

**GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
GARRISON, KENTUCKY**

AUDITED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
GARRISON, KENTUCKY
Years Ended December 31, 2020 and 2019

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DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

131 E. ELECTRIC AVENUE
FLEMINGSBURG, KY 41041
(606)845-5210

550 W. FIRST ST., P.O. BOX 449
MOREHEAD, KY 40351
(606) 784-4451
(606) 784-8224 (FAX)

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Garrison-Quincy-KY-O-Heights Water District
Garrison, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Garrison-Quincy-KY-O-Heights Water District as of and for the year 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the Garrison-Quincy-KY-O-Heights Water District, as of December 31, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021 on our consideration of the Garrison-Quincy-KY-O-Heights 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 Garrison-Quincy-KY-O-Heights 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 Garrison-Quincy-KY-O-Heights Water District's internal control over financial reporting and compliance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

December 14, 2021

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31,

ASSETS & DEFERRED OUTFLOWS	2020	2019
Current Assets		
Cash	\$ 18,586	\$ 21,180
Accounts receivable		
Customers, net	94,913	90,700
Other		
Unbilled Receivables	32,498	28,392
Prepaid expenses	6,112	6,112
Inventory	14,311	21,960
	<u>166,420</u>	<u>168,344</u>
Restricted Assets		
Cash	87,524	92,788
	<u>87,524</u>	<u>92,788</u>
Fixed Assets		
Property, Plant & Equipment	12,034,175	12,026,907
Less accumulated depreciation	(3,311,435)	(3,132,366)
Construction-in-progress	-	-
	<u>8,722,739</u>	<u>8,894,541</u>
Deferred Outflow of Resources		
Deferred Outflow of Resources-OPEB	96,848	32,211
Deferred Outflow of Resources-Pension	124,865	116,298
	<u>221,713</u>	<u>148,509</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 9,198,396</u></u>	<u><u>\$ 9,304,182</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 13,334	\$ 9,807
Accrued wages and Benefits	3,667	3,298
Deferred Compensation	325	690
Compensated Absences	16,272	16,272
Customer deposits	9,284	9,256
Accrued Retirement	5,088	5,895
Taxes payable	2,259	2,081
Accrued interest payable	21,684	22,593
Current Portion of bonds payable	72,424	70,824
Total Current Liabilities	<u>144,337</u>	<u>140,716</u>
Noncurrent Liabilities		
Accrued OPEB Liabilities	229,613	161,285
Accrued Pension Liabilities	729,563	553,243
Bonds payable, net	1,680,978	1,755,001
Total Long-term Liabilities	<u>2,640,154</u>	<u>2,469,529</u>
Deferred Inflow of Resources		
Deferred Inflow of Resources-OPEB	38,819	30,619
Deferred Inflow of Resources-Pension	-	22,098
	<u>38,819</u>	<u>52,717</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>2,823,311</u>	<u>2,662,963</u>
Net Position		
Investment in Capital Assets, Net of Related Debt	6,969,337	7,068,716
Restricted Net Assets	87,524	92,788
Unrestricted Net Assets	(681,776)	(520,284)
TOTAL NET POSITION	<u><u>\$ 6,375,085</u></u>	<u><u>\$ 6,641,220</u></u>

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

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
PROPRIETARY FUND
for the years ended December 31,

