

**RATTLESNAKE RIDGE WATER DISTRICT
GRAYSON, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018**

RATTLESNAKE RIDGE WATER DISTRICT
 GRAYSON, KENTUCKY
 Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Grayson, Kentucky 41143

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Rattlesnake Ridge Water District, Kentucky as of and for the year ended December 31, 2019 and December 31, 2018, 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 Rattlesnake Ridge Water District, Kentucky, as of December 31, 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 Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rattlesnake Ridge Water District's basic financial statements. The accompanying 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2020, on our consideration of the Rattlesnake Ridge 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 Rattlesnake Ridge Water District, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rattlesnake Ridge Water District, Kentucky's internal control over financial reporting and compliance.

Donna J. Hendrix, CPA

Morehead, Kentucky
September 1, 2020

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31,

ASSETS AND DEFERRED OUTFLOWS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 190,428	\$ 198,249
Cash and Cash Equivalents - Restricted	669,320	257,644
Accounts receivable		
Customers, net	227,618	188,097
Other	-	-
Unbilled Revenue Receivable	92,821	64,929
KRWFC Sinking Fund	52,061	57,287
Inventory	23,459	12,610
Prepaid Expenses	<u>1,100</u>	<u>1,100</u>
TOTAL CURRENT ASSETS	<u>1,256,808</u>	<u>779,916</u>
PROPERTY, PLANT AND EQUIPMENT		
Nondepreciated Capital Assets:		
Land	16,558	16,558
Construction In Progress	3,542,629	448,077
Depreciated Capital Assets:		
Utility Plant in Service	36,049,375	36,049,375
Buildings	106,905	95,678
Other Depreciable Equipment	344,378	277,670
Less: Accumulated Depreciation	<u>(16,918,763)</u>	<u>(15,940,181)</u>
NET PROPERTY, PLANT AND EQUIPMENT	<u>23,141,082</u>	<u>20,947,176</u>
Deferred Outflow of Resources-Pension	382,683	419,791
Deferred Outflow of Resources-OPEB	<u>94,343</u>	<u>100,609</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$24,874,916</u>	<u>\$ 22,247,492</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 31,747	\$ 17,189
Accrued Taxes and Benefits	36,792	16,618
Accrued Interest	22,150	22,150
Accrued Wages and Sick Pay	24,436	24,436
Customer deposits	115,163	86,679
Short-term Note Payable KRWFC	-	-
Current Portion of Long-Term Debt	<u>262,000</u>	<u>45,000</u>
TOTAL CURRENT LIABILITIES	492,289	212,072
NONCURRENT LIABILITIES		
Notes Payable	139,468	133,928
Accrued OPEB	407,775	441,049
Accrued pension	1,398,821	1,284,157
Bonds payable	<u>9,158,100</u>	<u>7,390,953</u>
TOTAL NONCURRENT LIABILITIES	<u>11,104,164</u>	<u>9,250,087</u>
Deferred Inflow of Resources-OPEB	77,380	23,092
Deferred Inflow of Resources-Pension	<u>43,715</u>	<u>71,329</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>11,717,547</u>	<u>9,556,581</u>
NET POSITION		
Investment in Capital Assets	13,581,514	13,377,295
Restricted for:		
Capital Projects and Replacement	278,491	227,756
Debt Service	389,794	2,111
Unrestricted	<u>(1,092,431)</u>	<u>(916,253)</u>
TOTAL NET POSITION	<u>\$13,157,368</u>	<u>\$ 12,690,910</u>

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

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
PROPRIETARY FUND
for the years ended December 31,

