

EXHIBIT

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May 28, 2021

To the Board of Commissioners
West McCracken County Water District
8020 Ogden Landing Road
West Paducah, KY 42086

We have audited the financial statements of the business-type activities of West McCracken County Water District for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 14, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by West McCracken County Water District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by West McCracken County Water District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation of equipment and plant. We evaluated the key factors and assumptions used to develop the depreciation of equipment and plant in determining that it was reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 28, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the West McCracken County Water District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Schedule of Insurance in Force, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Board of Commissioners and management of West McCracken County Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky

WEST MCCRACKEN COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
West McCracken County Water District
West Paducah, Kentucky

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial position of the business-type activities of the West McCracken County Water District, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and medical plan schedules on pages 23-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the West McCracken County Water District's basic financial statements. The supplemental schedule of insurance in force on page 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of insurance in force has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021 on our consideration of West McCracken County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 West McCracken County 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 West McCracken County Water District's internal control over financial reporting and compliance.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
May 28, 2021

WEST MCCRACKEN COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2020

ASSETS	<u>2020</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 68,510
Accounts receivable, less allowance for doubtful accounts of \$401	71,548
Other accounts receivable	28,785
Prepaid expenses	6,541
Inventory, at cost	<u>15,330</u>
Total current assets	<u>190,714</u>
RESTRICTED ASSETS	
Checking and Cash Management Accounts	
Depreciation and sinking funds held by District	230,542
Construction and sinking funds held in trust	<u>59,757</u>
Total restricted assets	<u>290,299</u>
NON-CURRENT ASSETS	
Capital Assets	
Capital assets, not being depreciated	19,480
Capital assets, being depreciated, net	<u>3,854,822</u>
Total non-current assets	<u>3,874,302</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges - pensions	33,699
Deferred charges - other post-employment benefits	35,656
Deferred charge on refunding	<u>2,101</u>
Total deferred outflows of resources	<u>71,456</u>
Total Assets	<u>4,426,771</u>

The notes to financial statements are an integral part of this statement.

WEST MCCrackEN COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
December 31, 2020

	2020
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 38,436
Accrued interest payable	4,092
Bonds payable – current	50,000
Accrued and withheld payroll taxes	8,584
Customer advances for construction	500
Other current liabilities	4,614
	106,226
NON-CURRENT LIABILITIES	
Bonds payable, non-current	174,139
Pension obligations	266,530
Other post-employment benefit obligations	83,887
Total long-term debt	524,556
Total non-current liabilities	524,556
Total Liabilities	630,782
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	32,573
Deferred inflows - other post-employment benefits	32,629
Total deferred inflows of resources	65,202
NET POSITION	
Invested in capital assets, net of related debt	3,649,663
Restricted for debt service and construction	290,299
Unrestricted (Deficit)	(209,175)
Total Net Position	\$ 3,730,787

The notes to financial statements are an integral part of this statement.

WEST MCCRACKEN COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2020

	2020
OPERATING REVENUE	
Sales of water, net of refunds	\$ 822,805
Penalties	2,876
Other	17,245
Total operating revenues	842,926
OPERATING EXPENSES	
Salaries	115,291
Employee pension and benefits	31,566
Purchased water	307,442
Purchased power	10,177
Chemicals	1,578
Materials and supplies	46,557
Contractual services	50,170
Transportation expense	6,733
Insurance	26,862
Advertising	767
Bad debt expense	4,058
Maintenance	34,615
Utilities	9,082
Depreciation expense	194,251
Licenses, dues and assessment fee	5,592
Miscellaneous	2,398
Total operating expenses	847,139
Operating income (loss)	(4,213)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	942
Interest expense	(6,345)
Non-utility income - other	54
Tap-on fees	10,260
Total non-operating revenues (expenses)	4,911
Changes in net position	698
TOTAL NET POSITION - BEGINNING	3,730,089
TOTAL NET POSITION - ENDING	\$ 3,730,787

The notes to financial statements are an integral part of this statement.

WEST MCCrackEN COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Collections from customers	\$ 845,561
Cash paid to suppliers	(510,185)
Cash paid to employees for salaries and benefits	(145,328)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	190,048
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of property, plant and equipment	(45,333)
Payments on bonds payable	(50,000)
Interest payments on notes and bonds payable	(10,002)
Tap-on fees collected	10,260
Non-utility income	54
CASH FLOWS USED BY CAPITAL ACTIVITIES	(95,021)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	942
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	942
 NET DECREASE IN CASH AND CASH EQUIVALENTS	95,969
 CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	262,840
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 358,809

The notes to financial statements are an integral part of this statement.

