refunding Revenue Bond Anticipation Notes, Series 2017. The bonds were sold at a premium of $1,804,915, for a total source of funds of $18,929,915. The Series 2019 bonds maturing on or after February 2028 are subject to redemption after August 2027 at a redemption price of 100%.

The Water District Refunding Revenue Bonds, Series 2019 are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	3.00%	$ 470,000	$ 560,750	$ 1,030,750
2023	3.00%	485,000	544,000	1,029,000
2024	4.00%	505,000	524,200	1,029,200
2025	4.00%	530,000	500,850	1,030,850
2026	5.00%	560,000	473,600	1,033,600
2027-2031	3.00-5.00%	3,200,000	1,953,975	5,153,975
2032-2036	3.00%	3,770,000	1,389,750	5,159,750
2037-2041	3.00%	4,380,000	779,550	5,159,550
2042-2044	3.00%	2,955,000	134,775	3,089,775
Total		$ 16,855,000	$ 6,861,450	$ 23,716,450

NOTE 8 – LONG-TERM DEBT (Continued)

Water District Refunding Revenue Bonds, Series 2020

In October 2020, the District issued $22,325,000 of Refunding Revenue Bonds, Series 2020 for the purpose of current refunding of the District's outstanding Revenue Bonds Series 2011 in the principal amount of $22,435,000 and for the refunding of the Rural Development Loan 91-02 in the principal amount $1,641,000. The bonds were sold at a premium of $2,481,834, for a total source of funds of $24,656,070. The 2020 bonds maturing on or after February 2035 are subject to redemption after February 2028 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $76,496. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by $5,828,770 and obtains an economic gain (difference between the present values of the old and new debt service) of $5,051,126.

The Water District Refunding Revenue Bonds, Series 2020 are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	5.00%	$ 1,110,000	$ 746,950	$ 1,856,950
2023	5.00%	1,165,000	690,075	1,855,075
2024	5.00%	1,225,000	630,325	1,855,325
2025	5.00%	1,290,000	567,450	1,857,450
2026	5.00%	1,355,000	501,325	1,856,325
2027-2031	3.00-5.00%	7,785,000	1,499,450	9,284,450
2032-2035	2.00-3.00%	7,125,000	297,275	7,422,275
Total		$ 21,055,000	$ 4,932,850	$ 25,987,850

Water District Refunding Revenue Bonds, Series 2021B

In December 2021, the District issued $27,730,000 of Refunding Revenue Bonds, Series 2021B for the purpose of current refunding of the District's outstanding Revenue Bonds Series 2012 in the principal amount of $29,310,00. The bonds were sold at a premium of $3,703,731, for a total source of funds of $33,013,731.

The net carrying amount of the refunded debt exceeded the reacquisition price $2,848,371. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by $3,149,288 and obtains an economic gain (difference between the present values of the old and new debt service) of $3,093,721.

The Water District Refunding Revenue Bonds, Series 2021B are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2022	4.00%	$ 4,815,000	$ 603,112	$ 5,418,112
2023	4.00%	4,485,000	826,900	5,311,900
2024	4.00%	4,675,000	643,700	5,318,700
2025	4.00%	4,865,000	452,900	5,317,900
2026	4.00%	5,070,000	254,200	5,324,200
2027	4.00%	3,820,000	76,400	3,896,400
Total		$ 27,730,000	$ 2,857,212	$ 30,587,212

NOTE 8 – LONG-TERM DEBT (Continued)

Rural Development Loan 91-03

In December 2017, the District closed on a loan agreement with the Department of Agriculture for the purpose of making certain improvements to the Water System. The amount of the loan was $1,733,000 with an annual interest rate of 2.75%. The repayment of the loan is on a 40-year amortization schedule.

The following is a schedule of future debt service requirements to maturity:

Years	Principal Amount	Interest Amount	Total Debt Service
2022	$ 28,000	$ 45,801	$ 73,801
2023	28,500	45,024	73,524
2024	29,500	44,227	73,727
2025	30,500	43,402	73,902
2026	31,000	42,556	73,556
2027-2031	168,500	199,299	367,799
2032-2036	193,000	174,514	367,514
2037-2041	221,000	146,068	367,068
2042-2046	253,500	113,502	367,002
2047-2051	290,000	76,175	366,175
2052-2056	332,500	33,460	365,960
2057	73,500	1,011	74,511
Total	$ 1,679,500	$ 965,039	$ 2,644,539

Rate Covenant: The District is in compliance with Section 726-subsection (iii) of the 1985 General Bond Resolution (as amended November 17, 1987) which requires that the net annual income and revenues, as adjusted, be equal to at least one and twenty hundredths (1.20) times the maximum annual debt service requirement coming due in any future twelve (12) month period beginning February 1, and ending January 31, on all Bonds outstanding payable from pledged receipts.

Mortgage Lien: The District's bonds are secured by a statutory mortgage lien on all properties of the District.

