

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CORINTH WATER)
DISTRICT FOR APPROVAL TO ENTER INTO A)
LEASE AGREEMENT WITH THE KENTUCKY)
BOND CORPORATION, IN AN APPROXIMATE)
PRINCIPAL AMOUNT OF \$2,020,000 FOR THE) CASE NO. 2021- [Case Number]
PURPOSE OF REFINANCING FEDERAL)
OUTSTANDING OBLIGATIONS OF THE)
CORINTH WATER DISTRICT.)
)

APPLICATION

The applicant Corinth Water District (the “District”), by counsel, files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the “Commission”) enter an order authorizing the District to enter into a \$2,020,000 Lease Agreement (the “Lease”) with the Kentucky Bond Corporation (“KBC”), a bond issuing corporation established by parties to an Interlocal Cooperation Agreement (the “Interlocal Agreement”). KBC is managed by the Kentucky League of Cities, and the District has become a party to the Interlocal Agreement.

Heretofore, the District has entered into several obligations with the United States Department of Agriculture (described in detail below in paragraph 5) to make various improvements to their water facilities (the “Prior USDA Obligations”).

On July 23, 2021, due to low interest rates, the District entered into the Lease with KBC (a copy of which is attached as Exhibit A), to refinance the Prior USDA Obligations. The refinancing resulted in a debt service savings of \$307,517.22 for the District. The District did not incur

additional indebtedness or borrow money for any new spending or project – The District simply refinanced its existing Prior USDA Obligations at a lower interest rate for the District.

At the time, it was mistakenly determined that because the Prior USDA Obligations were held by the federal government the financing was not subject to Commission approval. It has subsequently come to the attention of the District that the obligation is subject to Commission approval. Therefore, the District respectfully requests that the Commission retroactively accept this application, which contains all of the information required for approval, as well as a copy of Lease, showing the savings to the District, and approve the Lease.

The District intends to take steps to prevent such an omission from occurring in the future and represents that it will seek Commission approval before entering any obligations in the future.

In support of this Application, the District states as follows:

(1) That it is a water district organized pursuant to KRS Chapter 74, and its full legal name is Corinth Water District (807 KAR 5:001, Section 8(1)).

(2) The governing body of the District is its Board of Commissioners, a body corporate with the power to make contracts in the furtherance of its lawful and proper purposes as KRS 74.010 provides. The District is now, and has been since its formation, regulated by the Commission, all records and proceedings of the Commission with reference to the District are incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

(3) The mailing address of the District is:

215 Thomas Lane
Corinth, KY 41010

(859) 824-7110

(4) A description of the District's water system and its property, together with a statement of the original cost is contained in its current Annual Report which is on file with the Commission, the Annual Report is incorporated herein by reference.

(5) The District's Lease with KBC is in the principal amount of \$2,020,000. Like the Prior USDA Obligations the Lease refinanced, the Lease is secured by a pledge of district revenues. The Lease is being entered into for the purpose of refunding for debt service savings the following outstanding obligations of the District (the "Prior Obligations"):

(i) Water District Revenue Bonds, Series 1998, of which \$351,000 remained outstanding;

(ii) Water District Revenue Bonds, Series 2002, of which \$364,600 remained outstanding; and

(iii) Water District Revenue Bonds, Series 2005, of which \$1,195,000 remained outstanding.

(6) The debt service for the Lease is shown in Exhibit B, hereto, which is incorporated by reference. Payments under the Lease match debt service payments on related bonds to be issued by KBC, as described below.

(7) Proceeds from the sale of the Lease were used to: (i) refund and retire the Prior Obligations for debt service savings to the District, and (ii) pay the transaction costs related to the Lease.

(8) A detailed explanation of the sources and uses of the proceeds of the Lease is provided in Exhibit C, hereto, which is incorporated by reference. The Sources and Uses table contains fees paid as part of the closing of the financing.

(9) A combined debt service schedule for the Prior Obligations is shown in Exhibit D.

(10) The District has determined and represents that the Lease is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing debt service savings. This is a lawful objective within the public purposes of the District's utility operations. The Lease is necessary, appropriate for, and consistent with the proper

performance by the District of its service to the public and will not impair its ability to perform that service.

(11) The District's Audited Financial Statements for the twelve month period ending December 31, 2020 are attached as Exhibit E, hereto and are incorporated by reference. The remaining financial information required is contained in the most recent Annual Report which is on file with the Commission.

(12) No rate adjustment is being proposed as part of this application.

(13) The following information is provided in response to 807 KAR 5:001 (8):

a. Articles of Incorporation - None, the District is a statutorily created water district under KRS Chapter 74.

(14) The following information is supplied pursuant to 807 KAR 5:001(9):

a. Facts relied upon to show that the application is in the public interest: See the Plan of Refinancing in Exhibit D.