WEST MCCrackEN COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended December 31, 2020

	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (4,213)
Adjustments to reconcile net income (loss) to net cash provided by operations:	
Depreciation and amortization	194,251
Changes in operating assets and liabilities:	
Accounts and other receivables	2,636
Prepaid expenses	(296)
Inventory	181
Accounts payable	1,720
Accrued interest payable	(896)
Accrued and withheld payroll taxes	3,886
Pension and related deferrals	(2,357)
Other current liabilities	(4,864)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 190,048

The notes to financial statements are an integral part of this statement.

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

The West McCracken County Water District (the District) is incorporated as a non-profit corporation formed under the provisions of Chapter 273 of the Kentucky Revised Statutes. The District began operations in 1968. The District provides water service to consumers in Western McCracken County, Kentucky.

The District follows the standards promulgated by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be component units of the District.

Fund Accounting

The District maintains its accounts under the fund method of accounting and utilizes the chart of accounts established by the Kentucky Public Service Commission. The District's one fund is classified as a business-type fund under the category of Proprietary Fund Type.

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

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Fund equity (i.e., total net position) is segregated into three components – 1) Invested in capital assets, net of related debt; 2) Restricted; and 3) Unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The proprietary fund type utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District are charges for water service. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Sales of Water

Charges to customers for the sale of water are based on rates approved by the Kentucky Public Service Commission (PSC).

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 15 days from the invoice date. Unpaid accounts receivable with invoice mailing dates over 15 days old are subject to a 10% penalty on the outstanding balance. Customers are subject to disconnection after 20 days past invoice date. Reconnections are subject to reconnect fees which are recognized as income when received.

Accounts receivable are stated at amounts billed to the customer plus any accrued penalties. Customer account balances with invoices dated over 90 days old are considered delinquent.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amounts of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, for the remaining aggregate accounts, management establishes a general allowance based on historical averages.

Inventory

Inventory is stated at the lower of cost, on a first-in, first-out basis, or market.

Property, Plant and Equipment

Property and equipment are recorded at cost with depreciation provided by the straight-line method over the estimated useful life of the depreciable property. Land and construction in progress are not depreciated. Estimated useful lives are generally those established by the Public Service Commission of the Commonwealth of Kentucky as the following:

<u>Capital asset classes</u>	<u>Lives</u>
Water District	10-50
Vehicles	5-10
Equipment & Furniture	5-10

Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with cost of \$750 or more as purchase or construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

The District expenses advertising costs as they are incurred. Such expenses primarily relate to advertising in local directories and requests for invitations to bid on contractual services or construction projects.

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in the category, deferred charge on refunding, deferred charges – pensions, and deferred charges – other post-employment benefits (OPEB).

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred pension contribution results from pension contributions subsequent to the measurement date of the pension plan. This amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period. Pension related deferred components include difference between expected and actual experience; the difference between projected and actuarial earnings on pension plan investments results from actual investment earnings above or below actuarial projected earnings; changes in assumptions; and changes in proportion and differences between employer contributions and proportionate share of contributions. These pension related items are deferred and amortized over 3-5 years as a component of the pension expense.

The deferred related pension and OPEB outflows results from pension and OPEB contributions subsequent to the measurement date of the pension plan and OPEB and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items reported in this category, inflows related to the District's pension and OPEB plans that qualify for reporting in this category – deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned, or the District will not be able to recover collateral securities in the possession of an outside party. The District maintains collateral agreements with its financial institutions. Deposits are secured with collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The District does not have a deposit policy for custodial risk.

Cash deposits and investments are carried at cost, which approximates market value. The District's deposits are insured and collateralized with securities held by the District, its agent, or by the pledging financial institution's trust department or agent in the name of the District. During the year ended December 31, 2020, the District's only cash and cash equivalents were demand deposits.

For the year ended December 31, 2020, the carrying amount of the District's cash and cash equivalents, including restricted cash, totaled \$358,809. The bank balances of the District's cash and cash equivalents totaled \$359,361. As of December 31, 2020, the District's bank balances were collateralized by FDIC.