	2020	2019
OPERATING INCOME		
Water sales	\$ 527,380	\$ 546,540
Sewer sales	136,033	141,531
Other revenue	<u>23,325</u>	<u>22,945</u>
Total operating income	<u>686,738</u>	<u>711,016</u>
OPERATING EXPENSES		
Water Expenses		
Advertising Expense	-	-
Bad Debt Expense	-	-
Bank Charges	1,344	732
Chemicals & Salt	14,199	13,705
Commissioners Salaries	8,100	8,100
Continuing Education	1,277	3,041
Dues and Subscriptions	3,058	2,169
Health Insurance	22,500	22,800
Materials and Supplies	50,855	39,498
Miscellaneous	2,152	3,718
Office Supplies	8,862	6,958
Outside Services	2,509	3,525
Other Utilities	3,985	4,275
Payroll Taxes	19,534	20,083
Phone	3,883	4,674
Postage	5,691	5,674
Professional Fees	11,545	20,877
Insurance	13,786	14,245
Repairs and Maintenance	6,171	3,973
Retirement	215,218	136,085
Salaries	198,015	191,934
Electric	33,761	36,766
Vehicle Expense	7,260	5,625
Water Purchased	43,618	42,506
Total Water Expenses	<u>677,324</u>	<u>590,962</u>
Sewer Expenses		
Electric	24,037	21,892
Materials and Supplies	18,585	20,478
Phone	877	998
Postage	2,160	2,432
Testing	10,605	10,700
Miscellaneous	1,658	2,222
Repairs and Maintenance	-	-
Truck Expense	-	-
Salaries and Wages	43,943	52,692
Total Sewer Expenses	<u>101,865</u>	<u>111,414</u>
Total operating expense	<u>779,189</u>	<u>702,376</u>
Operating income before depreciation	(92,451)	8,640
Depreciation expense-Water	(101,711)	(101,505)
Depreciation expense-Sewer	<u>(77,358)</u>	<u>(77,202)</u>
Total Depreciation Expense	(179,070)	(178,707)
OPERATING INCOME (LOSS)	(271,521)	(170,067)
Non-operating income (Expenses)		
Gain (Loss) on disposal of assets	-	-
Paycheck Protection Program-Forgiven	52,600	-
Bond Interest Reimbursement	2,521	5,094
Interest income	61	166
Interest expense	<u>(49,795)</u>	<u>(50,493)</u>
Total Non-Operating Income (Expense)	<u>5,386</u>	<u>(45,234)</u>
CHANGE IN NET POSITION	(266,135)	(215,301)
NET POSITION, BEGINNING OF YEAR	<u>6,641,220</u>	<u>6,856,479</u>
NET POSITION, END OF YEAR	<u>\$ 6,375,085</u>	<u>\$ 6,641,220</u>

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

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
for the years ended December 31,

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 682,524	\$ 710,915
Payments to Suppliers	(339,581)	(359,237)
Payments to Employees	(241,958)	(244,626)
Other Receipts (Payments)	<u>23,325</u>	<u>22,945</u>
Net Cash (Used) Provided by Operating Activities	124,310	129,996
CASH FLOW FROM INVESTING ACTIVITIES		
Reserve Funds	(5,264)	(51,176)
Interest Income	<u>61</u>	<u>166</u>
Net Cash (Used) Provided by Investing Activities	<u>(5,204)</u>	<u>(51,010)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds From Capital Debt	-	-
Principal Paid on Capital Debt	(72,423)	(70,605)
Purchases of Capital Assets	(7,268)	(7,356)
Bond Interest Reimbursement	2,521	5,094
Interest Paid on Capital Debt	<u>(49,795)</u>	<u>(50,493)</u>
Net cash (Used) Provided by Financing Activities	<u>(126,965)</u>	<u>(123,360)</u>
NET INCREASE (DECREASE) IN CASH	(7,858)	(44,374)
Cash and Cash Equivalents - At beginning of year	<u>113,968</u>	<u>158,342</u>
CASH AND CASH EQUIVALENTS - AT END OF YEAR	<u><u>\$ 106,109</u></u>	<u><u>\$ 113,968</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (271,521)	\$ (170,067)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	179,070	178,707
Change in Assets and Liabilities:		
Accounts Receivable, Net	(4,213)	(101)
Inventories	(7,649)	(1,554)
Prepaid Expense	(0)	-
Accounts Payable and Other Payables	228,228	122,962
Customer Deposits	28	28
Accrued Wages and Vacation	<u>369</u>	<u>21</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 124,310</u></u>	<u><u>\$ 129,996</u></u>

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

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES

The Garrison-Quincy-KY-O-Heights Water District was created and organized as a public body corporate in Garrison-Quincy-KY-O-Heights, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Garrison-Quincy-KY-O-Heights Fiscal Court to operate a water distribution system and wastewater services. The District is regulated by the Kentucky Public Service Commission.

The Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Garrison-Quincy-KY-O-Heights Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations. The entities included in the financial statements are the general operations of the District.

