

**Western Pulaski County Water District**

**Financial Statements**

**December 31, 2020 and 2019**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Western Pulaski County Water District  
Somerset, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Western Pulaski County Water District, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Western Pulaski County Water District as of December 31, 2020 and 2019 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-6 and the Pension and OPEB Liability Schedules on pages 27-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Statement of Revenues, Expenses and Change in Net Position – Budget and Actual for 2020 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Statement of Revenues, Expenses, and Change in Net Position – Budget and Actual and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 Statements of Revenues, Expenses and Change in Net Position – Budget and Actual and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2021 on our consideration of the Western Pulaski County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Western Pulaski County Water District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

May 6, 2021

## **WESTERN PULASKI COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Western Pulaski County Water District, we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal year ending December 31, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

For the year ended December 31, 2020 total operating and non-operating revenues (including capital contributions) were \$3,607,383 a decrease of \$32,570 from prior year, primarily due to a decrease in gallons sold as well as decrease in penalties and service fees.

Total operating and non-operating expenses amounted to \$3,405,254 for the year ended December 31, 2020, an increase of \$301,875, attributable mostly to a decrease in capitalized wages and increase in the actuarial pension and OPEB expense determined by Kentucky Retirement Systems.

Total assets and deferred outflows increased by \$1,635,488, and total liabilities and deferred inflows increased by \$1,433,359. These changes resulted in an increase in net position of \$202,129

During 2020, the District began Phase II of construction of KY Highway 914 Bypass Transmission Main Project.

### **Overview of the Financial Statements**

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The financial statements include notes which explain in detail some of the information included in the financial statements.

### **Required Financial Statements**

The financial statements of Western Pulaski County Water District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of Western Pulaski County Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluation of the capital structure of Western Pulaski County Water District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of Western Pulaski County Water District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

**WESTERN PULASKI COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Western Pulaski County Water District  
Summary of Net Position  
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Assets		
Total Current Assets	\$ 2,876,444	\$ 2,907,410
Total Restricted Assets	754,187	702,568
Net Capital Assets	<u>17,062,401</u>	<u>15,513,291</u>
<b>Total Assets</b>	<u>20,693,032</u>	<u>19,123,269</u>
Deferred Outflows	<u>300,694</u>	<u>234,969</u>
Liabilities		
Total Current Liabilities	1,122,060	753,344
Total Long-term Liabilities	<u>9,708,242</u>	<u>8,647,015</u>
<b>Total Liabilities</b>	<u>10,830,302</u>	<u>9,400,359</u>
Deferred Inflows	<u>152,105</u>	<u>148,689</u>
Net Position		
Invested in capital assets, net of related debt	8,037,831	7,715,618
Restricted for equipment replacement	468,766	427,211
Restricted for debt retirement	285,421	275,357
Unrestricted	<u>1,219,301</u>	<u>1,391,004</u>
<b>Total Net Position</b>	<u>\$ 10,011,319</u>	<u>\$ 9,809,190</u>

The largest portion (80%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding.

Restricted net position (8%) represents resources that are subject to external restrictions on how they may be used.

The balance (12%) of unrestricted net position may be used to meet the District's ongoing obligations to citizens, consumers and creditors.



**WESTERN PULASKI COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Summary of Changes in Net Position  
For the Year Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Total operating revenues	\$ 3,359,390	\$ 3,385,440
Total operating expenses	<u>3,213,563</u>	<u>2,918,177</u>
Operating income (loss)	145,827	467,263
Total non-operating revenue (expense)	<u>(156,184)</u>	<u>(155,194)</u>
Income before capital contributions	(10,357)	312,069
Capital contributions	<u>212,486</u>	<u>224,505</u>
Increase (decrease) in net position	202,129	536,574
Net position, beginning of year	<u>9,809,190</u>	<u>9,272,616</u>
Net position, end of year	<u><u>\$ 10,011,319</u></u>	<u><u>\$ 9,809,190</u></u>

Net position increased by \$202,129 from the prior year.

**Capital Asset Changes**

At December 31, 2020, the District had invested \$17,062,401 in capital assets net of accumulated depreciation. This amount represents a net increase of \$1,549,110 from the previous year due to construction projects during the year related to the KY Highway 914 Bypass Transmission Main Project.

**Budgetary Highlights**

The Western Pulaski County Water District adopts an annual operating budget after careful considerations of prior year and anticipated current year operations. The operating budget includes proposed expenses and the means to finance them. The District's operating budget remains in effect the entire year and is not revised. A budgetary comparison and analysis is presented on page 31 of this report.

**Debt Administration**

At December 31, 2020, the District had \$8,683,132 in outstanding debt, an increase of \$885,459 from the prior year's balance of \$7,797,673. The District incurred \$191,691 in interest expense associated with long term debt, \$25,555 in interest associated with construction was capitalized.