Events of Default: Each of the following events in the bond ordinances is defined as and shall constitute an event of default:

a) Default by the District in the payment of any principal installment or premium, if any, on any bond when due;

b) Default by the District in the payment of any installment of interest on the bonds when due;

c) Failure or refusal by the District to comply with the act pursuant to which the District was created, or default in the performance or observance of any other of the covenants, agreements or conditions contained in the Resolution, any series resolution, any supplemental resolution or the bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the holder of not less than five percent in principal amount of the outstanding bonds.

NOTE 8 – LONG-TERM DEBT (Continued)

Enforcement of Remedies: In the event of default, the holders of not less than twenty-five percent in principal amount of the outstanding bonds may proceed, subject to certain provisions in the resolution, to protect and enforce the rights of the bondholders by such of the following remedies as such bondholders shall deem most effectual, including the following:

a) Enforce by mandamus or other suit, action or proceedings at law or in equity all rights of the bondholders, including the right to require the District to enforce, collect and receive water rates, rentals and charges adequate to carry out the covenants and agreements of the District as to production of income, and to require the District to carry out any other covenant or agreement with bondholders and to perform its duties under the Act;

b) Bring suit upon the bonds;

c) Require the District by action or suit to account as if it were the trustee of an express trust for the holders of the bonds;

d) Enjoin by action or suit any act or things which may be unlawful or in violation of the rights of the holders of the bonds;

e) By action or suit in equity, seek the appointment of a receiver who shall take charge of and administer the affairs of the District;

f) Declare all bonds due and payable, and if all default shall be made good (excepting acceleration provisions), then with the written consent of not less than twenty-five percent (25%) in principal amount of the holders of outstanding bonds, to annul such declaration and its consequences; and

g) In the event that all bonds are declared due and payable, and a receiver is appointed, to sell all investments and all other assets of the District (to the extent not theretofore set aside for redemption of bonds for which call has been made), and to cause the receiver to take over the public water system and operate same in the name of the District for the use and benefit of the bondholders.

Revenue Bond Anticipation Note

In March, 2021, the District issued $24,685,000 of Revenue Bond Anticipation Notes, Series 2021A in order to fund various construction projects. The Series 2021A notes mature in February 2023 and are subject to optional redemption, in whole or in part, on any date beginning August 1, 2022. The Series 2021A notes are secured by a pledge of the proceeds of the Series 2023A Bonds to be issued by the District before the maturity date of the Series 2021A notes and any investment obligations purchased with the proceeds of the Series 2021A notes.

Notes from Direct Borrowings

Fiscal Court of Kenton District, Kentucky

The Kenton District Water District received a $100,000 deferred payment loan at 3.0%. This loan was required as a local match to qualify for a $750,000 Community Development Block Grant for Phase 1 of a water project in southern Kenton District. This loan will become due and payable only after sufficient customers in southern Kenton District are obtained in order to reduce the user rates, including surcharges, to approximately $26 per month.

Kentucky Infrastructure Authority Loan F08-07

In November 2008, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $4,000,000 at an interest rate of 1.0%. As of December 31, 2013, all funds have been received.

NOTE 8 – LONG-TERM DEBT (Continued)

The Kentucky Infrastructure Authority Loan F08-07 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2022	$ 198,676	$ 28,110	$ 226,786
2023	200,668	25,620	226,288
2024	202,680	23,106	225,786
2025	204,711	20,566	225,277
2026	206,764	18,001	224,765
2027-2031	1,065,331	50,614	1,115,945
2032	219,514	2,060	221,574
Total	$ 2,298,344	$ 168,077	$ 2,466,421

Kentucky Infrastructure Authority Loan F09-02

In October 2010, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $8,000,000 at an interest rate of 2.0%. As of December 31, 2013, all funds have been received.

The Kentucky Infrastructure Authority Loan F09-02 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2022	$ 1,168,646	$ 329,876	$ 1,498,522
2023	1,192,135	303,450	1,495,585
2024	1,216,098	276,493	1,492,591
2025	1,240,541	248,994	1,489,535
2026	1,265,476	220,942	1,486,418
2027-2031	6,719,301	663,799	7,383,100
2032-2033	2,149,665	48,528	2,198,193
Total	$ 14,951,862	$ 2,092,082	$ 17,043,944

Kentucky Infrastructure Authority Loan F13-012

In May 2013, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $8,000,000 at an interest rate of 2.0%. As of December 31, 2017, $4,523,000 has been received. Payments will not begin until one year after the initiation of operation of the project, and therefore a maturity date has not been determined.

Kentucky Infrastructure Authority Loan F14-015

In December 2013, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $4,000,000 at an interest rate of 2.0%. As of December 31, 2018, all funds have been received.

NOTE 8 – LONG-TERM DEBT (Continued)

The Kentucky Infrastructure Authority Loan F14-015 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2022	$ 158,893	$ 59,431	$ 218,324
2023	161,686	56,239	217,925
2024	164,529	52,991	217,520
2025	167,420	49,686	217,106
2026	170,362	46,323	216,685
2027-2031	897,794	179,064	1,076,858
2032-2036	979,517	85,666	1,065,183
2037-2038	310,887	6,235	317,122
Total	$ 3,011,088	$ 535,635	$ 3,546,723

Kentucky Infrastructure Authority Loan F15-011

In November 2014, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $4,000,000 at an interest rate of 2.0%. As of December 31, 2018, all funds have been received.