Based on the foregoing criteria there are no other organizations included in these financial statements.

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise 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/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources management focus. With the measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

Note 1: ORGANIZATION AND ACCOUNTING POLICIES

Basis of Accounting

The District maintains its accounting records on the accrual basis during the year. The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Inventory

Inventory is maintained at lower of cost or market.

Utility Plant

Utility Plant is stated at original cost. The cost of repairs and maintenance is charged to the proper expense account as incurred. Property replacements are capitalized and retirements are charged to the proper plant account and depreciation provision.

Depreciation

Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates on a straight-line basis determined by reference to Utility Standards Rates (NARUC). The provisions for depreciation in 2020 reflect those standard rates by asset class.

Unbilled Revenue

The District records revenue as billed to its customers on monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled.

Power Costs

The cost of power purchases for pumping water is charged to expense as used.

Income Tax Status

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statement includes no provision for income taxes.

Cash Flows

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

Net Position

Net position represents the difference between assets and liabilities in the statement of net assets. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. 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.

NOTE 2: RESTRICTIONS ON CASH

Restricted Cash Accounts

A. Customer Deposit Account

The District is required to maintain special deposit accounts for customer deposits.

B. Capital Equipment Account

The Capital Equipment Account is being maintained for the purposes of purchasing and maintaining equipment. The District deposits \$2,000 per month into the account.

C. Debt Service Reserve Accounts

Deposits into bond and Interest Sinking Fund Account are required to be made monthly in order to accumulate funds for payment of bond principle and interest. The KIA (Kentucky Infrastructure Authority) Loan Account is being maintained for the purposes of accounting for principal and interest payments on the KIA Loan.

D. Depreciation Reserve

The Depreciation Reserve Accounts are being maintained as required in various bond documents. The District was required to deposit \$280 per month into these accounts. The District had a total of \$16,531 in these accounts for the purpose of maintaining the water system. The required balance at December 31, 2020 is \$51,493. This reserve was underfunded by \$34,962.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2: RESTRICTIONS ON CASH (Continued)

The following is a listing of restricted cash accounts of the District:

Customer Deposit Account	\$ 9,283
Capital Equipment Account	5,325
Debt Service Accounts:	
Bond Sinking Fund Account	61,199
KIA Account Loan Account	4,469
Depreciation Reserve:	
Depreciation Account	6,505
Sewer Depreciation Account	10,025
Certificates of Deposit-	
Replacement Reserves	0
Depreciation Fund	<u>0</u>
Total Restricted Cash Accounts	<u>\$ 96,806</u>

NOTE 3: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does have a deposit policy for custodial credit risk. As of December 31, 2020, \$0 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank \$0

NOTE 4: COMPENSATED ABSENCES

It is the District's policy to permit its employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave because the District does not have a policy to pay any amounts when employees separate from service with the District. The unused vacation or annual leave is considered a vested benefit.

In recognition of the resulting obligation, the District has accrued a liability for earned but unused vacation leave and accrued compensation time, having determined that payment of such compensation is probable and having developed a reasonable estimate based upon current salary costs, annual leave, and compensation time amounts as of December 31, 2020. The liability for compensated absences at December 31, 2020 was \$16,272.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 5: LONG-TERM DEBT

A. Waterworks Revenue Series A and Series B 1987

On April 22, 1987, the District entered into an agreement with Rural Development to issue \$300,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvements to the existing waterworks system of the District. The Waterworks System Bond Issue consisted of Series A and B bonds.