**WEST MCCrackEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE C - UTILITY PLANT IN SERVICE

The major classifications and related costs of utility plant assets as of December 31 are as follows:

	<u>Balance as of Dec 31, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of Dec 31, 2020</u>
<u>Capital assets, not being depreciated:</u>				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	19,480	-	-	19,480
Total capital assets, not being depreciated:	<u>19,480</u>	<u>-</u>	<u>-</u>	<u>19,480</u>
<u>Capital assets, being depreciated:</u>				
Water District	7,892,957	12,753	-	7,905,709
Vehicles	67,955	29,985	-	97,940
Equipment & furniture	100,157	2,595	-	102,753
	<u>8,061,069</u>	<u>45,333</u>	<u>-</u>	<u>8,106,402</u>
Less accumulated depreciation	<u>(4,057,329)</u>	<u>(194,251)</u>	<u>-</u>	<u>(4,251,580)</u>
Total capital assets, being depreciated, net:	<u>4,003,740</u>	<u>(148,918)</u>	<u>-</u>	<u>3,854,822</u>
Total District capital assets – net:	<u>\$ 4,023,220</u>	<u>\$ (148,918)</u>	<u>\$ -</u>	<u>\$ 3,874,302</u>

NOTE D - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A summary of change in deferred outflows/inflows of resources is as follows:

	<u>Balance December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2020</u>
Deferred Charge on Refunding	\$ 4,487	\$ -	\$ (2,386)	\$ 2,101
Pensions				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 8,405	\$ 9,976	\$ (8,405)	\$ 9,976
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	380	-	(380)	-
<i>Differences between expected and actual experience</i>	6,468	6,024	(5,846)	6,646
<i>Change of assumptions</i>	25,640	-	(15,232)	10,408
<i>Difference between projected and actuarial earnings</i>	-	13,393	(6,724)	6,669
<i>Pension related deferred outflows</i>	<u>\$ 40,893</u>	<u>\$ 29,393</u>	<u>\$ (36,587)</u>	<u>\$ 33,699</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 49,464	\$ 6,944	\$ (23,835)	\$ 32,573
<i>Difference between expected and actuarial experience</i>	1,070	-	(1,070)	-
<i>Difference between projected and actuarial earnings</i>	4,084	-	(4,084)	-
<i>Pension related deferred inflows</i>	<u>\$ 54,618</u>	<u>\$ 6,944</u>	<u>\$ (28,989)</u>	<u>\$ 32,573</u>

**WEST MCCrackEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE D - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES (Continued)

	Balance December 31, 2019	<u>Additions</u>	<u>Reductions</u>	Balance December 31, 2020
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 2,725	\$ 4,261	\$ (2,725)	\$ 4,261
<i>Differences between expected and actual experience</i>	-	17,573	(3,557)	14,016
<i>Change of assumptions</i>	17,922	2,092	(5,423)	14,591
<i>Difference between projected and actuarial earnings</i>	-	5,264	(2,476)	2,788
<i>OPEB related deferred outflows</i>	<u>\$ 20,647</u>	<u>\$ 29,190</u>	<u>\$ (14,181)</u>	<u>\$ 35,656</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 20,561	\$ 2,502	\$ (4,550)	\$ 18,513
<i>Differences between expected and actual experience</i>	18,275	-	(4,248)	14,027
<i>Change of assumptions</i>	120	-	(31)	89
<i>Difference between projected and actuarial earnings</i>	2,690	-	(2,690)	-
<i>OPEB related deferred inflows</i>	<u>\$ 41,646</u>	<u>\$ 2,502</u>	<u>\$ (11,519)</u>	<u>\$ 32,629</u>

NOTE E - RESTRICTED ASSETS

The District is required to maintain separate funds to meet their obligations on their revenue bonds as described in Note F. These funds have been classified as restricted assets in the statements of net assets. In addition, funds contributed from developers and grants for future construction have been classified as restricted assets in the statements of net position.

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted as needed.

NOTE F - LONG-TERM LIABILITIES

On March 27, 2013, the District issued \$525,000 in Series 2013 revenue bonds with interest rates of 2.30% to 4.80% with annual principal payments and semi-annual interest payments. The proceeds were used to current refund \$576,000 of outstanding Series 2004D revenue bonds which had interest rates ranging from 3.89% to 4.56%. As a result, the 2004D Series revenue bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position. The 2013 series bonds are required to be fully paid by February 1, 2024.