The Kentucky Infrastructure Authority Loan F15-011 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2022	$ 158,409	$ 59,249	$ 217,658
2023	161,193	56,067	217,260
2024	164,026	52,829	216,855
2025	166,909	49,535	216,444
2026	169,843	46,182	216,025
2027-2031	895,056	177,518	1,072,574
2032-2036	976,531	85,406	1,061,937
2037-2038	309,937	6,217	316,154
Total	$ 3,001,904	$ 533,003	$ 3,534,907

NOTE 8 – LONG-TERM DEBT (Continued)

Kentucky Infrastructure Authority Loan B15-003

In July 2016, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $1,500,000 at an interest rate of 0.75%. As of December 31, 2018, all funds have been received.

The Kentucky Infrastructure Authority Loan B15-003 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2022	$ 66,814	$ 10,590	$ 77,404
2023	67,316	9,954	77,270
2024	67,822	9,314	77,136
2025	68,331	8,668	76,999
2026	68,845	8,018	76,863
2027-2031	352,060	30,160	382,220
2032-2036	365,488	13,153	378,641
2037	74,753	533	75,286
Total	$ 1,131,429	$ 90,390	$ 1,221,819

Kentucky Infrastructure Authority Loan F16-027

In July 2017, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is $5,385,000 at an interest rate of 1.75%. As of December 31, 2021, $1,304,928 has been received. Payments will not begin until one year after the initiation of operation of the project, and therefore a maturity date has not been determined.

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

Collateral: The District's outstanding notes from direct borrowings are collateralized by future revenue.

NOTE 8 – LONG-TERM DEBT (Continued)

Changes in long-term debt are as follows:

	Debt Outstanding December 31, 2020	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31, 2021	Amounts Due Within 1 Year
Bond Indebtedness					
Rural Development Loan 91-03	$ 1,706,500	$ -	$ 27,000	$ 1,679,500	$ 28,000
Series 2012	33,675,000	-	33,675,000	-	-
Series 2012 Bond Premium	4,219,440	-	4,219,440	-	-
Series 2013 A	21,685,000	-	795,000	20,890,000	835,000
Series 2013 A Bond Premium	879,119	-	50,235	828,884	50,235
Series 2013 B	12,840,000	-	1,355,000	11,485,000	1,430,000
Series 2013 B Bond Premium	924,639	-	119,308	805,331	119,308
Series 2014 B	4,650,000	-	440,000	4,210,000	465,000
Series 2014 B Bond Premium	758,024	-	84,225	673,799	84,225
Series 2016	33,155,000	-	2,325,000	30,830,000	2,450,000
Series 2016 Bond Premium	3,756,064	-	344,067	3,411,997	344,067
Series 2019	17,310,000	-	455,000	16,855,000	470,000
Series 2019 Bond Premium	1,027,053	-	43,397	983,656	43,397
Series 2020	22,325,000	-	1,270,000	21,055,000	1,110,000
Series 2020 Bond Premium	2,454,258	-	165,456	2,288,802	165,456
Series 2021	-	27,730,000	-	27,730,000	4,815,000
Series 2021 Bond Premium	-	2,446,473	23,828	2,422,645	476,585
Total Bond Indebtedness	161,365,097	30,176,473	45,391,956	146,149,614	12,886,273
Bond Anticipation Notes					
Series 2021 A	-	24,685,000	-	24,685,000	-
Notes Payable - Direct Borrowings					
KIA Loan F08-07	2,495,048	-	196,703	2,298,345	198,676
KIA Loan F09-02	16,097,481	-	1,145,619	14,951,862	1,168,646
KIA Loan F13-012	4,523,000	-	-	4,523,000	-
KIA Loan F14-015	3,167,237	-	156,149	3,011,088	158,893
KIA Loan F15-011	3,157,576	-	155,672	3,001,904	158,409
KIA Loan B15-003	1,197,744	-	66,315	1,131,429	66,814
KIA Loan F16-027	1,304,928	-	-	1,304,928	-
Kenton County Fiscal Court	100,000	-	-	100,000	-
Total Notes Payable - Direct Borrowings	32,043,014	-	1,720,458	30,322,556	1,751,438
Arbitrage Liability	295,084		53,883	241,201	225,351
Compensated Absences	1,369,138	283,221		1,652,359	324,632
Total Long-Term Debt	$ 195,072,333	$ 55,144,694	$ 47,166,297	$ 203,050,730	$ 15,187,694

NOTE 9 – PENSION PLAN

General Information about the Pension Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782 and 61.645. The plan was formerly administered by the Kentucky Retirement System (KRS). However, during the 2020 Legislative Session, House Bill 484 was passed establishing a new governance structure for the agency that operates the system. Effective April 1, 2021, KRS as an agency of the Commonwealth became known as the KPPA. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District only participates in the non-hazardous plan.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Tier 1: Retirement Eligibility for Members
Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members
Whose Participation Began On or After 09/01/2008 but before 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

Tier 3: Retirement Eligibility for Members
Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

NOTE 9 – PENSION PLAN (Continued)

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor		X	Years of Service
Average of the five highest years of compensation if participation began before 09/01/2008.		2.20% if:	Member begins participating prior to 08/01/2004.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.		
Average of the last complete five years of compensation if participation began on or after 09/01/2008 but before 01/01/2014.		Increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.		