Series A was issued in the amount of \$250,000 and Series B, in the amount of \$50,000. Semiannual interest payments at a rate of 6.375% for Series A and 5.875% for Series B are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2020 the principal balance outstanding was \$106,000 on Series A and \$18,600 on Series B. Debt Service requirements for year ending December 31, 2020, and thereafter is as follows:

Waterworks Revenue Bond Series A 1987:

Year Ended December 31	Principal	Interest and Fees
2021	12,000	6,375
2022	13,000	5,578
2023	14,000	4,718
2024	15,000	3,793
2025	16,000	2,805
2026	17,000	1,753
2027	19,000	606
	106,000	25,628

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 5: LONG-TERM DEBT (Continued)

Waterworks Revenue Bond Series B 1987:

Year Ended December 31	Principal	Interest and Fees
2021	2,200	1,028
2022	2,300	896
2023	2,500	755
2024	2,600	605
2025	2,800	447
2026	3,000	276
2027	3,200	94
	18,600	4,101

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

B. Waterworks Revenue Series 1996

On August 5, 1996, the District entered into an agreement with Rural Development to issue \$295,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvement to the existing waterworks system of the District. Semiannual interest payments at a rate of 4.5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2020, the principal balance outstanding was \$184,500. Debt Service requirements for year ending December 31, 2020, and thereafter is as follows:

Waterworks Revenue Series 1996

Year Ended December 31	Principal	Interest and Fees
2021	8,000	8,123
2022	8,500	7,751
2023	8,500	7,369
2024	9,500	6,964
2025	9,500	6,536
2026-2030	55,000	25,650
2031-2035	70,000	11,723
2036-2036	15,500	349
	184,500	74,464

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

C. Waterworks Revenue Series 2002

On June 3, 2002, the District entered into an agreement with Rural Development to issue \$356,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction extensions, additions, and improvements to the existing waterworks system of the District.

Semiannual interest payments at a rate of 4.5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2019, the principal balance outstanding was \$278,000. Debt Service requirements for year ending December 31, 2020, and thereafter is as follows:

Waterworks Revenue Series 2002

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest and Fees</u>
2021	8,000	12,015
2022	8,000	11,655
2023	8,000	11,295
2024	9,000	10,913
2025	9,000	10,508
2026-2030	51,000	46,013
2031-2035	64,000	33,075
2036-2040	80,000	16,920
2041-2042	34,000	1,485
	<u>271,000</u>	<u>153,878</u>

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

D. Waterworks Revenue Series 2010

On May 10, 2010, the District entered into an agreement with Rural Development to issue \$798,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvement to the existing waterworks system of the District. Semiannual interest payments at a rate of 2.25% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2020, the principal balance outstanding was \$673,000. Debt Service requirements for year ending December 31, 2020, and thereafter is as follows:

Waterworks Revenue Series 2010

Year Ended December 31	Principal	Interest and Fees
2021	16,000	14,963
2022	16,000	14,603
2023	16,500	14,237
2024	17,000	13,860
2025	17,500	13,472
2026-2030	95,000	61,144
2031-2035	107,500	49,753
2036-2040	123,000	36,810
2041-2045	139,500	22,078
2046-2049	125,000	5,704
<hr/>		
\$	673,000	246,623

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

E. KIA Assistance Loan

On April 1, 2015, the District entered into construction loan agreement with the Kentucky Infrastructure Authority (KIA) to finance upgrades to be made to the District's processing plant in the amount of \$821,721. The loan also included principal forgiveness in the amount of \$205,430 to be given the first two years of the agreement. Semiannual principal and interest payments are required beginning June 1, 2017. Interest is calculated at a rate of .75% for the term of the loan. As of December 31, 2020, the principal balance outstanding was \$500,302.

KIA Assistance Loan

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest and Fees</u>
2021	29,544	4,929
2022	29,766	4,633
2023	29,990	4,335
2024	30,215	4,035
2025	30,442	3,732
2026-2030	155,776	14,039
2031-2035	161,614	6,122
2036-2036	32,955	248
	<hr/>	<hr/>
	500,302	42,073

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

F. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Proprietary Activities:</u>					
Revenue Bonds	1,296,200	-	43,100	1,253,100	43,100
Loans Payable	529,625	-	29,324	500,302	29,324
Proprietary Activities					
Long-Term Liabilities	1,825,825	-	70,605	1,753,402	72,425

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 6: RETIREMENT PLAN

The Garrison-Quincey-Ky-O-Heights Water District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description- CERS is a cost-sharing multiple- employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. 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 (COLA) adjustments are provided at the discretion of state legislature.