The reacquisition price exceeded the net carrying amount of the old debt by \$14,317. This amount, reported as a *deferred outflow of resources* in the statement of net position, is being amortized over the remaining life of the refunding debt as a component of interest expense.

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE F - LONG-TERM LIABILITIES (Continued)

The 2004D bond agreement, as amended by the 2013 bond agreement, requires the following monthly distribution from the revenue fund:

- First: One-sixth of the next semi-annual interest payment is to be transferred to the bond and interest redemption fund.
- Second: One-twelfth of the succeeding bond maturity is to be transferred to the bond and interest redemption fund.
- Third: Transfer to the operating and maintenance account funds sufficient to meet the current expenses not to exceed amount required to cover anticipated expenditures for a two-month period.
- Fourth: Within 60 days of fiscal year end, the balance of excess funds is to be transferred to a depreciation fund for extensions or to a sinking fund for purchase or redemption of outstanding bonds.

The following is a summary of long-term debt for the year ended December 31, 2020:

<u>Description</u>	<u>2020</u>
Kentucky Rural Water Finance Corp Multimodal Public Projects revenue bonds – 2013; maturing February 1, 2024 with interest rates of 3.30% - 4.80%.	\$ 215,000
Less current maturities	50,000
	<u>\$ 165,000</u>

The annual debt service requirements to maturity for long-term debt as of December 31, 2020, are as follows:

<u>Years Ending December 31,</u>	<u>Interest And Fees</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 9,195	50,000	59,195
2022	7,045	50,000	57,045
2023	4,650	55,000	59,650
2024	1,890	60,000	61,890
	<u>\$ 22,780</u>	<u>\$ 215,000</u>	<u>\$ 237,780</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2020:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Payable:					
Kentucky Rural Water Finance Corp Multimodal Public Projects revenue bonds – 2013	\$ 265,000	\$ -	\$ (50,000)	\$ 215,000	\$ 50,000
Premium	13,884	-	(4,745)	9,139	-
Total Long-Term Payables	<u>\$ 278,884</u>	<u>\$ -</u>	<u>\$ (54,745)</u>	<u>\$ 224,139</u>	<u>\$ 50,000</u>

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE G - CUSTOMER ADVANCES FOR CONSTRUCTION

The District records contributions in aid of construction from developers net of amounts due to developers for potential tap-on additions. As additional tap-ons are requested, developers are reimbursed an amount determined according to PSC guidelines per tap-on. The reimbursement period is for ten years. At the end of the ten-year period, any advances remaining are recorded as non-operating revenues.

For the period ended December 31, 2020, the District's customer advances for construction was \$500.

NOTE H - EMPLOYEE RETIREMENT SYSTEM

The District provides retirement benefits to its employees through a multi-employer public employee retirement fund administered by the Kentucky County Employees Retirement System (CERS). Information regarding this plan is as follows:

County Employees' Retirement System

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

Benefits provided - CERS provides 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, non-hazardous and hazardous employees are grouped into three tiers, based on hire date:

Non-hazardous members:

Tier 1	Participation date Unreduced retirement Reduced retirement	Prior to September 1, 2008 27 years of service or 65 years old Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Minimum 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Not available

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE H - EMPLOYEE RETIREMENT SYSTEM (Continued)

Hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service and any age
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirements are 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 non-service related disability benefits.

Plan Funding – State statute requires active members to contribute a % of creditable compensation based on their tier:

	<u>Non-hazardous</u>
	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the System, as required by KRS 61.565 and 61.752. The District's required contribution rate for non-hazardous employees was 19.30% for the period January 1, 2020 to June 30, 2020; and 19.30% for the period July 1, 2020 to December 31, 2020.

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

On December 31, 2020 the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability that was associated with the District was as follows:

CERS net pension liability associated with the District	<table border="0" style="margin-left: auto;"> <tr> <td style="text-align: center;"><u>2020</u></td> </tr> <tr> <td style="text-align: center;">\$ <u>266,530</u></td> </tr> </table>	<u>2020</u>	\$ <u>266,530</u>
<u>2020</u>			
\$ <u>266,530</u>			

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE H - EMPLOYEE RETIREMENT SYSTEM (Continued)

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the District as determined by the actuary. At June 30, 2020, the District's non-hazardous proportion was 0.003475%.