(15) The following information is provided as required by 807 KAR 5:001 (11):

a. A general description of the property is contained in the Annual Report.

b. No stock is to be issued. The Prior Obligations to be refinanced and their terms are described in Exhibit E.

c. The refunding of the Prior Obligations and refinancing is described in Exhibits C and D.

d. The proceeds of the Lease are to refinance the Prior Obligations to provide debt service savings.

e. The par value, expenses, use of proceeds, interest rates and other information is contained in Exhibits C and D.

(16) The following exhibits are provided pursuant to 807 KAR 5:001 (11)(2):

- a. There are no trust deeds. All notes, indebtedness and mortgages are included in Exhibit F.
 - b. No property is to be acquired.
- (17) The following information is provided pursuant to 807 KAR 5:001(6):
- a. No stock is authorized.
 - b. No stock is issued.
 - c. There are no stock preferences.
 - d. Any mortgages are listed in the Annual Report.
 - e. Any bonds are listed in Exhibit F.
 - f. Any notes are listed in Exhibit F.
 - g. Any other indebtedness is listed in Exhibit F.
 - h. No dividends have been paid.
 - i. A current balance sheet and income statement is attached as Exhibit E.

(18) The District requests that it be granted a deviation under 807 KAR 5:004(14), if necessary to accommodate any situation where inflexible compliance with a regulation would be impracticable, onerous or which would hinder the District's daily operations.

The District states that there has been no material change in the financial condition or operation of the District since December 31, 2020. The financial data filed with this Application is the most recent published financial data available.

For these reasons, the District requests that it be granted an order authorizing the refinancing of these bonds in the manner most beneficial to the District.

SUBMITTED BY:

**CORINTH WATER
DISTRICT**



Tara Wright

Daniel D. Briscoe, Jr., Esq
Dinsmore & Shohl LLP
50 East RiverCenter Blvd., Suite 1150
Covington, KY 41011
Bond Counsel

AFFIDAVIT OF TARA WRIGHT

COMMONWEALTH OF KENTUCKY

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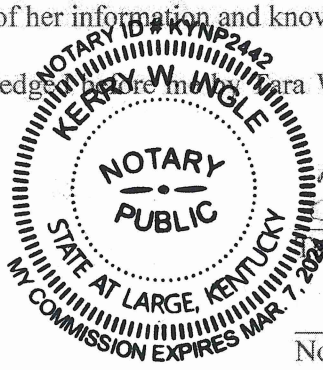
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CITY OF CORINTH, KENTUCKY

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Tara Wright, Manager, after being sworn, states that she is authorized to submit this Petition on behalf of Corinth Water District and that the statements contained in the Petition are true and correct to the best of her information and knowledge.

Sworn and acknowledged before me on this _____ day of 22nd December 2021.



Tara Wright
Tara Wright, Manager

Kerry W. Ingle
Notary Public

My Commission Expires on: _____

EXHIBIT A

Lease Agreement

EXHIBIT B

DEBT SERVICE

The chart below depicts the principal and interest due on the Lease. The column, "Net New D/S" shows the District's annual all-in cost (including principal, interest, and costs of issuance). The column titled "Savings" shows the value of the savings on an annualized basis at 2.576% (the net present value of which, \$307,517.77, is also shown below)

Debt Service Comparison

Date	Total P+I	Expenses	DSR	Net New D/S	Old Net D/S	Savings
06/30/2022	46,646.11	3,087.23	-	49,733.34	96,914.51	47,181.17
06/30/2023	115,950.00	5,437.50	-	121,387.50	137,899.62	16,512.12
06/30/2024	119,450.00	5,250.00	-	124,700.00	138,385.26	13,685.26
06/30/2025	117,850.00	5,050.00	-	122,900.00	138,838.38	15,938.38
06/30/2026	116,250.00	4,850.00	-	121,100.00	138,054.38	16,954.38
06/30/2027	119,650.00	4,650.00	-	124,300.00	139,285.38	14,985.38
06/30/2028	117,950.00	4,437.50	-	122,387.50	138,931.74	16,544.24
06/30/2029	121,250.00	4,225.00	-	125,475.00	138,863.26	13,388.26
06/30/2030	119,450.00	4,000.00	-	123,450.00	139,257.62	15,807.62
06/30/2031	122,650.00	3,775.00	-	126,425.00	139,489.62	13,064.62
06/30/2032	120,750.00	3,537.50	-	124,287.50	139,659.26	15,371.76
06/30/2033	118,850.00	3,300.00	-	122,150.00	139,661.88	17,511.88
06/30/2034	121,950.00	3,062.50	-	125,012.50	140,497.50	15,485.00
06/30/2035	119,950.00	2,812.50	-	122,762.50	139,718.62	16,956.12
06/30/2036	122,950.00	2,562.50	-	125,512.50	140,795.00	15,282.50
06/30/2037	120,850.00	2,300.00	-	123,150.00	140,231.62	17,081.62
06/30/2038	123,750.00	2,037.50	-	125,787.50	141,492.00	15,704.50
06/30/2039	91,550.00	1,762.50	-	93,312.50	109,987.38	16,674.88
06/30/2040	94,950.00	1,562.50	-	96,512.50	110,358.38	13,845.88
06/30/2041	93,143.76	1,350.00	-	94,493.76	110,554.76	16,061.00
06/30/2042	96,337.50	1,137.50	-	97,475.00	110,776.52	13,301.52
06/30/2043	69,312.50	912.50	-	70,225.00	82,914.38	12,689.38
06/30/2044	67,850.00	750.00	-	68,600.00	82,258.76	13,658.76
06/30/2045	56,306.26	587.50	(60,600.00)	(3,706.24)	-	3,706.24
Total	\$2,535,596.13	\$72,437.23	(60,600.00)	\$2,547,433.36	\$2,934,825.83	\$387,392.47