**Request for Information**

This financial report is designed to provide our customers and creditors with a general overview of Western Pulaski County Water District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Western Pulaski County Water District at 2128 West Highway 80, Somerset, KY or by phone (606) 679-1569.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2020 and 2019**

<b>Assets</b>	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash	\$ 2,201,556	\$ 2,422,066
Accounts receivable	425,764	385,699
Other receivable	149,855	-
Prepaid assets	8,933	9,309
Inventory	90,336	90,336
Total Current Assets	<u>2,876,444</u>	<u>2,907,410</u>
<b>Non-current Assets</b>		
Restricted Assets		
Cash - Depreciation fund	468,766	427,211
Cash - Bond and interest	285,421	275,357
Total Restricted Assets	<u>754,187</u>	<u>702,568</u>
Capital Assets		
Construction in progress	1,728,979	-
Land and land rights	494,938	494,938
Utility plant in service	24,756,154	24,528,186
Equipment	764,935	732,178
Accumulated depreciation	(10,682,605)	(10,242,011)
Net Capital Assets	<u>17,062,401</u>	<u>15,513,291</u>
Total Non-current Assets	<u>17,816,588</u>	<u>16,215,859</u>
Total Assets	<u>20,693,032</u>	<u>19,123,269</u>
Deferred Outflows		
Outflows relating to net pension and OPEB liabilities	<u>300,694</u>	<u>234,969</u>

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statements of Net Position, Concluded**  
**December 31, 2020 and 2019**

<b>Liabilities</b>	<u>2020</u>	<u>2019</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 149,018	\$ 144,003
Construction accounts payable	341,438	-
Customer deposits	264,881	254,557
Accrued liabilities	22,059	22,289
Accrued interest	97,664	93,995
Current maturities of long-term debt	247,000	238,500
Total Current Liabilities	<u>1,122,060</u>	<u>753,344</u>
<b>Long-term Liabilities</b>		
Accrued compensated absences	29,854	25,489
Long-term debt, less current maturities	8,436,132	7,559,173
Net OPEB liability	239,695	239,796
Net pension liability	<u>1,002,561</u>	<u>822,557</u>
Total Long-term Liabilities	<u>9,708,242</u>	<u>8,647,015</u>
 Total Liabilities	 <u>10,830,302</u>	 <u>9,400,359</u>
 Deferred Inflows		
Inflows relating to net pension and OPEB liabilities	<u>152,105</u>	<u>148,689</u>
 <b>Net Position</b>		
<b>Net Position</b>		
Invested in capital assets, net of related debt	8,037,831	7,715,618
Restricted for equipment replacement	468,766	427,211
Restricted for debt retirement	285,421	275,357
Unrestricted	<u>1,219,301</u>	<u>1,391,004</u>
 Total Net Position	 <u>\$ 10,011,319</u>	 <u>\$ 9,809,190</u>

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating revenues:</b>		
Residential water sales	\$ 3,147,019	\$ 3,080,651
Commercial water sales	154,114	196,758
Miscellaneous service revenues	<u>58,257</u>	<u>108,031</u>
Total operating revenues	<u>3,359,390</u>	<u>3,385,440</u>
<b>Operating expenses:</b>		
Water purchases	1,353,614	1,356,514
Utilities	93,618	77,643
Transmission and distribution expense	69,702	105,826
Meter readers	98,514	100,445
Office expense	70,545	61,820
Transportation expenses	25,507	26,282
Insurance	59,026	53,890
Directors' fees	11,550	12,000
Employees' salaries and wages	443,097	291,123
Employees' pensions and benefits	198,248	171,204
Actuarial pension and OPEB expense	117,594	74,307
Payroll taxes	37,895	33,423
Depreciation and amortization	501,394	446,529
PSC tax assessment	6,771	5,866
Professional fees	80,381	56,089
Bad debts	15,679	12,631
Miscellaneous	<u>30,428</u>	<u>32,585</u>
Total operating expenses	<u>3,213,563</u>	<u>2,918,177</u>
Operating income (loss)	<u>145,827</u>	<u>467,263</u>
<b>Non-operating revenue (expenses):</b>		
Rents from water property	16,351	15,480
Interest income	19,156	14,528
Interest expense on long-term debt	<u>(191,691)</u>	<u>(185,202)</u>
Total non-operating revenue (expenses)	<u>(156,184)</u>	<u>(155,194)</u>
Income/(loss) before capital contributions	<u>(10,357)</u>	<u>312,069</u>
<b>Capital contributions</b>		
Grant revenue	128,396	109,770
Tap fees	<u>84,090</u>	<u>114,735</u>
Total capital contributions	<u>212,486</u>	<u>224,505</u>
Increase (decrease) in net position	202,129	536,574
<b>Net position:</b>		
Beginning of year	<u>9,809,190</u>	<u>9,272,616</u>
End of year	<u>\$ 10,011,319</u>	<u>\$ 9,809,190</u>