For the year ended December 31, 2020, the District recognized pension expense of \$17,097 related to CERS pension plans. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,646	\$ -
Changes in assumptions	10,408	-
Net difference between projected and actual earnings on pension plan investments	6,669	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	32,573
District contributions subsequent to the measurement date	9,976	-
Total	\$ 33,699	\$ 32,573

The District reported \$9,976 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the plan year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Plan Year Ending June 30	
	Non- Hazardous
2021	\$ (11,714)
2022	\$ (2,715)
2023	\$ 2,900
2024	\$ 2,679

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

	2020
Inflation	2.30%
Projected salary increases	3.30% to 10.30%, varies by service
Investment rate of return, net of investment expense & inflation	6.25%

**WEST MCCrackEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE H - EMPLOYEE RETIREMENT SYSTEM (Continued)

For CERS plan year ending June 30, 20120, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males). The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis was performed for the period covering fiscal years 2013 through 2018. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, as provided by CERS's investment consultant, are summarized in the following table:

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

Discount rate – For the plan years ended June 30, 2020 the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25% in 2020. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE H – EMPLOYEE RETIREMENT SYSTEM (Continued)

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

For plan year ended June 30, 2020	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
Non-hazardous’ proportionate share of net pension liability	\$ 328,689	\$ 266,530	\$ 215,059

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the CERS.

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

CERS Medical Insurance Plan

Plan description – the District contributes to the Kentucky Retirement System’s Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement System (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS).

Benefits provided – the Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Contributions – per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District’s required contribution rate for non-hazardous employees was 4.76% for the period January 1, 2020 to June 30, 2020; and 4.76% for the period July 1, 2020 to December 31, 2020.

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

At December 31, 2020, the District reported a liability for its proportionate share of the net OPEB liability for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective 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 employers, actuarially determined. At June 30, 2020, the District’s proportion was 0.003475 percent.

The amount recognized by the District as its proportionate share of the OPEB liability that was associated with the District was as follows:

District’s proportionate share of the CERS medical insurance liability	\$ 83,887
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**WEST MCCrackEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

For the year ended December 31, 2020, the District recognized OPEB expenses of \$6,812. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 14,016	\$ 14,027
Changes in assumptions	14,591	89
Net difference between projected and actual earnings		
On OPEB plan investments	2,788	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	18,513
District contributions subsequent to the Measurement date	<u>4,261</u>	<u>-</u>
Total	<u>\$ 35,656</u>	<u>\$ 32,629</u>

The District reported \$4,261, including implicit subsidies of \$2,059, as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Plan Year Ending June 30</u>	
2021	\$ 49
2022	\$ 874
2023	\$ (697)
2024	\$ (361)
Thereafter	\$ (1,099)

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% to 11.55%, varies by service
Inflation rate	2.30%
Healthcare cost trend rates	
Under 65	7.00% at January 1, 2020 and gradually decreasing to an ultimate rate of 4.05% over a period of 12 years
Ages 65 and Older	5.00% at January 1, 2020 and gradually decreasing to an ultimate rate of 4.05% over a period of 10 years
Municipal Bond Index Rate	2.45%
Discount Rate	5.34%

**WEST MCCrackEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Mortality rates used for active members is RP-2000 Combined Mortality Table projected with scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with scale BB to 2013 (set-back for one year for females). The RP-2000 Disabled Mortality Table projected with scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	(0.25)%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Cash Equivalent	1.00%	(0.75)%
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total OPEB liability was 5.34%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District and State's proportionate share of net OPEB liability	4.34%	5.34%	6.34%
	\$ 107,770	\$ 83,887	\$ 64,271

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of net OPEB liability	4.34%	5.34%	6.34%
	\$ 64,949	\$ 83,887	\$ 106,868

NOTE J - SUPPLEMENTAL DISCLOSURES REGARDING STATEMENTS OF CASH FLOWS

Accounting Policy

For purposes of the statements of cash flows, cash and cash equivalents include all highly liquid debt instruments with maturities of three months or less.

Cash and cash equivalents include all restricted and unrestricted demand and savings accounts of the District and are reported in the statement of net position as follows:

	2020
Cash and cash equivalents	\$ 68,510
Restricted cash	290,299
Total cash and cash equivalents	\$ 358,809

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense in 2020 totaled \$10,895.

Non-cash Capital and Financing

During the year ended December 31, 2020, the District did not receive any non-cash contributions from developers.

NOTE K - RISK MANAGEMENT

West McCracken County Water District is exposed to various risks of loss including, but not limited to property, casualty, general liability, auto liability, public officials' liability, workers compensation, and employee health and life.