	2019	2018
OPERATING REVENUES		
Water sales	\$ 2,687,920	\$ 2,400,686
Service Charges and Other Revenue	<u>3,680</u>	<u>17,955</u>
Total operating Revenues	<u>2,691,600</u>	<u>2,418,641</u>
OPERATING EXPENSES		
Salaries & Wages	667,296	634,111
Employee Benefits	544,657	499,794
Office Supplies	32,630	42,157
Accounting and Legal	31,676	26,514
Materials & Supplies	314,934	339,299
Utilities and Telephone	333,355	318,661
Insurance	45,959	51,343
Vehicle Expense	35,332	41,444
Testing Expense	26,159	27,659
Depreciation and Amortization	978,582	971,528
Bad Debt Expense	49,363	22,245
Miscellaneous Expense	4,462	711
Taxes Other than Income	<u>89,823</u>	<u>44,516</u>
Total operating expense	<u>3,154,229</u>	<u>3,019,982</u>
OPERATING INCOME (LOSS)	(462,628)	(601,340)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,611	833
Interest expense	(129,152)	(264,705)
DOT project flow through expense	-	-
DOT project flow through income	-	-
Gain on Sale of Assets	-	-
Net Non-Operating Revenues (Expenses)	<u>(127,540)</u>	<u>(263,872)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(590,169)	(865,213)
Capital Grants-CDBG	759,109	14,000
Capital Grants-RD	278,369	-
Customer Tap Fees	<u>19,150</u>	<u>33,600</u>
CHANGE IN NET POSITION	<u>466,459</u>	<u>(817,613)</u>
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	<u>12,690,910</u>	<u>13,826,436</u>
EFFECT OF ADOPTION OF GASB 75	-	(317,913)
NET POSITION, BEGINNING OF YEAR RESTATED	<u>12,690,910</u>	<u>13,508,523</u>
NET POSITION, END OF YEAR	<u>\$ 13,157,368</u>	<u>\$ 12,690,910</u>

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

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
for the years ended December 31,

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 2,731,122	\$ 2,432,275
Payments to Suppliers	(797,918)	(801,559)
Payments to Employees	<u>(1,211,953)</u>	<u>(1,133,905)</u>
Net Cash (Used) Provided by Operating Activities	721,249	496,810
CASH FLOW FROM INVESTING ACTIVITIES		
KRWFC Sinking Fund	(5,226)	4,670
Interest Income	<u>1,611</u>	<u>833</u>
Net Cash (Used) Provided by Investing Activities	<u>(3,615)</u>	<u>5,503</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Proceeds	2,033,986	460,853
Principal Paid on Capital Debt	(102,755)	(226,500)
Purchases of Capital Assets	(3,172,487)	(433,607)
Contributed Capital-Tap Fees	19,150	33,600
Contributed Capital-Grants	1,037,478	14,000
Interest Paid on Capital Debt	<u>(129,152)</u>	<u>(264,705)</u>
Net Cash Provided by (Used in) Capital and Financing Activities	<u>(313,779)</u>	<u>(416,359)</u>
 NET INCREASE (DECREASE) IN CASH	 403,855	 85,954
Cash and Cash Equivalents - At beginning of year	<u>455,893</u>	<u>369,939</u>
CASH AND CASH EQUIVALENTS - AT END OF YEAR	<u><u>\$ 859,748</u></u>	<u><u>\$ 455,893</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (462,628)	\$ (601,340)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense and Amortization Expense	978,582	971,528
Change in Assets and Liabilities:		
Accounts Receivable, Net	(67,413)	423
Accounts Payable and Other Payables	233,376	100,283
Inventories	10,849	-
Prepaid Expense	-	-
Customer Deposits	<u>28,484</u>	<u>25,917</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 721,249</u></u>	<u><u>\$ 496,810</u></u>

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

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES

The Rattlesnake Ridge Water District (District) is a water utility which serves areas of Carter, Elliot, Lawrence, and Morgan Counties. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created in November, 1961. The District began operations in 1983. The District is subject to the regulatory authority of the Kentucky Public Service Commission pursuant to KRS 278.040.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

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 Rattlesnake Ridge 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.

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 financial statements of the District are prepared using the economic resources measurement focus for the proprietary fund financial statements.

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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.

Fixed Assets

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates determined by reference to Utility Standards Rates (NARUC). Asset lives range from:

<u>Class</u>	<u>Life</u>
Lines and tanks	40 years
Building	31.5 years
Pumps	10 years
Equipment	5-7 years

The District's capitalization policy is to capitalize expenditures costing more than \$500 with an estimated useful life greater than one year. All other fixed assets are expensed.

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 include 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.