* ***Service*** *(and Benefit Factor):* ***10 years or less*** *(1.10%);* ***10 - 20 years*** *(1.30%);* ***20 - 26 years*** *(1.50%)* ***; 26 - 30 years*** *(1.75%)*

Benefit Formula for Tier 3

Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity				
Accumulate Account Balance				
Member Contributions	**Employer Contributions**	**Base Annual Interest**	**Upside Sharing Interest (FY 2021)**	**Actuarial Factor**
5.00%	4.00%	4.00%	6.35%	Various*

* See www.kyret.ky.gov for most recent Actuarial Factors

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a $5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit (requirement is waived if line of duty disability) and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the greater of 20% of member's monthly final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the greater of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

NOTE 9 – PENSION PLAN (Continued)

For pre-retirement death benefits, the beneficiary of a deceased active member is eligible for a monthly benefit if the member died while in the line of duty with one month of service credit. The beneficiary of a deceased active member who did not die in the line of duty is eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 65 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill (SB) 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5% of their annual creditable compensation. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. House Bill 362 passed during the 2018 legislative session, which caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

NOTE 9 – PENSION PLAN (Continued)

For the fiscal years ended June 30, 2022, 2021, and 2020, participating employers contributed 26.95% (21.17% pension fund and 5.78% insurance fund), 24.06% (19.30% pension fund and 4.76% insurance fund), and 24.06% (19.30% pension fund and 4.76% insurance fund), respectively, for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund (excluding the insurance portion) from the District were $1,875,015 and $1,723,667 for the years ended December 31, 2021 and 2020, respectively.

Plan Information for December 31, 2021 Financial Statements

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 of $22,419,617 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021, the District's proportion for the non-hazardous system was 0.351637% which was an increase of 0.011928% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2021, the District recognized pension expense of $1,029,997. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 2,988,159
Difference between expected and actual experience	257,446	217,598
Changes of assumptions	300,898	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	961,977	-
District contributions after measurement date	1,033,048	-
Total	$ 2,553,369	$ 3,205,757

NOTE 9 – PENSION PLAN (Continued)

The $1,033,048 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,		
2022	$	293,097
2023		(391,421)
2024		(651,374)
2025		(935,738)
Total	$	(1,685,436)

Actuarial assumptions: The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay Amortization Method
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the Difference Between the Market Value of Assets and the Expected Actuarial Value of Assets is Recognized
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Service
Investment Rate of Return	6.25% Net of Pension Plan Investment Expense, Including Inflation

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

The mortality table used for active members was a PUB-2010 General Mortality table with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

NOTE 9 – PENSION PLAN (Continued)

The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Growth		
US Equity	21.75 %	5.70 %
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Liquidity		
Core Bonds	10.00	-
Cash	1.50	(0.60)
Diversifying Strategies		
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	100.00 %	

Discount rate: The single discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system.

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following present's the District's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-Hazardous	$ 28,754,222	$ 22,419,617	$ 17,177,880

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2021 valuation date.

NOTE 9 – PENSION PLAN (Continued)

Plan Information for December 31, 2020 Financial Statements

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

At December 31, 2020, the District reported a liability of $26,055,399 for its proportionate share of the net pension liability. The net pension liability 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 June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the District's proportion for the non-hazardous system was 0.339709%, which was an increase of 0.008855% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, the District recognized pension expense of $2,604,502. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 652,004	$ -
Difference between expected and actual experience	649,739	-
Changes of assumptions	1,017,419	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	862,116	53,168
District contributions after measurement date	885,281	-
Total	$ 4,066,559	$ 53,168

The $885,281 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	
2021	$ 1,508,684
2022	1,014,444
2023	343,123
2024	261,859
Total	$ 3,128,110

NOTE 9 – PENSION PLAN (Continued)

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay Amortization Method
Remaining Amortization Period	30 Years, Closed
Asset Valuation Method	20% of the Difference Between the Market Value of Assets and the Expected Actuarial Value of Assets is Recognized
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Service
Investment Rate of Return	6.25% Net of Pension Plan Investment Expense, Including Inflation

The Board of Trustees for the Kentucky Retirement Systems adopted new actuarial assumptions since June 30, 2018. The Total Pension liability as of June 30, 2020 was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases, This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The mortality table used for active members was a PUB-2010 General Mortality table with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 9 – PENSION PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Growth		
US Equity	18.75 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00 %	

Discount rate: The single discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system.