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	332,790.30
Effects of changes in DSR investments	33,191.61
Effects of changes in Expenses	(58,464.14)
Net PV Cashflow Savings @ 2.576%(AIC)	307,517.77
Contingency or Rounding Amount	1,451.38
Net Present Value Benefit	\$308,969.15
Net PV Benefit / \$1,910,600 Refunded Principal	16.171%
Net PV Benefit / \$2,020,000 Refunding Principal	15.296%

EXHIBIT B

SOURCES AND USES

The below chart depicts the “sources and uses” of the financing. As you will see, the LEase generated \$2,057,233.80 for the District on a \$2,020,000 bond sale (this is because the bonds sold at a “premium” due to market conditions which make the bonds more valuable).

Of that \$2,057,233.80: (1) \$45,081.66 goes to the institution that buys the Lease (the underwriter’s discount, or, the price the District paid the lender); (2) \$33,279.80 will go to the team of bankers and attorneys who assemble the deal—the financial advisor, bond counsel, trustee/paying agent, the issuer, etc.—and includes things like costs of preparing an official statement, publishing costs, documentation fees, etc.; (3) \$1,451.38 goes to the “rounding amount” which is a cushion built into deals to allow for variations in expenses and to account for the fact that bonds get sold in even \$5,000 increments.

After all of these expenses are paid, the District netted \$1,977,420.96, which was an amount sufficient to refund the District’s outstanding federal debt for \$307,517.22 worth of savings to the District, for a net present value savings of 15.296%.

Sources & Uses

Dated 07/23/2021 | Delivered 07/23/2021

Sources Of Funds

Par Amount of Bonds	\$2,020,000.00
Reoffering Premium	37,233.80
Total Sources	\$2,057,233.80

Uses Of Funds

Total Underwriter's Discount (2.232%)	45,081.66
Costs of Issuance	33,279.80
Deposit to Debt Service Reserve Fund (DSRF)	60,600.00
Deposit to Current Refunding Fund	1,916,820.96
Rounding Amount	1,451.38
Total Uses	\$2,057,233.80

EXHIBIT C

DEBT SERVICE FOR PRIOR OBLIGATIONS

The below chart depicts the debt service comparison—with the debt service for the prior obligations highlighted. The highlighted column represents the annual debt service for the District across all three of the Prior Obligations. The underlying debt service schedules for each of the three Prior Obligations is also included in this exhibit.