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018**

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: RESTRICTED CASH AND CASH EQUIVALENT

The District's restricted cash is composed of the following:

	<u>2019</u>	<u>2018</u>
Construction Accounts	\$ 1,035	\$27,777
Capital Improvement Account	-	-
Bond and Interest Sinking Fund	389,794	2,111
Depreciation Fund	<u>278,491</u>	<u>227,756</u>
TOTAL	<u>\$669,320</u>	<u>\$ 257,644</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, 2019, \$608,505 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and no collateral held by pledging bank \$608,505

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 4: FIXED ASSETS

Capital asset activity for the fiscal year ended December 31, 2019 was as follows:

Business-Type Activities	Balance Jan. 1, 2019	Additions	Deductions	Balance Dec. 31, 2019
Cost:				
Land	\$ 16,558	\$ -	\$ -	\$ 16,558
Utility Plant	10,843,860	-	-	10,843,860
Water System	24,969,683	-	-	24,969,683
Buildings	95,678	-	-	95,678
Equipment	177,871	77,936	-	255,807
Other Depreciable Assets	335,629	-	-	335,629
Construction in Progress	448,077	3,094,552	-	3,542,629
Totals at historical cost	<u>36,887,356</u>	<u>3,172,488</u>	-	<u>40,059,844</u>
Less accumulated depreciation:				
Plant in Service	15,154,825	773,080	-	15,927,905
Other Depreciable Assets	785,354	205,502	-	990,856
Total accumulated Depreciation	<u>15,940,181</u>	<u>978,582</u>	-	<u>16,918,765</u>
Business-Type Activities Capital Assets - Net	<u>\$ 20,947,175</u>	<u>\$ 2,193,906</u>	<u>\$ -</u>	<u>\$ 23,141,079</u>

Capital asset activity for the fiscal year ended December 31, 2018 was as follows:

Business-Type Activities	Balance Jan. 1, 2018	Additions	Deductions	Balance Dec. 31, 2018
Cost:				
Land	\$ 16,558	\$ -	\$ -	\$ 16,558
Utility Plant	10,843,860	-	-	10,843,860
Water System	24,969,683	-	-	24,969,683
Buildings	95,678	-	-	95,678
Equipment	177,871	-	-	177,871
Other Depreciable Assets	278,830	56,799	-	335,629
Construction in Progress	71,270	376,807	-	448,077
Totals at historical cost	<u>36,453,750</u>	<u>433,606</u>	-	<u>36,887,356</u>
Less accumulated depreciation:				
Plant in Service	14,384,403	770,422	-	15,154,825
Other Depreciable Assets	584,248	201,106	-	785,354
Total accumulated Depreciation	<u>14,968,985</u>	<u>971,528</u>	-	<u>15,940,181</u>
Business-Type Activities Capital Assets - Net	<u>21,484,766</u>	<u>(537,922)</u>	<u>-</u>	<u>20,947,175</u>

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018**

NOTE 5: LONG-TERM DEBT (Continued)

The following is a summary of Notes Payable for the year ended December 31, 2019:

	<u>Outstanding December 31, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
KADD Lease 3%-5.3%, Total 135,000 dated 4/14/05, due in semi-annual installments, maturity 05/01/25	70,000	-	10,000	60,000
Corp of Engineers 6.625%, Dated 05/21/84 Maturity: 30 years	<u>63,928</u>	<u>0</u>	<u>2,755</u>	<u>61,172</u>
TOTAL NOTES PAYABLE	\$ 133,928	\$ -	\$ 12,755	\$ 121,172
Less Current Maturities				<u>12,938</u>
TOTAL				<u>\$ 108,234</u>

The following is a schedule of long-term det maturities:

	Principal	Interest
2020	12,938	5,559
2021	13,132	4,835
2022	13,340	4,097
2023	13,561	3,346
2024	13,797	2,530
2025	14,048	1,799
2026-2030	40,196	1,255
	<u>121,172</u>	<u>25,423</u>

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5: LONG-TERM DEBT

The following is a summary of revenue bonds payable for the year ended December 31, 2019. The revenues of the District are pledged as collateral for the following debt:

	<u>Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
1989 Series	5.00%	\$ 195,000	1/1/28	\$ 82,000	-	-	\$ 82,000
1992 Series	5.00%	365,000	1/1/31	190,500	-	-	190,500
1994 Series A	4.50%	434,000	1/1/34	264,000	-	-	264,000
1994 Series B	4.50%	197,000	1/1/34	116,500	-	-	116,500
1995 Series A	4.50%	445,000	1/1/35	275,000	-	-	275,000
1995 Series B	4.50%	100,000	1/1/35	62,500	-	-	62,500
2000 Series A	4.50%	900,000	1/1/40	676,000	-	-	676,000
2000 Series B	4.50%	425,000	1/1/40	318,000	-	-	318,000
2001 Series A	3.25%	900,000	1/1/41	646,000	-	-	646,000
2001 Series B	4.50%	600,000	1/1/41	45,600	-	-	45,600
2004 Series A	4.38%	1,340,000	1/1/44	1,101,500	-	-	1,101,500
2004 Series B	4.38%	549,000	1/1/44	451,000	-	-	451,000
2008 Series C	Various	665,000	1/1/25	330,000	-	45,000	285,000
2011 Series A	2.00%	1,336,000	1/1/52	1,202,000	-	-	1,202,000
2011 Series B	2.00%	1,146,000	1/1/52	1,022,500	-	-	1,022,500
2015 Series	3.00%	200,000	1/1/55	192,000	-	-	192,000
2019 Series	2.38%	2,490,000	1/1/59	-	2,490,000	-	2,490,000
				<u>\$ 6,975,100</u>	<u>\$ 2,490,000</u>	<u>\$ 45,000</u>	<u>\$ 9,420,100</u>
Less Current Maturities							<u>262,000</u>
TOTAL							<u>\$ 9,158,100</u>

	<u>Principal</u>	<u>Interest</u>
2020	262,000	296,571
2021	277,700	286,702
2022	283,900	276,346
2023	294,000	265,536
2024	308,300	254,212
2025-2029	1,492,900	1,104,564
2030-2034	1,603,500	830,980
2035-2039	1,554,600	561,495
2040-2044	1,360,200	317,695
2045-2049	848,000	175,613
2050-2054	652,500	88,309
2055-2059	482,500	28,417
	<u>\$ 9,420,100</u>	<u>\$ 4,486,438</u>

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 6: RESERVES

The Rattlesnake Ridge Water District is required to comply with the bond agreements of all bond issues as follows:

A. SINKING FUND

On or before the 20th day of each month and after the required payment to the Operation and Maintenance Fund Account, the District is required to set aside an amount into a special account known as the "Rattlesnake Ridge Water District, Bond and Interest Sinking Fund". The amount to be set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

- 1) A sum equal to one sixth (1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
- 2) A sum equal to one twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The required balance of the reserve at December 31, 2018 was \$410,286. The District had set aside \$ 389,794 at December 31, 2019 into a restricted account, resulting in the account being under-funded by \$20,492.

B. DEPRECIATION FUND

The District is required to deposit \$2600 each month into the Depreciation Fund account the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project. The required balance at December 31, 2019 was \$ 819,960. District had set aside \$278,491 at December 31, 2019 into a restrict account, and therefore the account is under-funded by \$ 541,469.

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN

Rattlesnake Ridge 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 June 30, 2018, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were 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 basis adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's wages. The contributions are allocated to both the pension and insurance trusts. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications. 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.

Plan members who began participating on, or after, January 1, 2014, were 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% 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 percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account.

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018**

NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)

Each member's 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, 2019, the District contributed \$140,155, or 100% of the required contribution. The contribution was allocated \$135,305 to the CERS pension fund and \$4,850 to the CERS insurance fund.

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.

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old or 25 years service and any age
Tier2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ At least 10 years service and 60 years old
Tier3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87+ 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 hire date multiplied by the average of the highest five 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 child 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 nonservice-related disability benefits.

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018**

NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2019, the District reported a liability for its proportionate share of the net pension liability of \$1,398,821. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability 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. The District's proportionate share at June 30, 2018 was .022968 percent, which was an increase of .001029 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$135,305. At December 31, 2019, 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 Resources
Differences between expected and actual results	\$ 45,626	\$ 20,476
Changes of assumptions	136,706	
Net difference between projected and actual earnings on Plan investments	0	0
Changes in proportion and differences between District . contributions and proportionate share of contributions	65,046	23,239
District contributions subsequent to the measurement date	135,305	
Total	\$ 382,683	\$ 43,715

The \$135,305 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2020	\$ 121,666
2021	\$ 62,850
2022	\$ (9,588)
2023	\$ (7,507)

Actuarial Assumptions - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average, including inflation 6.25%, net of Plan investment expense, including
Investment rate of return	inflation

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018**

NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)

Mortality rates were based on the 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.