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following present's the District's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-Hazardous	$ 32,131,977	$ 26,055,399	$ 21,023,762

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2020 valuation date.

NOTE 9 – PENSION PLAN (Continued)

Other Information about the Pension Plan

Payable to the pension plan: At December 31, 2021 and 2020, the District reported a payable of $187,554 and $167,861 for the outstanding amount of contributions to the pension plan required for the years ended December 31, 2021 and 2020, respectively.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA website at www.kyret.ky.gov.

401(k) Plan and 457 Plan: The District also permits employees to participate in a voluntary 401(k) or 457 plan. There is no employer match.

NOTE 10 – OPEB PLAN

General Information about the OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Public Pensions Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782 and 61.645. The plan was formerly administered by the Kentucky Retirement System (KRS). However, during the 2020 Legislative Session, House Bill 484 was passed establishing a new governance structure for the agency that operates the system. Effective April 1, 2021, KRS as an agency of the Commonwealth became known as the KPPA. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District only participates in the non-hazardous plan.

Benefits provided: The Kentucky Retirement System Insurance Trust Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 10 – OPEB PLAN (Continued)

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5% of their annual creditable compensation. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. House Bill 362 passed during the 2018 legislative session, which caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

NOTE 10 – OPEB PLAN (Continued)

For the fiscal years ended June 30, 2022, 2021, and 2020, participating employers contributed 26.95% (21.17% pension fund and 5.78% insurance fund), 24.06% (19.30% pension fund and 4.76% insurance fund), and 24.06% (19.30% pension fund and 4.76% insurance fund), respectively, for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund (excluding the pension portion) from the District were $489,371 and $425,112 for the years ended December 31, 2021 and 2020, respectively.

Plan Information for December 31, 2021 Financial Statements

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

At December 31, 2021, the District reported a liability of $6,730,325 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2021, the District's proportion for the non-hazardous system was 0.351554%, which was an increase of 0.011944% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2021, the District recognized OPEB expense of $267,744. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,052,867
Difference between expected and actual experience	1,058,346	2,009,451
Changes of assumptions	1,784,337	6,258
Changes in proportion and difference between employer contributions and proportionate share of contributions	394,826	63,702
District contributions after measurement date	282,051	-
Total	$ 3,519,560	$ 3,132,278

NOTE 10 – OPEB PLAN (Continued)

The $282,051 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31,		
2022	$	257,173
2023		97,043
2024		95,977
2025		(344,962)
Total	$	105,231

Actuarial assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay Amortization Method
Amortization Period	30 Years, Closed
Asset Valuation Method	20% of the Difference Between the Market Value of Assets and the Expected Actuarial Value of Assets is Recognized
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Services
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial Trend Starting at 6.30% at January 1, 2023 and Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a Period of 13 Years.
Healthcare Cost Trend Rates (Post-65)	Initial Trend Starting at 6.30% at January 1, 2023, then Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a period of 13 Years.
Mortality	
Pre-retirement	PUB-2010 General Mortality Table, for the Non-Hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience from 2013-2018, Projected with the Ultimate Rates from MP-2014 Mortality Improvement Scale Using a Base Year of 2019.
Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-yeat Set-forward for both Male and Female Rates, Projected With the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010

NOTE 10 – OPEB PLAN (Continued)

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

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

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Growth		
US Equity	21.75 %	5.70 %
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Liquidity		
Core Bonds	10.00	-
Cash	1.50	(0.60)
Diversifying Strategies		
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	100.00 %	

Discount rate: The single discount rate used to measure the total OPEB liability was 5.34% for non-hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

NOTE 10 – OPEB PLAN (Continued)

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

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

	1% Decrease	Current Discount	1% Increase
Non-Hazardous	$ 9,240,686	$ 6,730,325	$ 4,670,158

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-Hazardous	$ 4,845,034	$ 6,730,325	$ 9,005,901

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2021 valuation date.

Plan Information for December 31, 2020 Financial Statements

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

At December 31, 2020, the District reported a liability of $8,200,549 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020, the District's proportion for the non-hazardous system was 0.339610%, which was an increase of 0.008842% from its proportion measured as of December 31, 2019.

NOTE 10 – OPEB PLAN (Continued)

For the year ended December 31, 2020, the District recognized OPEB expense of $564,502. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 272,567	$ -
Difference between expected and actual experience	1,370,140	1,371,210
Changes of assumptions	1,426,411	8,674
Changes in proportion and difference between employer contributions and proportionate share of contributions	310,333	92,655
District contributions after measurement date	218,338	-
Total	$ 3,597,789	$ 1,472,539

The $218,338 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31,	
2021	$ 495,356
2022	576,020
2023	421,400
2024	420,964
2025	(6,828)
Total	$ 1,906,912

NOTE 10 – OPEB PLAN (Continued)