Date	Total P+I	Expenses	DSR	Net New D/S	Old Net D/S	Savings
06/30/2022	46,646.11	3,087.23	-	49,733.34	96,914.51	47,181.17
06/30/2023	115,950.00	5,437.50	-	121,387.50	137,899.62	16,512.12
06/30/2024	119,450.00	5,250.00	-	124,700.00	138,385.26	13,685.26
06/30/2025	117,850.00	5,050.00	-	122,900.00	138,838.38	15,938.38
06/30/2026	116,250.00	4,850.00	-	121,100.00	138,054.38	16,954.38
06/30/2027	119,650.00	4,650.00	-	124,300.00	139,285.38	14,985.38
06/30/2028	117,950.00	4,437.50	-	122,387.50	138,931.74	16,544.24
06/30/2029	121,250.00	4,225.00	-	125,475.00	138,863.26	13,388.26
06/30/2030	119,450.00	4,000.00	-	123,450.00	139,257.62	15,807.62
06/30/2031	122,650.00	3,775.00	-	126,425.00	139,489.62	13,064.62
06/30/2032	120,750.00	3,537.50	-	124,287.50	139,659.26	15,371.76
06/30/2033	118,850.00	3,300.00	-	122,150.00	139,661.88	17,511.88
06/30/2034	121,950.00	3,062.50	-	125,012.50	140,497.50	15,485.00
06/30/2035	119,950.00	2,812.50	-	122,762.50	139,718.62	16,956.12
06/30/2036	122,950.00	2,562.50	-	125,512.50	140,795.00	15,282.50
06/30/2037	120,850.00	2,300.00	-	123,150.00	140,231.62	17,081.62
06/30/2038	123,750.00	2,037.50	-	125,787.50	141,492.00	15,704.50
06/30/2039	91,550.00	1,762.50	-	93,312.50	109,987.38	16,674.88
06/30/2040	94,950.00	1,562.50	-	96,512.50	110,358.38	13,845.88
06/30/2041	93,143.76	1,350.00	-	94,493.76	110,554.76	16,061.00
06/30/2042	96,337.50	1,137.50	-	97,475.00	110,776.52	13,301.52
06/30/2043	69,312.50	912.50	-	70,225.00	82,914.38	12,689.38
06/30/2044	67,850.00	750.00	-	68,600.00	82,258.76	13,658.76
06/30/2045	56,306.26	587.50	(60,600.00)	(3,706.24)	-	3,706.24
Total	\$2,535,596.13	\$72,437.23	(60,600.00)	\$2,547,433.36	\$2,934,825.83	\$387,392.47

Water District Revenue Bonds, Series 1998

Debt Service To Maturity And To Call

Date	Refunded Bonds	Premium	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/23/2021	-	-	-	-	-	-	-	-
07/30/2021	351,000.00	(106.80)	1,343.06	352,236.26	-	-	-	-
01/01/2022	-	-	-	-	14,000.00	4.750%	8,336.25	22,336.25
07/01/2022	-	-	-	-	-	-	8,003.75	8,003.75
01/01/2023	-	-	-	-	14,000.00	4.750%	8,003.75	22,003.75
07/01/2023	-	-	-	-	-	-	7,671.25	7,671.25
01/01/2024	-	-	-	-	15,000.00	4.750%	7,671.25	22,671.25
07/01/2024	-	-	-	-	-	-	7,315.00	7,315.00
01/01/2025	-	-	-	-	16,000.00	4.750%	7,315.00	23,315.00
07/01/2025	-	-	-	-	-	-	6,935.00	6,935.00
01/01/2026	-	-	-	-	16,000.00	4.750%	6,935.00	22,935.00
07/01/2026	-	-	-	-	-	-	6,555.00	6,555.00
01/01/2027	-	-	-	-	18,000.00	4.750%	6,555.00	24,555.00
07/01/2027	-	-	-	-	-	-	6,127.50	6,127.50
01/01/2028	-	-	-	-	18,000.00	4.750%	6,127.50	24,127.50
07/01/2028	-	-	-	-	-	-	5,700.00	5,700.00
01/01/2029	-	-	-	-	19,000.00	4.750%	5,700.00	24,700.00
07/01/2029	-	-	-	-	-	-	5,248.75	5,248.75
01/01/2030	-	-	-	-	20,000.00	4.750%	5,248.75	25,248.75
07/01/2030	-	-	-	-	-	-	4,773.75	4,773.75
01/01/2031	-	-	-	-	21,000.00	4.750%	4,773.75	25,773.75
07/01/2031	-	-	-	-	-	-	4,275.00	4,275.00
01/01/2032	-	-	-	-	22,000.00	4.750%	4,275.00	26,275.00
07/01/2032	-	-	-	-	-	-	3,752.50	3,752.50
01/01/2033	-	-	-	-	23,000.00	4.750%	3,752.50	26,752.50
07/01/2033	-	-	-	-	-	-	3,206.25	3,206.25
01/01/2034	-	-	-	-	25,000.00	4.750%	3,206.25	28,206.25
07/01/2034	-	-	-	-	-	-	2,612.50	2,612.50
01/01/2035	-	-	-	-	25,000.00	4.750%	2,612.50	27,612.50
07/01/2035	-	-	-	-	-	-	2,018.75	2,018.75
01/01/2036	-	-	-	-	27,000.00	4.750%	2,018.75	29,018.75
07/01/2036	-	-	-	-	-	-	1,377.50	1,377.50
01/01/2037	-	-	-	-	28,000.00	4.750%	1,377.50	29,377.50
07/01/2037	-	-	-	-	-	-	712.50	712.50
01/01/2038	-	-	-	-	30,000.00	4.750%	712.50	30,712.50
Total	\$351,000.00	(106.80)	\$1,343.06	\$352,236.26	\$351,000.00	-	\$160,906.25	\$511,906.25