The actuarial assumptions used in the June 30, 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

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 weighing the expected future real rate of return by the target asset allocation percentage.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018**

NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate 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:

	<u>Discount rate</u>	<u>District's proportionate share of net pension liability</u>
1% decrease	5.25%	\$ 1,762,514
Current discount rate	6.25%	\$ 1,398,821
1% increase	7.25%	\$ 1,096,396

Payable to the Pension Plan - At December 31, 2018, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018, of which \$0 was allocated to the CERS pension fund. The payable includes only the pension contribution allocation.

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 8: 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 6, plan members contribute to CERS for non-hazardous job classifications. For the year ending December 31, 2018, the employer's contribution was 4.70% to the insurance trust. Employees hired after September 1, 2008 were required to contribute to an additional 1% to cover the cost of medical insurance that is provided through GERS. Participating employers were 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 basis 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, 2018, the District contributed \$26,755, or 100% of the required contribution.

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018**

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 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	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources-*At December 31, 2019, the District reported a liability for its proportionate share of the net OPEB liability of \$407,775. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, 2018 was .022967 percent, which was a decrease of .001028 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized OPEB expense of \$54,264. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of of Resources	Deferred Inflows Resources
Differences between expected and actual results		\$47,521
Changes of assumptions	\$ 0	942
Net difference between projected and actual earnings on Plan investments	81,439	28,088
Changes in proportion and differences between District contributions and proportionate share of contributions	0	828
District contributions subsequent to the measurement date	<u>12,904</u>	<u>0</u>
Total	<u>\$ 94,343</u>	<u>\$77,380</u>

The \$12,904 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, 2019. This includes an adjustment of \$4,416 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 pension expense as follows:

Year ending June30,		
2020	\$	3692
2021	\$	3692
2022	\$	3692
2023	\$	9,147
2024	\$	(1,308) (1,954)

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions- The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
	Pre - 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
	Post - 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

Mortality rates were based on the 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

The long-term expected 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 weighing the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates are arithmetic real rate of return for each major asset class are summarized in the following table:

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018**

NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Discount Rate- The discount rate used to measure the total OPEB liability was 5.85% 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 25-year amortization period of the unfunded actuarial accrued liability. 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" as of June 30, 2018. 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 pension liability calculated using the discount rate 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 or 1-percentage-point higher than the current rate at December 31, 2019:

	<u>Discount rate</u>	<u>District's proportionate share of net OPEB liability</u>
1% decrease	4.83%	\$ 513,797
Current discount rate	5.83%	\$ 407,775
1% increase	6.83%	\$ 319,614

**RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018**

NOTE 8: 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 lower or 1-percentage-point higher than the current healthcare cost trend rates at June 30, 2018:

	District's proportionate share of net OPEB liability
1% decrease	\$ 76,505
Current trend rate	\$ 303,592
1% increase	\$ 530,576

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

Payable to the Pension Plan - At December 31, 2019, the District reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2019. The payable includes only the insurance contribution allocation.

RATTLESNAKE RIDGE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 9: 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. The District carries commercial insurance for the risks to the extent deemed prudent by district's management.

NOTE 10: 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 11: PENDING LEGAL ISSUES

There is a pending legal issue. The matter is disputed by the District. The outcome is unknown.

NOTE 12: SUBSEQUENT EVENTS

There were no subsequent events to report as of September 1, 2020.

REQUIRED SUPPLEMENTAL INFORMATION

**RATTLESNAKE RIDGE WATER DISTRICT
SUPPLEMENTAL INFORMATION REQUIRED BY RURAL DEVELOPMENT
December 31, 2019**

Schedule of Insurance in Force

<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
General Liability	\$ 1,000,000	4/1/2020
Umbrella Policy	\$ 1,000,000	4/1/2020
Property - Building & Contents	\$ 7,296,194 100% Co-Insurance	4/1/2020
Employee Theft	\$ 1,125,000	3/4/2020
Automobile	\$ 1,000,000	4/1/2020
Encroachment Bonds	\$ 5,000	
Workers Compensation	Statutory	12/31/2019

Aged Accounts Receivable

A detailed schedule of aged accounts receivable is prepared on a monthly basis. At December 31, 2019, accounts receivable were aged as follows:

	<u>Amount</u>
Current	\$ 220,953
Over 60 Days	17,683
Over 90 Days	177,445
Total	<u>\$ 416,081</u>

During 2019, the District carried a reserve for possible uncollected accounts of \$188,462.