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay Amortization Method
Amortization Period	30 Years, Closed
Asset Valuation Method	20% of the Difference Between the Market Value of Assets and the Expected Actuarial Value of Assets is Recognized
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 11.55%, Varies by Services
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial Trend Starting at 6.40% at January 1, 2022 and Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a Period of 14 Years.
Healthcare Cost Trend Rates (Post-65)	Initial Trend Starting at 2.90% at January 1, 2022, and Increasing to 6.30% in 2023, then Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a period of 14 Years.
Mortality	
Pre-retirement	PUB-2010 General Mortality Table, for the Non-Hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience from 2013-2018, Projected with the Ultimate Rates from MP-2014 Mortality Improvement Scale Using a Base Year of 2010.
Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-yeat Set-forward for both Male and Female Rates, Projected With the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total OPEB liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan changes.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 10 – OPEB PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Growth		
US Equity	18.75 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00 %	

Discount rate: The single discount rate used to measure the total OPEB liability was 5.34% for non-hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

NOTE 10 – OPEB PLAN (Continued)

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

	1% Decrease	Current Discount	1% Increase
Non-Hazardous	$ 10,535,298	$ 8,200,549	$ 6,282,942

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-Hazardous	$ 6,349,274	$ 8,200,549	$ 10,447,114

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2020 valuation date.

Other Information about the OPEB Plan

Payable to the OPEB Plan: At December 31, 2021 and 2020, the District reported a payable of $51,208 and $41,400 for the outstanding amount of contributions to the OPEB plan required for the years ended December 31, 2021 and 2020, respectively.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA website at www.kyret.ky.gov.

NOTE 11 – OPERATING LEASES

Commitments

The District is obligated under certain non-cancelable leases for equipment and land. The leases expire at various dates through June 2033. Lease expense for the years ended December 31, 2021 and 2020 were $16,791 and $16,041, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year are:

Years Ending December 31,		
2022	$	16,791
2023		16,791
2024		6,577
2025		750
2026		750
Thereafter		4,875
	$	46,534

Receivable

The District has various transmission system license agreements with communication companies for use of the District's towers. Each lease agreement has an initial term of five years, with various five-year renewal options at the end of the lease that are reasonably certain to be exercised. The terms of the renewals expire at various dates through February 2046. Lease revenue from these leases for the years ended December 31, 2021 and 2020 were $291,508 and $264,008, respectively.

Minimum future rental payments under these operating leases having remaining terms in excess of one year are:

Years Ending December 31,		
2022	$	296,443
2023		281,430
2024		259,188
2025		261,688
2026		264,438
Thereafter		5,100,857
	$	6,464,044

NOTE 12 – ECONOMIC DEPENDENCY

The District receives the majority of its operating revenues from customers in Kenton, Campbell, Boone, and Pendleton counties of Kentucky.

NOTE 13 – RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

In 2020, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the District.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The District is restating its beginning net position to correct unbilled customer's accounts receivables that were understated in a prior year. This change has resulted in a restatement of net position as follows:

Net Position January 1, 2020	$ 210,590,259
Correction of Unbilled Customers Accounts Receivable	1,640,000
Net Position January 1, 2020, As Restated	$ 212,230,259
Net Position January 1, 2021	$ 223,957,521
Correction of Unbilled Customers Accounts Receivable	1,640,000
Net Position January 1, 2021, As Restated	$ 225,597,521

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2021

County Employees Retirement System
Last 10 Calendar Years*

	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability - Non-Hazardous	0.351637%	0.339709%	0.330854%	0.312275%	0.320590%	0.335200%	0.344120%	0.333600%
Total District's Proportionate Share of the Net Pension Liability	$ 22,419,617	26,055,399	$ 23,269,110	19,018,499	$ 18,765,118	$ 16,504,154	$ 14,819,690	$ 11,002,199
District's Covered Payroll	$ 8,930,918	8,757,359	$ 8,040,890	7,779,594	$ 7,880,340	$ 7,925,067	$ 7,972,340	$ 7,931,952
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	251.03%	297.53%	289.38%	244.47%	238.13%	208.25%	185.89%	138.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

** Only eight years of information available. Additional years' information will be displayed as it becomes available.*

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
DECEMBER 31, 2021

County Employees Retirement System
Last 10 Calendar Years*

Non-Hazardous	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 1,875,015	1,723,667	$ 1,557,127	$ 1,230,042	$ 1,099,103	$ 1,045,628	$ 1,429,517	$ 1,483,609
Contributions in Relation to the Contractually Required Contribution	(1,875,015)	(1,723,667)	(1,557,127)	(1,230,042)	(1,099,103)	(1,045,628)	(1,429,517)	(1,483,609)
Contribution Deficiency (Excess)	$ -	-	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 9,357,873	8,930,918	$ 8,757,359	$ 8,040,890	$ 7,732,260	$ 7,925,067	$ 7,972,340	$ 7,931,952
Contributions as a Percentage of Covered Payroll	20.04%	19.30%	17.78%	15.30%	14.21%	13.19%	17.93%	18.70%