Contributions- For the year ended December 31, 2020, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actual valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended December 31, 2020, participating employers contributed 24.06%, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trust. The insurance trust is more fully described in Note 8. Plan members contributed 16.22% to the pension trust through June 30th and 19.30%, thereafter for non-hazardous job classifications for the year ended December 31, 2020. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. 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. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set of percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended December 31, 2020, the District contributed \$57,672 or 100% of the required contribution for non-hazardous job classifications. Benefits- CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 6: RETIREMENT PLAN (CONTINUED)

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 of 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 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 to 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 to 87+
	Reduced Retirement	Not Available

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 hires date multiplied by the average of the highest 5 years' earnings. Reduced benefits are based on factors of both of these components. 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 25% of the decedent's monthly final rate of pay and any dependent children will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for non-service-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At December 31, 2020, the District reported a liability of \$729,563 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 and was rolled forward using generally accepted actuarial procedures. The District proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the District's proportion was .00951 percent, which was a increase of .00036 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized pension expense of \$1112,042. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 6: RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 18,193	\$ -
Changes of Assumptions	28,488	-
Net difference between projected and actual earnings on Plan Investments	18,256	-
Changes in proportion and differences between District contributions and proportionate share of contributions	19,295	
District contributions subsequent to the measurement date	23,512	-
Total	\$ 107,744	\$ -

The \$23,512 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2021	\$ 39,188
2022	\$ 27,781
2023	\$ 9,929
2024	\$ 7,333

Actuarial Assumptions- The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, projected 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 2019. 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 actuarial assumption used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranged 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:

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 6: RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.25%

Discount Rate- The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute funds as required by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate- The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, 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 percent) or 1- percentage- point higher (7.25 percent) than the current rate:

	Discount rate	District's proportionate share of net pension liability
1% decrease	5.25%	\$899,709
Current discount rate	6.25%	\$729,563
1% increase	7.25%	\$588,674

Payable to the Pension Plan- The district reported a payable of \$5,088.24 as of December 31, 2020, for the outstanding amount of contributions to the pension plan required for the year then ended. The payable includes both the pension and insurance contribution allocation.

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description- As more fully described in Note 7, the District participates in the County Employees' Retirement System (CERS). CERS is a cost sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions- As more fully described in Note 7, plan members contribute to CERS for non-hazardous job classifications. For the year ended December 31, 2020, the employer's contribution was 5.26% through June 30th and 4.76% thereafter to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended December 31, 2020, the District contributed \$11,597, or 100% of the required contribution for non-hazardous job classifications.

Benefits- CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

	Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
annually	Tier 1	Participation date Insurance Eligibility Benefit	Before September 1, 2008 but after July 1, 2003 15 years of service credit required Set dollar amount based on service credit accrued, increased
annually	Tier 2	Participation date Insurance Eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased
annually	Tier 3	Participation date Insurance Eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At December 31, 2020, the District reported a liability for its proportionate share of the net OPEB liability of \$229,613. 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 and was rolled forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2020 was .009509% percent, which was an increase of .00036 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized OPEB expense of \$31,099. 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
Differences between expected and actual results	\$ 38,364	\$ 38,394
Changes of Assumptions	39,939	243
Net difference between projected and actual earnings on Plan Investments	7,632	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,114	182
District contributions subsequent to the measurement date	5,799	-
Total	\$ 96,848	\$ 38,819

The \$5,799 of deferred outflows of resources 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. This includes an adjustment of \$5,635 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

	Year ending December 31,	
2021	\$	13,812
2022	\$	16,070
2023	\$	11,741
2024	\$	11,142
2025	\$	(534)

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

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Non-hazardous

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS Non-Hazardous and Hazardous, and 0.0% for KERS Non-Hazardous and Hazardous
Salary increases	3.30% to 10.30%, varies by service for CERS Non-Hazardous; 3.55% To 19.05%, varies by service for CERS Hazardous; 3.30% to 15.30%, Varies by service for KERS Non-Hazardous; and, 3.55% to 20.05%, Varies by service for KERS Hazardous
Investment rate of return	6.25%
Healthcare 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
Post-65	Initial trend starting at 2.9% 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.