<u>Commissioner</u>	<u>Term Expires</u>
Bill Gilbert, Chairman	2/1/2021
Randy Steagall, Secretary	3/1/2020
George Wells, Treasurer	2/8/2020
Steve Ison	7/31/2021
Mike Copley	5/1/2020

RATTLESNAKE RIDGE WATER DISTRICT

REQUIRED SUPPLEMENTARY SCHEDULE OF PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Last Five Fiscal Years

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	.022968%	0.021939%	0.023269%	0.02327%	0.02107%
District's proportionate share of the net pension liability (asset)	\$1,398,821	\$ 1,284,157	\$ 1,145,666	\$905,050	\$ 575,000
District's covered employee payroll	\$593,281	\$ 631,511	\$ 624,849	\$ 603,055	\$613,228
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	235.78%	203.34%	183.351%	150.243%	93.766%
Plan fiduciary net position as a percentage of the total pension liability	940.60%	988.26%	829.35%	620.12%	377.81%

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the current fiscal year.

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 one year preceding the fiscal year of the District.

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 fiscal year payroll, reported on the Schedule of Contributions.

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

**RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS- PENSION
Last Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
Contractually required employer contribution	\$ 82,429	\$ 74,517	\$ 66,108	\$ 62,917	\$ 76,784	\$ 76,732
Contributions relative to contractually required employer contribution	82,429	74,517	66,108	62,917	76,784	76,732
Contribution deficiency (excess)	\$	\$.	\$.	\$.	\$	\$
District's covered employee payroll	\$ 593,281	\$ 631,511	\$ 624,849	\$ 603,055	\$ 613,228	\$ 608,801
Employer contributions as a percentage of covered-employee payroll	13.89%	11.79%	10.58%	10.43%	12.52%	12.60%

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year

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 District's covered payroll reported above is payroll for the District's corresponding fiscal 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.

**RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Three Fiscal Years**

	2019	2018	2017
District's proportion of the net OPEB liability	.022967%	0.021939%	0.00%
District's proportionate share of the net OPEB liability (asset)	\$ 407,775	\$ 441,049	\$ 345,946
District's covered employee payroll	\$ 593,281	\$ 631,511	\$ 624,849
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	68.73%	69.84%	55.36%
Plan fiduciary net position as a percentage of the total pension liability	3226.62%	2877.43%	unavailable

Notes:-

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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

The measurement date of the net OPEB liability is one year preceding the fiscal year of the District.

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

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

**RATTLESNAKE RIDGE WATER DISTRICT
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS - OPEB
Last Six Fiscal Years**

	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 26,755	\$ 25,266	\$ 24,200	\$ 23,152	\$ 23,782
Contributions relative to contractually required employer contribution	26,755	25,266	24,200	23,152	23,782
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 593,281	\$ 631,511	\$ 624,849	\$ 603,055	\$ 613,228
Employer contributions as a percentage of covered-employee payroll	4.51%	4.00%	3.87%	3.83%	3.87%
	2014				
Contractually required employer contribution	\$ 23,554				
Contributions relative to contractually required employer contribution	23,554				
Contribution deficiency (excess)	\$ -				
District's covered employee payroll	\$ 608,801				
Employer contributions as a percentage of covered-employee payroll	3.86%				

Notes:

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

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

The District's covered payroll reported above is payroll for the District's corresponding fiscal 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.

**RATTLESNAKE RIDGE WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE:				
USDA RD Grant & Loans-Waste Water Disposal Program for Rural Communities	Loan	10.760	\$ 2,490,000	\$ 2,057,210
USDA RD Grant & Loans-Waste Water Disposal Program for Rural Communities	Grant	10.760	831,400	278,369
Total U.S. Department of Agriculture			\$ 3,321,400	\$ 2,335,579
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
CDBG Grant		14.228	\$ 800,000	758,949
Total U.S. Department of Housing and Urban Development			\$ 800,000	\$ 758,949
Total Expenditures of Federal Awards			\$ 4,121,400	\$ 3,094,528

The accompanying notes are an integral part of this schedule
See independent auditor's report

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the Rattlesnake Ridge Water District under programs of the federal government for the year ended December 31, 2019. 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 of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rattlesnake Ridge Water District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Rattlesnake Ridge Water District.

Note 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, wherein certain types of expenditures are not allowed or are limited as to reimbursement, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

Rattlesnake Ridge Water District has elected not to use the 10-percent de minimum cost rate allowed under the Uniform guidance.