** Only eight years of information available. Additional years' information will be displayed as it becomes available.*

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
DECEMBER 31, 2021

County Employees Retirement System
Last 10 Calendar Years*

	2021	2020	2019	2018	2017	2016
District's Proportion of the Net OPEB Liability - Non-Hazardous	0.351554%	0.339610%	0.330768%	0.312275%	0.320590%	0.335200%
Total District's Proportionate Share of the Net OPEB Liability	$ 6,730,325	8,200,549	$ 5,563,369	$ 5,544,345	$ 6,444,956	$ 5,055,231
District's Covered Payroll	$ 8,930,918	8,757,359	$ 8,040,890	$ 7,779,594	$ 7,880,340	$ 7,925,067
District's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	75.36%	93.64%	69.19%	71.27%	81.79%	63.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-Hazardous	62.91%	51.67%	60.44%	57.62%	52.39%	55.24%

** Only six years of information available. Additional years' information will be displayed as it becomes available.*

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
DECEMBER 31, 2021

County Employees Retirement System
Last 10 Calendar Years*

Non-Hazardous	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 489,371	425,112	$ 438,448	$ 399,058	$ 364,575	$ 371,330
Contributions in Relation to the Contractually Required Contribution	(489,371)	(425,112)	(438,448)	(399,058)	(364,575)	(371,330)
Contribution Deficiency (Excess)	$ -	-	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 9,357,873	8,930,918	$ 8,757,359	$ 8,040,890	$ 7,732,260	$ 7,925,067
Contributions as a Percentage of Covered Payroll	5.23%	4.76%	5.01%	4.96%	4.71%	4.69%

** Only six years of information available. Additional years' information will be displayed as it becomes available.*

OTHER SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	$ 56,158,218	$ 58,983,695	$ 2,825,477
Forfeited Discounts	527,000	442,082	(84,918)
Rents From Property	380,300	383,269	2,969
Other Water Revenues	232,240	266,276	34,036
Total Operating Revenues	57,297,758	60,075,322	2,777,564
Operating Expenses			
Operation and Maintenance Expense	32,153,526	29,965,655	2,187,871
Depreciation Expense	12,060,000	12,436,919	(376,919)
Total Operating Expenses	44,213,526	42,402,574	1,810,952
Net Operating Income	13,084,232	17,672,748	4,588,516
Non-Operating Income (Expense)			
Investment Income	384,000	481,326	97,326
Miscellaneous Non-Operating Income	114,500	347,304	232,804
Loss on Abandonment of Mains	-	(289,089)	(289,089)
Interest on Long-Term Debt and Customer Deposits	(6,551,893)	(5,826,155)	725,738
Amortization of Debt Premiums and Defeasance Costs	-	989,953	989,953
Bond Issuance Costs	-	(181,821)	(181,821)
Pension Expense	-	(1,029,997)	(1,029,997)
Other Post Employment Benefit Expense	-	(267,744)	(267,744)
Arbitrage Rebate	-	53,883	53,883
Gain on Sale of Capital Assets	-	25,977	25,977
Total Non-Operating Expense	(6,053,393)	(5,696,363)	357,030
Change in Net Position Before Capital Contributions	7,030,839	11,976,385	4,945,546
Capital Contributions	-	2,911,181	2,911,181
Change in Net Position	$ 7,030,839	$ 14,887,566	$ 7,856,727

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF WATER OPERATING REVENUE

	Years Ended December 31, 2021	2020
Operating Revenues		
Metered Sales		
Sales to Residential Customers	$ 36,916,772	$ 37,580,425
Sales to Commercial Customers	7,749,227	7,564,583
Sales to Industrial Customers	4,034,073	4,697,395
Sales to Public Authorities	2,243,348	2,152,780
Sales to Multiple Family Dwellings	5,907,716	5,830,240
Sales Through Bulk Loading Stations	66,507	72,063
Total Metered Sales	56,917,643	57,897,486
Fire Protection Revenue	43,306	44,657
Sales For Resale	2,022,746	1,825,544
Total Sales of Water	58,983,695	59,767,687
Other Revenue	1,091,627	983,969
Total Operating Revenues	$ 60,075,322	$ 60,751,656

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF COMBINED OPERATION AND MAINTENANCE EXPENSES

	Years Ended December 31, 2021	2020
Operating and Maintenance Expenses		
Salaries and Wages	$ 9,688,418	$ 9,222,495
Employee Pensions and Benefits	5,762,134	5,326,550
Taxes Other Than Income Taxes	811,423	651,852
Purchased Power	2,774,426	2,585,613
Chemicals	2,819,594	2,573,311
Materials and Supplies	2,051,607	2,413,632
Contractual Services	3,961,276	3,998,476
Transportation Expenses	628,479	506,318
Insurance	675,350	719,772
Bad Debt Expense	382,985	355,158
Miscellaneous Expense	259,712	209,775
Regulatory Commission Assessment	150,251	143,597
Total Operating and Maintenance Expenses	$ 29,965,655	$ 28,706,549

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF INSURANCE COVERAGES
December 31, 2021