To limit exposure to these risks, West McCracken County Water District contracts for insurance coverage. During the year ended December 31, 2020, there were no significant reductions in insurance coverage. There have been no significant settlement amounts, which exceed insurance coverage in the past two years. The District is not aware of any claims owed as of December 31, 2020.

**WEST MCCRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE L - CONCENTRATION

The District purchases all water from the City of Paducah Water Works. Loss of this supplier would significantly affect the District's ability to supply water to its customers. The organization is currently developing contingency plans with other suppliers should the need arise.

The District has one industrial customer which provided \$59,436 (7%) of revenue for the year ended December 31, 2020. Loss of this customer would significantly affect the District's revenues.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 28, 2021, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

**WEST MCCRACKEN COUNTY WATER DISTRICT
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS***

<u>Year Ended June 30</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<i>CERS Nonhazardous</i>					
2020	0.00348%	\$ 266,530	\$ 88,385	301.5557%	47.8139%
2019	0.00360%	\$ 253,330	\$ 91,340	277.3484%	50.4470%
2018	0.00477%	\$ 290,690	\$ 118,129	246.0784%	53.5420%
2017	0.00501%	\$ 293,017	\$ 121,895	240.3848%	53.3249%
2016	0.00495%	\$ 243,701	\$ 120,700	201.9064%	55.5000%
2015	0.00557%	\$ 239,366	\$ 127,160	188.2400%	59.9684%
2014	0.00541%	\$ 175,500	\$ 124,099	141.4194%	66.8010%
2013	0.00542%	\$ 198,582	\$ 118,887	167.0342%	61.2209%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**WEST MCCrackEN COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
<i>CERS Nonhazardous</i>					
2020	\$ 18,226	\$ 18,226	\$ -	\$ 93,816	19.4274%
2019	\$ 14,503	\$ 14,503	\$ -	\$ 83,851	17.2962%
2018	\$ 17,395	\$ 17,395	\$ -	\$ 113,673	15.3027%
2017	\$ 16,572	\$ 16,572	\$ -	\$ 116,586	14.2144%
2016	\$ 15,817	\$ 15,817	\$ -	\$ 119,530	13.2327%
2015	\$ 16,026	\$ 16,026	\$ -	\$ 127,381	12.5812%
2014	\$ 16,561	\$ 16,561	\$ -	\$ 125,179	13.2299%
2013	\$ 16,205	\$ 16,205	\$ -	\$ 122,780	13.1984%

* The amounts presented for each fiscal year were determined as of the measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

Changes of Benefit Terms:

None

Changes of assumptions:

The assumed investment rate of return was 6.25%.

The assumed rate of inflation was 2.30%.

Payroll growth assumption was 2.00%.

Salary increases assumed at 3.30% to 10.30%, varies by service.

The assumptions were updated as of result of an experience study for the five year period ending June 30, 2018.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

The mortality tables used was updated to RP-2000 Combined Mortality Table projected with Scale BB to 2013.

**WEST MCCRACKEN COUNTY WATER DISTRICT
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET MEDICAL
 INSURANCE LIABILITY - TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 LAST 10 FISCAL YEARS***

<u>Year Ended June 30</u>	<u>District's proportion of the net meducal plan liability</u>	<u>District's proportionate share of the net medical plan liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net medical plan liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total medical plan liability</u>
<i>CERS Nonhazardous</i>					
2020	0.00348%	\$ 83,887	\$ 88,385	94.9109%	51.6704%
2019	0.00360%	\$ 60,567	\$ 91,340	66.3094%	60.4382%
2018	0.00477%	\$ 84,744	\$ 118,129	71.7385%	57.6218%
2017	0.00501%	\$ 100,638	\$ 121,895	82.5612%	52.3940%

* Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**WEST MCCRACKEN COUNTY WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
<u>CERS Nonhazardous</u>					
2020	\$ 4,495	\$ 4,495	\$ -	\$ 93,816	4.7913%
2019	\$ 4,702	\$ 4,702	\$ -	\$ 83,851	5.6076%
2018	\$ 6,154	\$ 6,154	\$ -	\$ 113,673	5.4138%
2017	\$ 5,497	\$ 5,497	\$ -	\$ 116,586	4.7150%

* Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

Changes of Benefit Terms:

None

Changes of assumptions:

The assumed investment rate of return was 6.25%.