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

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statement of Cash Flows**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 3,329,649	\$ 3,388,622
Cash payments to suppliers for goods and services	(1,936,519)	(1,907,850)
Cash payments to employees for services	(648,530)	(467,198)
Net cash provided by (used) in operating activities	<u>744,600</u>	<u>1,013,574</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal paid on long-term debt	(238,500)	(2,292,031)
Proceeds from debt	1,123,959	3,566,475
Interest paid on long-term debt	(188,022)	(167,014)
Additions to capital assets	(2,050,504)	(1,722,935)
Increase (decrease) in construction payable	341,438	(196,457)
(Increase) decrease in other receivable	(149,855)	-
Grant revenue	128,396	109,770
Tap fees	84,090	114,735
Net cash provided by (used) in financing activities	<u>(948,998)</u>	<u>(587,457)</u>
<b>Cash flows from investing activities:</b>		
Rental income	16,351	15,480
Interest income	19,156	14,528
Net cash provided by (used) in investing activities	<u>35,507</u>	<u>30,008</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(168,891)	456,125
Cash and cash equivalents, beginning of year	3,124,634	2,668,509
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,955,743</u></u>	<u><u>\$ 3,124,634</u></u>
<b>Reconciliation of operating income to</b>		
<b>net cash provided by operating activities:</b>		
Operating income (loss)	\$ 145,827	\$ 467,263
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	501,394	446,529
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(40,065)	(14,352)
(Increase) decrease in prepaid assets	376	(1,661)
(Increase) decrease in inventory	-	36,935
Increase (decrease) in actuarial pension/OPEB	117,594	74,307
Increase (decrease) in accounts payable	5,015	(23,274)
Increase (decrease) in customer deposits	10,324	17,534
Increase (decrease) in accrued liabilities	4,135	10,293
Net cash provided (used) by operating activities	<u><u>\$ 744,600</u></u>	<u><u>\$ 1,013,574</u></u>

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

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies**

Organization

The Western Pulaski County Water District was organized under KRS 74.010 to provide water service to the residents of Western Pulaski County. The District's commissioners are appointed by the Pulaski County Judge-Executive.

The District grants credit to customers, substantially all of whom are local residents and commercial businesses in Western Pulaski County.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the District's financial statements. The District is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Position.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The District adopted the provisions of Governmental Accounting Standards Board (GASB) No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components: (i) invested in capital position, net of related debt, (ii) restricted, and (iii) unrestricted.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Use of Restricted Funds

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.

Receivables

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of December 31, 2020 or 2019. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the years ending December 31, 2020 and 2019 was \$501,394 and \$446,529 respectively.

The estimated useful lives of capital assets are as follows:

Utility plant	40 - 62.5 years
Equipment	10 - 25 years

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value. The District has adopted no formal investment policy.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position.

Inventory

Inventory is valued at lower of cost or net realizable value, using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capital addition as inventory items are consumed.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded**

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Bond and Interest Redemption Fund

The ordinances authorizing the bond issues require monthly deposits of one-twelfth of the annual bond principal requirement and one-sixth of the semi-annual interest requirement. For the years ended December 31, 2020 and 2019 the District had complied with this requirement.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation Fund

The ordinances authorizing the various bond issues of the District require annual transfers of \$38,580 into a depreciation fund until the maximum requirement of \$394,740 is reached. These funds can be used for capital improvements, expansions and extraordinary repairs. For the years ended December 31, 2020 and 2019 the District had funds in excess of the required amount.

Compensated Absences

Full time employees with 1-3 years of service receive 1 week of paid vacation, 4-6 years, 2 weeks of vacation, 7-10 years, 3 weeks of vacation and 11 years or more, 4 weeks. Unused vacation time may be carried over from one calendar year to another with a maximum of 4 weeks accrued. Upon retirement or termination, employees are compensated for any currently accrued vacation pay.