Company	Policy Number	Description of Coverage		Amount of Coverage	Effective Period	
					From	To
Travelers Insurance	ZLP-14T80653	General Liability	$	1,000,000	1/1/2021	1/1/2022
Travelers Insurance	ZUP14T80665	Umbrella	$	19,000,000	1/1/2021	1/1/2022
Travelers Insurance	ZLP14T8065319	Public Officials	$	1,000,000	1/1/2021	1/1/2022
Travelers Insurance	H-810-6R989070	Business Auto	$	1,000,000	1/1/2021	1/1/2022
Travelers Insurance	H-630-6R989070	Property-Including Equipment	$	311,807,442	1/1/2021	1/1/2022
Travelers Insurance	H-630-6R989070	Employee Dishonesty	$	500,000	1/1/2021	1/1/2022
Travelers Insurance	H21NGP205822-00	Cyber Liability	$	2,000,000	1/1/2021	1/1/2022
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	$	1,000,000	7/1/2020	7/1/2021
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	$	1,000,000	7/1/2021	7/1/2022
Cincinnati Insurance	8877070	Fidelity Bond		Per Application	1/1/2021	12/31/2021
Great American Insurance	PEL1093742-02	Pollution Liability	$	15,000,000	1/1/2019	1/1/2022

RETAIL WATER RATES

1. Monthly Service Rate

First	1,500 Cubic Feet	$4.77 per 100 Cubic Feet
Next	163,500 Cubic Feet	$4.44 per 100 Cubic Feet
Over	165,000 Cubic Feet	$3.25 per 100 Cubic Feet

Sub District B shall be assessed a monthly surcharge in the amount of	$	12.07
Sub District C shall be assessed a monthly surcharge in the amount of	$	10.71
Sub District D shall be assessed a monthly surcharge in the amount of	$	28.96
Sub District E shall be assessed a monthly surcharge in the amount of	$	29.83
Sub District F shall be assessed a monthly surcharge in the amount of	$	14.88
Sub District G shall be assessed a monthly surcharge in the amount of	$	19.85
Sub District H shall be assessed a monthly surcharge in the amount of	$	30.00
Sub District I shall be assessed a monthly surcharge in the amount of	$	30.00
Sub District K shall be assessed a monthly surcharge in the amount of	$	6.39
Sub District M shall be assessed a monthly surcharge in the amount of	$	30.00
Sub District R shall be assessed a monthly surcharge in the amount of	$	18.75
Sub District RF shall be assessed a monthly surcharge in the amount of	$	21.61
Sub District RL shall be assessed a monthly surcharge in the amount of	$	15.60

2. Quarterly Rates

First	4,500 Cubic Feet	$4.77 per 100 Cubic Feet
Next	490,500 Cubic Feet	$4.44 per 100 Cubic Feet
Next	495,000 Cubic Feet	$3.25 per 100 Cubic Feet

3. Fixed Service Charge

Meter Size	Monthly	Quarterly
5/8”	$ 18.50	$ 40.50
3/4”	$ 19.00	$ 42.50
1”	$ 20.80	$ 48.80
1½”	$ 23.40	$ 57.70
2”	$ 29.60	$ 80.90
3”	$ 71.30	$ 251.80
4”	$ 89.50	$ 315.50
6”	$ 132.40	$ 466.20
8”	$ 178.80	$ 637.10
10” and Larger	$ 237.80	$ 831.90

WHOLESALE WATER RATES

Bullock Pen Water District	$3.98 per 1,000 Gallons (or) $2.98 per 100 Cubic Feet
City of Walton	$3.98 per 1,000 Gallons (or) $2.98 per 100 Cubic Feet
Pendleton District	$3.98 per 1,000 Gallons (or) $2.98 per 100 Cubic Feet

MISCELLANEOUS SERVICE FEES

Service Area Non-Recurring Charges

Returned Check Charge	$	20.00	
Water Hauling Station	$	6.38	/ per 1,000 Gallons
Reconnection Fee	$	25.00	
Overtime Charge	$	60.00	

NORTHERN KENTUCKY WATER DISTRICT
MEMBERS OF THE COMMISSION AND ADMINISTRATIVE STAFF
DECEMBER 31, 2021

COMMISSIONERS	TITLE	TERM EXPIRES
Joseph J. Koester	Chair	July 31, 2024
Fred A. Macke, Jr.	Vice-Chair	August 26, 2024
Douglas C Wagner, CDT	Treasurer	August 26, 2025
Jody R. Lange, CPA, CGMA	Secretary	August 28, 2023
Clyde Cunningham		August 28, 2023
Nicholas E. Winnike		August 28, 2025

ADMINISTRATIVE STAFF	TITLE
C. Ronald Lovan, PE	President/CEO
Lindsey Rechtin, CPA	Incoming President/CEO & Vice President of Finance and Support Services
Amy Stoffer, PE	Vice President of Engineering, Production, and Distribution

REQUIRED REGULATORY INFORMATION

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

Board of Commissioners
Northern Kentucky Water District
Erlanger, 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 the Northern Kentucky Water District (the District) as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Northern Kentucky Water District's basic financial statements, and have issued our report thereon dated June 30, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

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

VonLehman & Company Inc.

Fort Wright, Kentucky
June 30, 2022