Water District Revenue Bonds, Series 2002

Debt Service To Maturity And To Call

Date	Refunded Bonds	Premium	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/23/2021	-	-	-	-	-	-	-	-
07/30/2021	364,600.00	(87.71)	1,358.39	365,870.68	-	-	-	-
01/01/2022	-	-	-	-	10,500.00	4.625%	8,431.38	18,931.38
07/01/2022	-	-	-	-	-	-	8,188.56	8,188.56
01/01/2023	-	-	-	-	11,000.00	4.625%	8,188.56	19,188.56
07/01/2023	-	-	-	-	-	-	7,934.19	7,934.19
01/01/2024	-	-	-	-	11,500.00	4.625%	7,934.19	19,434.19
07/01/2024	-	-	-	-	-	-	7,668.25	7,668.25
01/01/2025	-	-	-	-	12,100.00	4.625%	7,668.25	19,768.25
07/01/2025	-	-	-	-	-	-	7,388.44	7,388.44
01/01/2026	-	-	-	-	12,600.00	4.625%	7,388.44	19,988.44
07/01/2026	-	-	-	-	-	-	7,097.06	7,097.06
01/01/2027	-	-	-	-	13,200.00	4.625%	7,097.06	20,297.06
07/01/2027	-	-	-	-	-	-	6,791.81	6,791.81
01/01/2028	-	-	-	-	13,900.00	4.625%	6,791.81	20,691.81
07/01/2028	-	-	-	-	-	-	6,470.38	6,470.38
01/01/2029	-	-	-	-	14,500.00	4.625%	6,470.38	20,970.38
07/01/2029	-	-	-	-	-	-	6,135.06	6,135.06
01/01/2030	-	-	-	-	15,200.00	4.625%	6,135.06	21,335.06
07/01/2030	-	-	-	-	-	-	5,783.56	5,783.56
01/01/2031	-	-	-	-	15,900.00	4.625%	5,783.56	21,683.56
07/01/2031	-	-	-	-	-	-	5,415.88	5,415.88
01/01/2032	-	-	-	-	16,700.00	4.625%	5,415.88	22,115.88
07/01/2032	-	-	-	-	-	-	5,029.69	5,029.69
01/01/2033	-	-	-	-	17,500.00	4.625%	5,029.69	22,529.69
07/01/2033	-	-	-	-	-	-	4,625.00	4,625.00
01/01/2034	-	-	-	-	18,300.00	4.625%	4,625.00	22,925.00
07/01/2034	-	-	-	-	-	-	4,201.81	4,201.81
01/01/2035	-	-	-	-	19,200.00	4.625%	4,201.81	23,401.81
07/01/2035	-	-	-	-	-	-	3,757.81	3,757.81
01/01/2036	-	-	-	-	20,100.00	4.625%	3,757.81	23,857.81
07/01/2036	-	-	-	-	-	-	3,293.00	3,293.00
01/01/2037	-	-	-	-	21,100.00	4.625%	3,293.00	24,393.00
07/01/2037	-	-	-	-	-	-	2,805.06	2,805.06
01/01/2038	-	-	-	-	22,100.00	4.625%	2,805.06	24,905.06
07/01/2038	-	-	-	-	-	-	2,294.00	2,294.00
01/01/2039	-	-	-	-	23,100.00	4.625%	2,294.00	25,394.00
07/01/2039	-	-	-	-	-	-	1,759.81	1,759.81
01/01/2040	-	-	-	-	24,200.00	4.625%	1,759.81	25,959.81
07/01/2040	-	-	-	-	-	-	1,200.19	1,200.19
01/01/2041	-	-	-	-	25,300.00	4.625%	1,200.19	26,500.19
07/01/2041	-	-	-	-	-	-	615.13	615.13
01/01/2042	-	-	-	-	26,600.00	4.625%	615.13	27,215.13
Total	\$364,600.00	(87.71)	\$1,358.39	\$365,870.68	\$364,600.00	-	\$205,340.76	\$569,940.76