**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 2 – Capital Assets**

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

<b>2020</b>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and rights	\$ 494,938	\$ -	\$ -	\$ 494,938
Construction in progress	-	1,728,979	-	1,728,979
<i>Total Non-Depreciable Capital Assets</i>	<u>494,938</u>	<u>1,728,979</u>	<u>-</u>	<u>2,223,917</u>
<i>Capital Assets being depreciated</i>				
Transmission and distribution lines	6,799,768	-	-	6,799,768
Line extensions	11,522,765	-	-	11,522,765
Meter installations	2,756,770	288,768	(60,800)	2,984,738
Services	568,482	-	-	568,482
Communication radios	9,106	-	-	9,106
Office equipment	219,633	3,957	-	223,590
Equipment and tools	80,308	-	-	80,308
Office building	255,572	-	-	255,572
Buildings	227,695	-	-	227,695
Distribution reservoir	1,262,945	-	-	1,262,945
Hydrants	20,147	-	-	20,147
Electric pumping equipment	1,114,042	-	-	1,114,042
Vehicles	423,131	28,800	-	451,931
<i>Total Depreciable Capital Assets</i>	<u>25,260,364</u>	<u>321,525</u>	<u>(60,800)</u>	<u>25,521,089</u>
Less: Accumulated depreciation	<u>(10,242,011)</u>	<u>(501,394)</u>	<u>60,800</u>	<u>(10,682,605)</u>
Total Net Capital Assets	<u>\$ 15,513,291</u>			<u>\$ 17,062,401</u>
<b>2019</b>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and rights	\$ 494,938	\$ -	\$ -	\$ 494,938
Construction in progress	806,005	-	(806,005)	-
<i>Total Non-Depreciable Capital Assets</i>	<u>1,300,943</u>	<u>-</u>	<u>(806,005)</u>	<u>494,938</u>
<i>Capital Assets being depreciated</i>				
Transmission and distribution lines	6,799,768	-	-	6,799,768
Line extensions	9,913,411	1,609,354	-	11,522,765
Meter installations	2,476,327	309,043	(28,600)	2,756,770
Services	568,482	-	-	568,482
Communication radios	9,106	-	-	9,106
Office equipment	207,799	11,834	-	219,633
Equipment and tools	80,308	-	-	80,308
Office building	255,572	-	-	255,572
Buildings	227,695	-	-	227,695
Distribution reservoir	1,262,945	-	-	1,262,945
Hydrants	20,147	-	-	20,147
Electric pumping equipment	533,133	580,909	-	1,114,042
Vehicles	405,331	17,800	-	423,131
<i>Total Depreciable Capital Assets</i>	<u>22,760,024</u>	<u>2,528,940</u>	<u>(28,600)</u>	<u>25,260,364</u>
Less: Accumulated depreciation	<u>(9,824,082)</u>	<u>(446,529)</u>	<u>28,600</u>	<u>(10,242,011)</u>
Total Net Capital Assets	<u>\$ 14,236,885</u>			<u>\$ 15,513,291</u>

**Capitalization of Interest:**

Interest costs incurred during construction are capitalized. Interest capitalized for the years ended December 31, 2020 and 2019 was \$25,555 and \$42,315 respectively.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 3 – Long-Term Debt**

Long-term debt consists of the following bonds payable at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Series 2002A Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$900,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	\$ 688,000	\$ 706,000
Series 2002B Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$550,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	418,000	429,000
Series 2010 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$911,000; due in annual installments on January 1, through 2049; interest rate of 2.25% due semi-annually on January 1 and July 1.	770,500	788,000
Series 2012E Water Revenue Bonds issued through Kentucky Rural Water Finance Corporation in the amount of \$2,080,000; (to refund Series 2001A and 2001B revenue bonds) due in annual installments on July 1, through 2035; interest rate of 2.2 - 3.7% due semi-annually on January 1 and July 1.	1,175,000	1,305,000
Series 2013 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$1,400,000; due in annual installments on January 1, through 2053; interest rate of 2.25% due semi-annually on January 1 and July 1.	1,276,000	1,302,000
Series 2018 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$2,225,000; due in annual installments on January 1, through 2057; interest rate of 2.50% due semi-annually on January 1 and July 1.	<u>2,189,000</u>	<u>2,225,000</u>
Total Bonds Payable:	<u>\$ 6,516,500</u>	<u>\$ 6,755,000</u>

Long-term debt consists of the following notes not yet finalized at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
KIA F16-003 Loan issued through Kentucky Infrastructure Authority of the Federally Assisted Drinking Water Revolving Loan Fund for Water System Improvements project not to exceed \$3,304,000; interest of 1.75% due monthly succeeding date of initial draw of funds. A loan servicing fee of .25% of the annual outstanding balance shall be payable as part of each interest payment. Principal payments due June 1 and December 1 upon final draw of loan funds.	\$ 2,166,632	\$ 1,042,673
Total Notes Payable:	<u>\$ 2,166,632</u>	<u>\$ 1,042,673</u>

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 3 – Long-Term Debt, Concluded**

Principal and interest maturities of long-term debt are as follows:

	Principal	Interest	Total
2021	\$ 247,000	\$ 187,559	\$ 434,559
2022	255,000	179,884	434,884
2023	259,000	171,934	430,934
2024	266,500	163,886	430,386
2025	281,500	155,558	437,058
2026-2030	898,500	680,209	1,578,709
2031-2035	1,053,500	529,194	1,582,694
2036-2040	934,500	367,833	1,302,333
2041-2045	842,000	226,609	1,068,609
2046-2050	740,500	133,292	873,792
2051-2055	563,500	53,094	616,594
2056-2057	175,000	4,388	179,388
	<u>\$ 6,516,500</u>	<u>\$ 2,853,440</u>	<u>\$ 9,369,940</u>

Long-term debt activity for the years ended December 31, 2020 and 2019 was as follows:

Debt	Balance January 1, 2020	Additions	Debt Payments and Reductions	Balance December 31, 2020	Amount Due within One Year
RD 2002A	\$ 706,000	\$ -	\$ (18,000)	\$ 688,000	\$ (19,000)
RD 2002B	429,000	-	(11,000)	418,000	(12,000)
RD 2010	788,000	-	(17,500)	770,500	(18,000)
KRWFC 2012E	1,305,000	-	(130,000)	1,175,000	(135,000)
RD 2013	1,302,000	-	(26,000)	1,276,000	(26,500)
KIA F16-003	1,042,673	1,123,959	-	2,166,632	-
RD 2019	2,225,000	-	(36,000)	2,189,000	(36,500)
	<u>\$ 7,797,673</u>	<u>\$ 1,123,959</u>	<u>\$ (238,500)</u>	<u>\$ 8,683,132</u>	<u>\$ (247,000)</u>

Debt	Balance January 1, 2019	Additions	Debt Payments and Reductions	Balance December 31, 2019	Amount Due within One Year
RD 2002A	\$ 724,000	\$ -	\$ (18,000)	\$ 706,000	\$ (18,000)
RD 2002B	440,000	-	(11,000)	429,000	(11,000)
RD 2010	805,000	-	(17,000)	788,000	(17,500)
KRWFC 2012E	1,430,000	-	(125,000)	1,305,000	(130,000)
RD 2013	1,327,500	-	(25,500)	1,302,000	(26,000)
KIA F16-003	1,042,673	-	-	1,042,673	-
RD 2019	-	2,225,000	-	2,225,000	(36,000)
CNB Interim Financing	754,056	1,341,475	(2,095,531)	-	-
	<u>\$ 6,523,229</u>	<u>\$ 3,566,475</u>	<u>\$ (2,292,031)</u>	<u>\$ 7,797,673</u>	<u>\$ (238,500)</u>

**Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The District performed calculations of excess investment earnings on various bonds and at December 31, 2020 and does not expect to incur a liability.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
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**Note 4 – Cash and Investments**

The carrying amount of the District's cash deposits was \$2,955,743 and \$3,124,634 for the years ending December 31, 2020 and 2019 respectively and the bank balance was \$2,994,457 and \$3,248,627. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank. All of the District's deposits were either insured by FDIC or by collateral pledged by the financial institution. The District does not have a formal investment policy.

**Note 5 – Risks and Uncertainties**

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) outbreak a pandemic. Consequently, governments have encouraged self-isolation to curtail the spread. Many industries are experiencing disruptions and the District's operations could be adversely affected, but the impact is not known at this point. Accordingly, management believes that a material impact on the District's financial position and results of operations is reasonably possible.

**Note 6 – Pension Plan**

Governments providing defined benefit pensions are required to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The District participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer retirement system administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). CERS is a defined benefit plan created by the Kentucky General Assembly. The Plan covers substantially all full-time employees. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching five years of service and are established by the state statute. Benefits of CERS members are calculated on the basis of age, final average salary, and service credit. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 6 – Pension Plan, Continued**

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at [www.kyret.ky.gov](http://www.kyret.ky.gov)

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's average rate of pay and any dependent child will receive 50% of the decedent's average rate of pay up to 75% for three dependent children. There have been on changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018." The total pension liability as of June 30, 2019 was determined using these updated assumptions.

Required contributions by the employee are based on the tier:

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

Employer contribution rates for CERS are determined by the KRS Board without further legislative review. The methods used to determine the employer contribution rates for KRS are specified in Kentucky Revised Statutes 61.565. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly. House Bill 362 was enacted in the 2018 legislative sessions that limits the annual increase in the CERS employer contribution over the prior fiscal year to 12% per year for the period July 1, 2018 to June 30, 2028, or until the full actuarial required contribution is met.

At December 31, 2020, the District reported a liability for its proportionate share of the net pension liability for CERS.