The mortality table used for active members was a Pub-2010 General Mortality table, projected 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 actuarial assumption used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013- June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

The long-term expected rate of return was determined by using a building-block method in which 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:

**GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2020 and 2019

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/ High Yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.25%

Discount Rate- the discount rate used to measure the total OPEB liability was 5.34% for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2020, the discount rate determination used an expected rate of return 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 30, 2020, the discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not 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 trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate- The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate 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 or 1-percentage- point higher than the current rate:

	Discount rate	Proportionate share of net OPEB liability
1% decrease	4.34%	\$294,986
Current discount rate	5.34%	\$229,613
1% increase	6.34%	\$175,921

GARRISON-QUINCEY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the District's Proportionate Share of the NET OPEB Liability to Changes in the Healthcare Cost Trend Rate- The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate share of net OPEB liability
1% decrease	\$294,986
Current trend rate	\$229,613
1% increase	\$175,921

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

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the district also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage. The District is a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

NOTE 9: CONTINGENCIES

The District had elected to be recognized as a reimbursing employer for state unemployment compensation purposes. Accordingly, the District will become liable for direct payment of unemployment benefits as they become due.

NOTE 10: COVID-19 PANDEMIC

During 2020 and 2021, various restrictions were placed on utilities in the state of Kentucky in response to the COVID-19 pandemic. These restrictions included the cessation of utility shutoffs and the charging of penalties due to nonpayment of bills. As a result of these orders and the impact of COVID-19 on the District's customers, there has been an increase in delinquent billings as of December 31, 2020. The District is working to establish payment plans with customers who have delinquent bills in an attempt to ensure continuous service and the collection of past due balances. The district has a balance of \$68,726 in the allowance for doubtful account as of December 31, 2020, as an estimate of the total amount of accounts receivable that will not be collectible.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of this report and nothing came to attention that should be disclosed.

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Proprietary Activities:</u>				
Capital Assets Not Being Depreciated:				
Land & Easements - Water Distribution	\$ 261,788	\$	\$	\$ 261,788
Land & Easements - Sewer Processing	50,000	-	-	50,000
Total Capital Assets Not Being Depreciated	311,788	-	-	311,788
Capital Assets, Being Depreciated:				
Buildings - Water Distribution	380,866	7,250		388,116
Buildings - Sewer Processing	1,151,175			1,151,175
Wells, Springs, & Reservoirs	1,001,151	-		1,001,151
Pumping Equipment	170,069			170,069
Transmission & Distribution	4,225,539			4,225,539
Water Treatment	542,810			542,810
Sewer Lines	4,100,000			4,100,000
Vehicles & Heavy Equipment	113,229			113,229
Office, Tools, & Other Equipment	30,155	-	-	30,155
Total Capital Assets Being Depreciated	11,714,994	7,250	-	11,722,245
Less Accumulated Depreciation For:				
Buildings - Water Distribution	(247,522)	(8,673)		(256,195)
Buildings - Sewer Processing	(207,034)	(23,034)		(230,068)
Wells, Springs, & Reservoirs	(155,370)	(22,248)		(177,618)
Pumping Equipment	(167,840)	(279)		(168,119)
Transmission & Distribution	(1,194,670)	(65,008)		(1,259,678)
Water Treatment	(542,810)	-		(542,810)
Sewer Lines	(491,996)	(54,667)		(546,663)
Vehicles & Heavy Equipment	(101,830)	(4,269)		(106,099)
Office, Tools, & Other Equipment	(23,294)	(892)		(24,186)
Total Accumulated Depreciation	(3,132,366)	(179,069)	-	(3,311,436)
Total Capital Assets, Being Depreciated, Net	8,582,628	(171,819)	-	8,410,809
Proprietary Activities Capital Assets, Net	\$ 8,894,416	\$ (171,819)	\$ 0	\$ 8,722,597

Proprietary Activities:

Proprietary Activities	179,069
Total Depreciation Expense - Proprietary Activities	\$ 179,069

SOI: Referenced

REQUIRED SUPPLEMENTAL INFORMATION

**GARRISON-QUINCEY-KY-O-HEIGHT WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
Last Six Calendar Years

	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.09380%	0.00974%	0.00974%	0.00908%	0.00915%	0.00951%
District's proportionate share of the net pension liability (asset)	\$294,000	\$403,216	\$479,531	\$527,559	\$643,453	\$729,563
District's covered employee payroll	\$234,905	\$232,145	\$229,556	\$226,292	\$238,633	\$235,837
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	125.16%	173.69%	208.89%	233.13%	269.64%	309.35%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2020 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

The above schedule will present 10 years of historical date, once available.