The assumed rate of inflation was 2.30%.

Payroll growth assumption was 2.00%.

Salary increases assumed at 3.30% to 11.55%, varies by service.

The assumptions were updated as of result of an experience study for the five year period ending June 30, 2018.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

The mortality tables used was updated to RP-2000 Combined Mortality Table projected with Scale BB to 2013.

Healthcare trend rates (Pre-65) - Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

Healthcare trend rates (Post-65) - Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

OTHER SUPPLEMENTAL INFORMATION

WEST MCCrackEN COUNTY WATER DISTRICT
SCHEDULE OF INSURANCE IN FORCE
December 31, 2020

Multiple Peril Policy	
Property including equipment	\$2,536,657 less \$1,000 deductible
General Liability	\$1,000,000 aggregate of \$3,000,000
Business Income	\$250,000
Extra Expense	\$250,000
Employee Dishonesty	\$250,000 less \$500 deductible
Forgery or Alteration Coverage	\$250,000 less \$500 deductible
Theft, Disappearance and Destruction Coverage	
Inside	\$250,000 less \$500 deductible
Outside	\$250,000 less \$500 deductible
Computer Fraud Coverage	\$250,000 less \$500 deductible
Bodily Injury and Property Damage	\$1,000,000 aggregate of \$3,000,000
Personal and Advertising Injury	\$1,000,000 aggregate of \$3,000,000
Professional Liability	\$1,000,000 aggregate of \$3,000,000
Wrongful Acts	\$1,000,000 aggregate of \$3,000,000
Employee Benefits Liability	\$1,000,000 aggregate of \$3,000,000
Public Officials	\$1,000,000 aggregate of \$3,000,000
Employment Practices Liability	\$1,000,000 aggregate of \$3,000,000
Damage to Premises Rented to You	\$1,000,000
Medical Payments	\$10,000
Workmen's Compensation	\$500,000/\$500,000/\$500,000
Automobile	
Liability	\$1,000,000
PIP	\$10,000
Uninsured and underinsured motorist	\$1,000,000
Comprehensive	ACV, less \$1,000 deductible
Collision	ACV, less \$1,000 deductible
Equipment/Item	
Owned	\$45,980 less \$1,000
Non-Owned Contractors Equipment/ Tools	\$100,000 less \$1,000

See independent auditor's report on pages 1 and 2.



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

Board of Commissioners
West McCracken County Water District
West Paducah, Kentucky

We have audited, 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, the financial statements of the business-type activities of West McCracken County Water District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise West McCracken County Water District's basic financial statements, and have issued our report thereon dated May 28, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying *schedule of findings and responses* that we consider to be a material weakness (reference #2020-1).

Compliance and Other Matters

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

Board of Commissioners
West McCracken County Water District
Page 2

West McCracken County Water District's Response to Findings

West McCracken County Water District's response to the findings identified in our audit are described in the accompanying *schedule of findings and responses*. West McCracken County Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Kemper CPA Group, LLP

Certified Public Accountants and Consultants
Paducah, Kentucky
May 28, 2021

WEST MCCrackEN COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2020

Reference # 2020-1

The District does not have employees with the necessary accounting expertise or knowledge to properly prepare financial statements and related disclosures in accordance with the generally accepted accounting principles. Accordingly, the District relies on its auditors to prepare year-end financial statements and related disclosures in accordance with generally accepted accounting principles.

Cause

The District's personnel have not received training in areas of preparation of financial statements and the related required disclosures in accordance with generally accepted accounting principles.

Effect

In absence of the necessary knowledge and expertise, the District cannot properly prepare financial statements and the related required disclosures in accordance with generally accepted accounting principles. Accordingly, the District requested its independent auditors to assist in the preparation of such statements and disclosures.

Recommendation

We recommend the District consider additional training of personnel in the area of financial statement preparation in accordance with generally accepted accounting principles.

Response

We do not have employees with the necessary accounting expertise to prepare financial statements and the related required disclosures. To employ someone with that expertise would not be feasible for the District.

**WEST MCCRACKEN COUNTY WATER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2019**

Reference # 2019-1

The District does not have employees with the necessary accounting expertise or knowledge to properly prepare financial statements and related disclosures in accordance with the generally accepted accounting principles. Accordingly, the District relies on its auditors to prepare year-end financial statements in accordance with generally accepted accounting principles.

Status

This finding is still present.