Water District Revenue Bonds, Series 2005

Debt Service To Maturity And To Call

Part 1 of 2

Date	Refunded Bonds	Premium	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/23/2021	-	-	-	-	-	-	-	-
07/30/2021	1,195,000.00	(256.87)	3,970.89	1,198,714.02	-	-	-	-
01/01/2022	-	-	-	-	31,000.00	4.125%	24,646.88	55,646.88
07/01/2022	-	-	-	-	-	-	24,007.50	24,007.50
01/01/2023	-	-	-	-	32,500.00	4.125%	24,007.50	56,507.50
07/01/2023	-	-	-	-	-	-	23,337.19	23,337.19
01/01/2024	-	-	-	-	34,000.00	4.125%	23,337.19	57,337.19
07/01/2024	-	-	-	-	-	-	22,635.94	22,635.94
01/01/2025	-	-	-	-	35,500.00	4.125%	22,635.94	58,135.94
07/01/2025	-	-	-	-	-	-	21,903.75	21,903.75
01/01/2026	-	-	-	-	37,000.00	4.125%	21,903.75	58,903.75
07/01/2026	-	-	-	-	-	-	21,140.63	21,140.63
01/01/2027	-	-	-	-	38,500.00	4.125%	21,140.63	59,640.63
07/01/2027	-	-	-	-	-	-	20,346.56	20,346.56
01/01/2028	-	-	-	-	40,500.00	4.125%	20,346.56	60,846.56
07/01/2028	-	-	-	-	-	-	19,511.25	19,511.25
01/01/2029	-	-	-	-	42,000.00	4.125%	19,511.25	61,511.25
07/01/2029	-	-	-	-	-	-	18,645.00	18,645.00
01/01/2030	-	-	-	-	44,000.00	4.125%	18,645.00	62,645.00
07/01/2030	-	-	-	-	-	-	17,737.50	17,737.50
01/01/2031	-	-	-	-	46,000.00	4.125%	17,737.50	63,737.50
07/01/2031	-	-	-	-	-	-	16,788.75	16,788.75
01/01/2032	-	-	-	-	48,000.00	4.125%	16,788.75	64,788.75
07/01/2032	-	-	-	-	-	-	15,798.75	15,798.75
01/01/2033	-	-	-	-	50,000.00	4.125%	15,798.75	65,798.75
07/01/2033	-	-	-	-	-	-	14,767.50	14,767.50
01/01/2034	-	-	-	-	52,000.00	4.125%	14,767.50	66,767.50
07/01/2034	-	-	-	-	-	-	13,695.00	13,695.00
01/01/2035	-	-	-	-	54,500.00	4.125%	13,695.00	68,195.00
07/01/2035	-	-	-	-	-	-	12,570.94	12,570.94
01/01/2036	-	-	-	-	57,000.00	4.125%	12,570.94	69,570.94
07/01/2036	-	-	-	-	-	-	11,395.31	11,395.31
01/01/2037	-	-	-	-	59,000.00	4.125%	11,395.31	70,395.31
07/01/2037	-	-	-	-	-	-	10,178.44	10,178.44
01/01/2038	-	-	-	-	62,000.00	4.125%	10,178.44	72,178.44
07/01/2038	-	-	-	-	-	-	8,899.69	8,899.69
01/01/2039	-	-	-	-	64,500.00	4.125%	8,899.69	73,399.69
07/01/2039	-	-	-	-	-	-	7,569.38	7,569.38
01/01/2040	-	-	-	-	67,500.00	4.125%	7,569.38	75,069.38
07/01/2040	-	-	-	-	-	-	6,177.19	6,177.19
01/01/2041	-	-	-	-	70,500.00	4.125%	6,177.19	76,677.19
07/01/2041	-	-	-	-	-	-	4,723.13	4,723.13
01/01/2042	-	-	-	-	73,500.00	4.125%	4,723.13	78,223.13

Debt Service To Maturity And To Call

Part 2 of 2

Date	Refunded Bonds	Premium	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/01/2042	-	-	-	-	-	-	3,207.19	3,207.19
01/01/2043	-	-	-	-	76,500.00	4.125%	3,207.19	79,707.19
07/01/2043	-	-	-	-	-	-	1,629.38	1,629.38
01/01/2044	-	-	-	-	79,000.00	4.125%	1,629.38	80,629.38
Total	\$1,195,000.00	(256.87)	\$3,970.89	\$1,198,714.02	\$1,195,000.00	-	\$657,978.82	\$1,852,978.82

EXHIBIT D

FINANCIAL INFORMATION

CORINTH WATER DISTRICT
FINANCIAL STATEMENTS

For Years Ending December 31, 2020 and 2019

CORINTH WATER DISTRICT
FINANCIAL STATEMENTS
For Years Ending December 31, 2020 and 2019

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CORINTH WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2020 and 2019

Chair

Dan Field

Treasurer

Cherish Kennedy

Secretary

Shannon Long

Legal Counsel

Pete Whaley, Attorney at Law

Independent Auditor's Report

**To the Board of Commissioners
Corinth Water District**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Corinth Water District as of December 31, 2020 and 2019 and the respective changes in financial position and cash flows thereof for the years then ended in conformity 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 *Management's Discussion and Analysis* on pages 4–8 and the pension and OPEB disclosure information on pages 29 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2021 on our consideration of the Corinth Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corinth Water District's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
August 23, 2021

**CORINTH WATER DISTRICT
P.O. BOX 218
CORINTH, KY 41010**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2020. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent year by \$915,634 (net position). Net position increased by \$399 from the prior year.
- At the end of the current year, unrestricted net position was (\$224,339), which is an increase of \$69,153 from the prior year.