District's proportionate share of the CERS net pension liability	\$ 1,002,561
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The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was .014255%.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 6 – Pension Plan, Continued**

For the year ended December 31, 2020, the District recognized pension expense of \$212,184. 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
Difference between expected and actual experience in the measurement of the total pension liability	\$ 25,598	\$ 4,236
Net difference between projected and actual earnings on pension plan investments	19,245	35,407
Changes in assumptions	17,198	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,541	18,482
District contributions subsequent to the measurement date	85,044	-
	<u>\$ 191,626</u>	<u>\$ 58,125</u>

The 2020 CERS employer contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows related to pensions will be amortized and recognized in pension expense as follows:

Year Ended	Net Deferred Outflows (Inflows)
12/31/2021	\$ 32,086
12/31/2022	15,223
12/31/2023	1,148
12/31/2024	-
12/31/2025	-
	<u>\$ 48,457</u>

*Actuarial assumptions*—Prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30:

	<u>2019</u>
Inflation	2.30%
Projected salary increases	3.30% to 11.55%
Investment rate of return, net of investment expense and inflation	6.25%

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 6 – Pension Plan, Continued**

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

*Long term rate of return:* The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The following table presents the allocation and long-term expected return on plan assets:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	<u>100.0%</u>	

*Discount rate:* The discount rate used to measure the total pension liability was 6.25%.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 6 – Pension Plan, Concluded**

*Projected cash flows:* The projection of cash flows used to determine the discount rate assumed that plan employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year closed amortization period of the unfunded actuarial accrued liability.

*Municipal bond rate:* The discount rate determination does not use a municipal bond rate.

*Periods of projected benefit payments:* The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefits payments to determine the total pension liability for each system.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$1,253,919	\$1,002,561	\$793,056

*Pension plan fiduciary net position*—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CERS. The effect of the net pension liability on the District's net position has been determined on the same basis used by Kentucky Retirement Systems.

Non-hazardous plan members are required to contribute 5% of their annual creditable compensation. The Western Pulaski County Water District is required to contribute at actuarially determined rates. The pension contribution rate was 19.30% for the years ended June 30, 2020 and 2021 for non-hazardous employees' annual creditable compensation. The OPEB contribution rate was 4.76% for the years ended June 30, 2020 and 2021. The contribution requirements of the plan members of the Western Pulaski County Water District, are established and may be amended by the Board of Trustees of KRS.

For the year ended December 31, 2020, the District's total covered payroll was approximately \$440,000. The District contributed approximately \$85,000 for pension and \$21,000 for OPEB benefits and employees contributed approximately \$25,000 for pension and OPEB benefits.



**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 7 – Other Postemployment Benefits (OPEB)**

Kentucky Retirement Systems provides participants their proportionate share of the OPEB unfunded liability calculated by Gabriel, Roeder, Smith & Co (GRS) to be used in financial reports. KRS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Plan Description:* The Kentucky Retirement Systems' Insurance Fund is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, District, school board, and any additional eligible local agencies electing to participate.

*Benefits Provided:* The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. 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.

There have been no changes in actuarial assumptions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018." The total OPEB liability as of June 30, 2019 is determined using these updated provisions.

*Contributions:* The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290, 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 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.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 7 – Other Postemployment Benefits (OPEB), Continued**

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. See chart for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. 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:

<u>Dollar Contribution for Fiscal Year 2019</u>		<u>Portion Paid by Insurance Fund</u>	
For Member participation date on or after July 1, 2003		As of June 30, 2019	
<u>System</u>	<u>n whole dollars)</u>	<u>Years of service</u>	<u>% Paid by Insurance Fund</u>
KERS Non-hazardous	\$ 13.38	20+ years	100.00%
KERS Hazardous	\$ 20.07	15-19 years	75.00%
CERS Non-hazardous	\$ 13.38	10-14 years	50.00%
CERS Hazardous	\$ 20.07	4-9 years	25.00%
SPRS	\$ 20.07	Less than 4 years	0.00%

Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (24 years as of June 30, 2019) and the actuarial assumptions and methods adopted by the Board of Trustees. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The distributions from the retiree health insurance trust pay the employers' portion of the blended premiums, not the employers' portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

*OPEB Plan Fiduciary Net Position:* Detailed information about the Plan's fiduciary net position is available in the separately issued KRS financial statements.

At June 30, 2019, the District reported a liability of \$239,695 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, the District's proportionate share was .014251%.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 7 – Other Postemployment Benefits (OPEB), Continued**

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense of \$11,715 for the year ended December 31, 2020 and reported deferred inflows and deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the OPEB liability	\$ -	\$ 69,754
Net difference between projected and actual investment earnings on OPEB investments	1,579	12,225
Changes in assumptions and other inputs	70,928	474
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,153	11,527
District contributions subsequent to the measurement date of the OPEB liability	26,408	-
	<u>\$ 109,068</u>	<u>\$ 93,980</u>

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

Year Ended	Net Deferred Outflows/(Inflows)
12/31/2021	\$ (2,568)
12/31/2022	817
12/31/2023	(5,666)
12/31/2024	(3,592)
12/31/2025	(311)
Total	<u>\$ (11,320)</u>

*Actuarial Assumptions:* The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019 using generally accepted actuarial principles. The KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2018:

Assumed investment return	6.25%
Inflation factor	2.30%
Salary increases	3.30% to 11.55%

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 7 – Other Postemployment Benefits (OPEB), Continued**

Mortality rates were based on the RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females).