GARRISON -QUINCEY-KY-O-HEIGHTS WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS-PENSION
Last Seven Calendar Years

	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 28,566.00	\$ 2,800.00	\$ 27,898.00	\$ 27,670.00	\$ 30,611.00	\$ 37,430.00	\$ 47,023.00
Contributions relative to contractually required employer contribution	\$ 28,566.00	\$ 2,800.00	\$ 27,898.00	\$ 27,670.00	\$ 30,611.00	\$ 37,430.00	\$ 47,023.00
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered employee payroll	\$ 201,284.00	\$221,661.00	\$220,216.00	\$229,556.00	\$226,293.00	\$238,633.00	\$235,837.00
Plan fiduciary net position as a percentage of the total pension liability	14.19%	1.26%	12.67%	12.05%	13.53%	15.69%	19.94%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2020 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS.
The above contributions only include those contributions allocated directly to the CERS pension fund.

The measurement date of the net pension liability is 6 months preceding the calendar year of the District.

The District's covered payroll reported above is payroll for the District's corresponding calendar year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Four Calendar Years

	2017	2018	2019	2020
District's proportion of the net OPEB liability	0.00000%	0.00901%	0.00915%	0.00951%
District's proportionate share of the net OPEB liability (asset)	\$ 142,122.00	\$181,192.00	\$153,832.00	\$ 229,613.00
District's covered employee payroll	\$ 229,556.00	\$226,293.00	\$238,633.00	\$ 235,837.00
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	61.91%	80.07%	64.46%	97.36%
Plan fiduciary net position as a percentage of the total OPEB liability.	52.39%	57.62%	60.44%	51.67%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2020 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the District's calendar year payroll, reported on the Schedule of Contributions.

The measurement date of the net OPEB liability is 6 months preceding the calendar year of the District.

RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS- OPEB
Last Seven Calendar Years

	2014	2015	2016	2017	2018	2019	2020
Contractually required employer contribution	\$ 9,200.00	\$ 9,988.00	\$ 9,884.00	\$ 10,302.00	\$ 10,379.00	\$ 10,592.00	\$ 12,138.00
Contributions relative to contractually required employer contribution	\$ 9,200.00	\$ 9,988.00	\$ 9,884.00	\$ 10,302.00	\$ 10,379.00	\$ 10,592.00	\$ 12,138.00
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered employee payroll	\$ 201,284.00	\$221,661.00	\$220,216.00	\$ 229,556.00	\$ 226,293.00	\$238,633.00	\$ 235,837.00
Employer contributions as a percentage of covered-employee payroll	4.57%	4.51%	4.49%	4.49%	4.59%	4.44%	5.15%

Notes:

There was no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2020 valuation:

The assumed rate of salary increases were increased from 3.05%, to 3.3% to 10.3%, on average.

The District's covered payroll reported above is payroll for the District's corresponding calendar year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

131 E. ELECTRIC AVENUE
FLEMINGSBURG, KY 41041
(606)845-5210

550 W. FIRST ST., P.O. BOX 449
MOREHEAD, KY 40351
(606) 784-4451
(606) 784-8224 (FAX)

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

To the Board of Commissioners
Garrison-Quincy-KY-O-Heights Water District

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 Garrison-Quincy-KY-O-Heights Water District as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Garrison-Quincy-KY-O-Heights Water District, Kentucky's basic financial statements and have issued our report thereon dated December 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Garrison-Quincy-KY-O-Heights Water District, Kentucky'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 Garrison-Quincy-KY-O-Heights Water District, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garrison-Quincy-KY-O-Heights Water District, Kentucky'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 Garrison-Quincy-KY-O-Heights Water District, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

December 14, 2021