USING THIS ANNUAL REPORT

The financial statements presented herein include all of the activities of the District accounted for within a single proprietary (enterprise) reporting entity. The financial statements include statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements and supplemental schedules. These statements show the condition of the District's finances and the sources of income and the funds expended.

Basis of Accounting

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

The Statements of Net Position and Revenues, Expenses, and Changes in Net Position

In the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position, we report the District's activities.

- The District charges rates for water usage based on the water consumption of its customers to cover all or most of the cost of certain services the District provides.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2020 and 2019.

**Table 1
Net Position**

	2020	2019
Current assets	\$ 146,784	\$ 117,094
Restricted assets	40,284	34,567
Capital assets	3,041,007	3,172,267
Deferred outflow of resources	<u>62,930</u>	<u>72,344</u>
 Total assets and deferred outflow of resources	 <u>3,291,005</u>	 <u>3,396,272</u>
 Current liabilities	 49,869	 47,262
Liabilities from restricted assets	4,074	3,790
Long-term liabilities	2,177,200	2,286,907
Deferred inflow of resources	<u>144,228</u>	<u>143,078</u>
 Total liabilities and deferred inflow of resources	 <u>2,375,371</u>	 <u>2,481,037</u>
 Net position:		
Invested in capital assets, net of related debt	1,119,690	1,194,160
Restricted	40,283	34,567
Unrestricted	<u>(244,339)</u>	<u>(313,492)</u>
 Total net position	 <u>\$ 915,634</u>	 <u>\$ 915,235</u>

The District's net position for 2018 decreased 18.5%, or \$203,294, as compared to a 17.2% or \$229,005 decrease in the previous year. The 2018 and 2017 decrease is due to an increase in the net unfunded pension liability and a decrease in net capital assets.

The largest portion of the District's net position (137.4%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

An additional portion of the District's net position .157% is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

The unrestricted portion of net position may be used to meet the District's ongoing obligations to customers and creditors.

SUMMARY OF CHANGES IN NET POSITION

Operating Revenues

Operating revenues decreased \$24,634, or 3.3%. This was primarily because the summer of 2020 was warm and dry resulting in increased water sales

Operating Expenses

Operating expenses increased \$107,094 or 16.7%. A large portion of this increase was due to an increase in water costs. The District experienced increases in salaries and benefits expenses, transportation expense, and depreciation expense during 2020.

Net Effect of Change in Pension and OPEB Expense

This reduction in expense represents the amount that the District's proportionate share of the estimated unfunded pension and OPEB liability associated with its participation in the County Employee Retirement System in its financial statements. The amount that appears as a reduction of a non-operating expense, \$42,069, is the result of booking the change in the liability and the related deferred inflows and outflows less any amortization of those inflows and outflows between December 31, 2020 and December 31, 2019. See Note 11 to the financial statements for a more complete explanation of this unfunded liability and the related deferred inflows and outflows.

Capital Contributions

Capital contributions increased \$16,154 from 2019 to 2020.

The following schedule compares the revenues and expenses for the current year and the previous year.

Table 2
Changes in Net Position

	2020	2019
Operating revenues:		
Water revenue	\$ 758,168	\$ 703,500
Forfeited discounts	4,938	32,518
Miscellaneous service revenues	5,643	8,097
Total operating revenues	768,749	744,115
Total operating expenses	746,799	639,705
Net operating (loss) income	21,950	104,410
Non-operating income (expense):		
Interest income	40	19
Net effect of change in pension and OPEB expense	42,069	(2,550)
Interest on long-term obligations	(86,214)	(89,394)
Net non-operating expense	(44,105)	(91,925)
Net (loss) gain	(22,155)	12,485
Capital contributions	22,554	6,400
Change in net position	399	18,885
Net position, January 1	915,235	896,350
Net position, December 31	\$ 915,634	\$ 915,235

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2020, the District had \$3,041,007 invested in capital assets including land, water lines, vehicles, and equipment, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of \$131,260 from the prior year. This decrease is due to the fact that depreciation expense of \$165,494 exceeded the cost of new assets purchased during 2020.

Table 3 summarizes the District's capital assets at the end of 2020 as compared to 2019.

Table 3
Capital Assets at Year End

	<u>2020</u>	<u>2019</u>
Land	\$ 21,200	\$ 21,200
Buildings and improvements	105,885	105,885
Lines and equipment	6,442,012	6,407,780
Office furniture and fixtures	24,048	24,048
Transportation equipment	<u>51,573</u>	<u>51,573</u>
Subtotal	6,644,718	6,610,486
Accumulated depreciation	<u>(3,603,711)</u>	<u>(3,438,217)</u>
Total capital assets	<u><u>\$ 3,041,007</u></u>	<u><u>\$ 3,172,269</u></u>

The District currently has no construction in progress.