The long-term expected rate of return was determined by using a building-block method in which the best-estimate ranges of expected future real rate of 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 rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	

*Discount Rate:* The single discount rate of 5.68% for Non-hazardous employees was used to measure the total OPEB liability as of June 30, 2019. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 28, 2019. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS-Discount Rate	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	\$ 321,093	\$ 239,695	\$ 172,629

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 7 – Other Postemployment Benefits (OPEB), Concluded**

*Healthcare Trend Rate:* The initial trend rate for participants under 65 years of age starts at 7.25% at January 1, 2019 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. For those over 65 years of age the trend rate starts at 5.1% at January 1, 2019 and gradually decreases to an ultimate trend rate of 4.05% over a period of 11 years. The following table presents 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% lower or 1% higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Current Trend Rate</u>	<u>1% Increase</u>
Healthcare Cost Trent Rate	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	\$ 178,263	\$ 239,695	\$ 314,190

**Note 8 – Deferred Inflows/Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2020 the District reported deferred outflows related to the pension and OPEB liabilities in the amount of \$300,694.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2020 the District reported deferred inflows related to the pension and OPEB liabilities in the amount of \$152,105.

**Note 9 – Commitments**

The Water System Improvements and Replacements Project began in 2017. During 2020 the District began Phase II of the project related to the KY Highway 914 Bypass Transmission Main, which is expected to be completed during 2021. The Kentucky Infrastructure Authority granted approval of loan funds not to exceed \$3,304,000. As of December 31, 2020, the District had drawn \$2,166,632 of available KIA loan funds. The USDA Rural Development approved grant funds in the amount of \$854,000. As of December 31, 2020, the District had expended \$238,166 of the grant funds available for the project.

**Note 10 – Subsequent Events**

Management has evaluated subsequent events through May 6, 2021, the date which the financial statements were available to be issued.

## **Required Supplementary Information**

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**County Employees Retirement System**  
**Last Ten Fiscal Years as of December 31<sup>st</sup> \*\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's portion of the net pension liability	0.014255%	0.01351%	0.01441%	0.01207%	0.01152%	0.01198%
District's proportionate share of net pension liability	\$ 1,002,561	\$ 822,557	\$ 843,637	\$ 594,353	\$ 495,402	\$ 388,639
District's covered-employee payroll	\$ 440,000	\$ 373,000	\$ 337,000	\$ 345,000	\$ 340,000	\$ 260,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	227.85%	220.52%	250.34%	172.28%	145.71%	149.48%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

\*\* Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of the District's Pension Contributions**  
**County Employees Retirement System**  
**Last Ten Fiscal Years as of December 31<sup>st</sup> \*\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 85,044	\$ 65,969	\$ 52,091	\$ 65,000	\$ 62,000	\$ 46,000
Contributions in relation to the contractually required contribution	<u>(85,044)</u>	<u>(65,969)</u>	<u>(52,091)</u>	<u>(65,000)</u>	<u>(62,000)</u>	<u>(46,000)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 440,000	\$ 373,000	\$ 337,000	\$ 345,000	\$ 340,000	\$ 260,000
Contributions as a percentage of covered- employee payroll	19.33%	17.69%	15.46%	18.84%	18.24%	17.69%

\*\*Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.



**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**County Employees Retirement System**  
**Last Ten Fiscal Years as of December 31<sup>st</sup> \*\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's portion of the net OPEB liability	0.014251%	0.01351%	0.01441%
District's proportionate share of net OPEB liability	\$ 239,695	\$ 239,796	\$ 289,751
District's covered-employee payroll	\$ 440,000	\$ 373,000	\$ 337,000
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	54.48%	64.29%	85.98%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%

\*\* Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of the District's OPEB Contributions**  
**County Employees Retirement System**  
**Last Ten Fiscal Years as of December 31<sup>st</sup> \*\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 21,261	\$ 19,016	\$ 17,364
Contributions in relation to the contractually required contribution	<u>(21,261)</u>	<u>(19,016)</u>	<u>(17,364)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 440,000	 \$ 373,000	 \$ 337,000
 Contributions as a percentage of covered- employee payroll	 4.83%	 5.10%	 5.15%

\*\*Schedule is intended to show information for ten years.  
Additional years will be displayed as they become available.