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

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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

To the Board of Commissioners
Grayson, Kentucky 41143

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 Rattlesnake Ridge Water District as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Rattlesnake Ridge Water District, Kentucky's basic financial statements and have issued our report thereon dated September 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rattlesnake Ridge 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 Rattlesnake Ridge Water District, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rattlesnake Ridge 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 Rattlesnake Ridge 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
September 1, 2020

DONNA J. HENDRIX
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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

To the Board of Commissioners
Grayson, Kentucky 41143

Report on Compliance for Each Major Federal Program

We have audited the Rattlesnake Ridge Water District, Kentucky'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 the Rattlesnake Ridge Water District, Kentucky's major federal programs for the year ended December 31, 2019. Rattlesnake Ridge Water District, Kentucky'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 the Rattlesnake Ridge Water District, Kentucky'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 the Rattlesnake Ridge Water District, Kentucky'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 the Rattlesnake Ridge Water District, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the Rattlesnake Ridge Water District, Kentucky 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, 2019.

Report on Internal Control over Compliance

Management of the Rattlesnake Ridge Water District, Kentucky 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 Rattlesnake Ridge Water District, Kentucky'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 the Rattlesnake Ridge Water District, Kentucky'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.

Donna J. Hendrix, CPA

Morehead, Kentucky
September 1, 2020

RATTLESNAKE RIDGE WATER DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2019

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified?	No
Significant deficiency(s) identified that are not Considered to be material to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted:	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiency(s) identified that are not Considered to be material weakness(es)?	None Reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported

Under section 200.516 of Title 2 U.S. Code of Federal Regulations, Part 200.	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.760	USDA RD Grant & Loans Waste Water Disposal Program for Rural Communities
14.228	US Dept Housing & Urban Development CDBG Grant

Dollar threshold used to distinguish between major and non-major programs: \$750,000

Sanitation District #1 of Lewis County qualified as a high risk auditee under section 200.520 of Title 2 U.S. Code of Federal Regulations Part 200.

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

RATTLESNAKE RIDGE WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

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Board of Commissioners
Rattlesnake Ridge Water District
Grayson, Kentucky 41143

In planning and performing my audit of the basic financial statements of Rattlesnake Ridge Water District for the year ended December 31, 2019, I considered the District's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of several matters that are opportunities for increasing operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated September 1, 2020, on the financial statements of the Rattlesnake Ridge Water District.

I will review the status of these comments and suggestions with various District personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Donna J. Hendrix, CPA

DONNA J. HENDRIX, CPA
Morehead, Kentucky

September 1, 2020

RATTLESNAKE RIDGE WATER DISTRICT
MANAGEMENT POINTS, RECOMMENDATIONS, AND RESPONSES
Year Ended December 31, 2019

Status of Prior Year Management Points

COMPLIANCE REQUIREMENTS

2018-01 BOND RESERVE/SINKING FUND REQUIREMENTS

Status: This is still an issue—will be carried to current year issues. 2019-1

Current Year Management Points

2019-1 BOND RESERVE/SINKING FUND REQUIREMENTS

Condition: The bond agreements with Rural Development contain requirements for regularly setting aside money into separate cash accounts for depreciation reserves and the sinking fund. The District has established the separate accounts; however, the accounts have not been funded in the manner set forth by Rural Development.

Recommendation: The District must resume funding both the sinking fund and depreciation reserve on a monthly basis as required by bond covenants and no withdraws should be made from the reserve account unless authorized.

Response: The District will make an effort to be in compliance with the bond covenants.

2019-2 ACCOUNTS RECEIVABLE OVER 90 DAYS PAST DUE

Condition: The Accounts Receivable over 90 days past due has been steadily growing over the last several years.

Recommendation: The District should implement a policy for non-payments along with cut-off procedures.

Response: The District will implement this new policy as soon as PSC allows cut-offs. Cut-offs are not allowed currently, due to COVID-19.

RATTLESNAKE RIDGE WATER DISTRICT
MANAGEMENT POINTS, RECOMMENDATIONS, AND RESPONSES
Year Ended December 31, 2019

2019-3 BILLING ADJUSTMENTS

Condition: The Manager of the Water District is currently approving all water adjustments weekly and not prior to water adjustment being made.

Recommendation: The District should implement a policy that requires all water adjustments to be approved prior to any water adjustments being made.

Response: The District will implement the new policy immediately.