## **Supplementary Information**

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and**  
**Change in Net Position – Budget and Actual**  
**For the Year Ended December 31, 2020**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues:</b>			
Water sales	\$ 3,450,000	\$ 3,301,133	\$ (148,867)
Miscellaneous service revenues	119,300	58,257	(61,043)
Total operating revenues	<u>3,569,300</u>	<u>3,359,390</u>	<u>(209,910)</u>
<b>Operating expenses:</b>			
Salaries and wages	455,400	454,647	753
Purchased water	1,424,400	1,353,614	70,786
Materials and supplies	333,000	140,247	192,753
Contractual services	177,400	178,895	(1,495)
Transportation	32,600	25,507	7,093
Insurance	160,200	59,026	101,174
Other expenses	247,740	500,233	(252,493)
Depreciation	525,000	501,394	23,606
Total operating expenses	<u>3,355,740</u>	<u>3,213,563</u>	<u>142,177</u>
Operating income	<u>213,560</u>	<u>145,827</u>	<u>(67,733)</u>
<b>Non-operating revenue (expenses):</b>			
Rents from water property	19,050	16,351	(2,699)
Interest income and other	19,050	19,156	106
Interest expense on long-term debt	(150,600)	(191,691)	(41,091)
Total non-operating revenue (expenses)	<u>(112,500)</u>	<u>(156,184)</u>	<u>(43,684)</u>
Income before capital contributions	<u>101,060</u>	<u>(10,357)</u>	<u>(111,417)</u>
<b>Capital contributions</b>			
Grant proceeds	50,000	128,396	78,396
Customer contributions	<u>50,000</u>	<u>84,090</u>	<u>34,090</u>
Total capital contributions	<u>100,000</u>	<u>212,486</u>	<u>112,486</u>
Increase/(Decrease) in net position	201,060	202,129	1,069
<b>Net position:</b>			
Beginning of year	<u>9,809,190</u>	<u>9,809,190</u>	<u>-</u>
End of year	<u>\$10,010,250</u>	<u>\$10,011,319</u>	<u>\$ 1,069</u>

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b><i>Drinking Water State Revolving Fund Cluster-Cluster</i></b>				
United States Environmental Protection Agency				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	-	-	\$ 708,858
Total Capitalization Grants for Drinking Water State Revolving Funds				<u>708,858</u>
Total United States Environmental Protection Agency				<u>708,858</u>
<b>Total Drinking Water State Revolving Fund Cluster-Cluster</b>				<u>708,858</u>
<b><i>Other Programs</i></b>				
United States Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities	10.760	-	-	<u>128,367</u>
Total Water and Waste Disposal Systems for Rural Communities				<u>128,367</u>
Total United States Department of Agriculture				<u>128,367</u>
<b>Total Other Programs</b>				<u>128,367</u>
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 837,225</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Western Pulaski County Water District under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cooperative it is not intended to and does not present the financial position, results of operations or cash flows of Western Pulaski County Water District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Western Pulaski County Water District has elected not to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2020**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with

GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                           Yes      X   No
- Significant deficiencies identified that are not considered to be material weaknesses?                           Yes      X   None reported
- Noncompliance material to financial statements noted?                           Yes      X   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?                           Yes      X   No
- Significant deficiencies identified that are not considered to be material weaknesses?                           Yes      X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                           Yes      X   No

Dollar threshold used to distinguish Between type A and type B programs:                    \$750,000

Auditee qualified as low-risk auditee?                           Yes      X   No

**Identification of Major Programs:**

**Federal Grantor/Program Title**

**CFDA Number**

***Drinking Water State Revolving Fund Cluster-Cluster***

United States Environmental Protection Agency  
Capitalization Grants for Drinking Water State  
Revolving Funds

66.468

**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule Findings and Questioned Costs, Concluded**  
**For the Year Ended December 31, 2020**

**II. FINANCIAL STATEMENT FINDINGS**

None reported.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**IV. NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

None reported.



**WESTERN PULASKI COUNTY WATER DISTRICT**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2020**

No prior year audit findings.



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

Western Pulaski County Water District  
Somerset, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Western Pulaski County Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Pulaski County Water District's major federal programs for the year ended December 31, 2020. Western Pulaski County Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Western Pulaski County Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Western Pulaski County Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Western Pulaski County Water District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Western Pulaski County Water District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### **Report on Internal Control over Compliance**

Management of Western Pulaski County Water District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Western Pulaski County Water District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western Pulaski County Water District's internal control over compliance.

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

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

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

*Campbell, Myers and Rutledge, PLLC*

Glasgow, Kentucky

May 6, 2021



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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

Board of Directors  
Western Pulaski County Water District  
Somerset, 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 Western Pulaski County Water District, as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements and have issued our report thereon dated May 6, 2021.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

May 6, 2021