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2020 compared to 2019.

Table 4
Outstanding Debt at Year End

	<u>2020</u>	<u>2019</u>
Bonds payable	\$ 1,910,600	\$ 1,963,600
Note payable	<u>10,717</u>	<u>14,507</u>
Total outstanding debt	<u><u>\$ 1,921,317</u></u>	<u><u>\$ 1,978,107</u></u>

At year-end, the District had \$1,921,317 in outstanding debt compared to \$1,978,107 the previous year. This is a decrease of \$56,790.

All of the required payments were made on the District's outstanding debt during 2020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Our budget for 2020 projects operating gains to decline approximately \$47,000 from the amount reported for 2019. Operating revenue is projected to increase slightly while operating expenses related to employee wages and benefits and purchased water costs are projected to increase significantly resulting in a lower operating gain.

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administrative office at Thomas Lane, Corinth, Kentucky 41018.

Tara Wright

Tara Wright, Manager
Corinth Water District

CORINTH WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 8,593	\$ 15,767
Accounts receivable - customers, net of allowance	120,664	86,452
Inventories	16,066	11,692
Prepaid insurance	1,461	3,183
Total current assets	<u>146,784</u>	<u>117,094</u>
Restricted assets		
Reserve funds	24,370	20,108
Sinking funds	15,914	14,459
Total restricted assets	<u>40,284</u>	<u>34,567</u>
Capital assets		
Land	21,200	21,200
Buildings and improvements	105,885	105,885
Lines and equipment	6,442,012	6,407,778
Office furniture and fixtures	24,048	24,048
Transportation equipment	51,573	51,573
Total utility plant in service	6,644,718	6,610,484
Less accumulated depreciation	<u>(3,603,711)</u>	<u>(3,438,217)</u>
Total capital assets, net of depreciation	<u>3,041,007</u>	<u>3,172,267</u>
Total assets	3,228,075	3,323,928
Deferred outflow of resources		
Deferred outflows related to pensions and OPEB	<u>62,930</u>	<u>72,344</u>
Total assets and deferred outflow of resources	<u>3,291,005</u>	<u>3,396,272</u>

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

(Continued on page 10)

CORINTH WATER DISTRICT STATEMENTS OF NET POSITION (continued from page 9) December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities		
Current liabilities		
Accounts payable - general	37,244	33,715
Customer deposits	3,920	4,960
Withheld and accrued liabilities	8,705	8,587
Total current liabilities	<u>49,869</u>	<u>47,262</u>
Current liabilities payable from restricted assets		
Note payable	4,074	3,790
Total current liabilities payable from restricted assets	<u>4,074</u>	<u>3,790</u>
Long-term liabilities		
Note payable - Huntington Bank	6,643	10,717
Bonds payable - USDA - Water Revenue Bonds	1,910,600	1,963,600
Net unfunded pension and OPEB liability	259,957	312,590
Total long-term liabilities	<u>2,177,200</u>	<u>2,286,907</u>
Total liabilities	2,231,143	2,337,959
Deferred inflow of resources		
Deferred inflow related to pensions and OPEB	<u>144,228</u>	<u>143,078</u>
Total liabilities and deferred inflow of resources	<u>2,375,371</u>	<u>2,481,037</u>
Net position		
Invested in capital assets, net of related debt	1,119,690	1,194,160
Restricted	40,283	34,567
Unrestricted	<u>(244,339)</u>	<u>(313,492)</u>
Total net position	<u>\$ 915,634</u>	<u>\$ 915,235</u>

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

CORINTH WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For Years Ending December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Water revenue	\$ 758,168	\$ 703,500
Forfeited discounts	4,938	32,518
Miscellaneous service revenues	<u>5,643</u>	<u>8,097</u>
Total operating revenues	<u>768,749</u>	<u>744,115</u>
Operating expenses		
Salaries and wages - employees	103,334	80,399
Salaries and wages - officer and directors	13,946	15,108
Employee benefits	25,363	13,858
Retirement benefits	22,073	9,884
Payroll taxes	9,008	7,198
Bad debt expenses	9,565	8,833
Contractual services	58,951	52,364
Depreciation expenses	165,494	165,243
Education/training	150	2,279
Insurance expenses	9,704	7,638
Materials and supplies	33,773	17,761
Miscellaneous expenses	2,664	2,856
Purchased power	5,329	5,012
Purchased water	278,138	239,545
Taxes other than income taxes	1,524	1,461
Transportation expenses	<u>7,783</u>	<u>10,266</u>
Total operating expenses	<u>746,799</u>	<u>639,705</u>
Operating income	<u>21,950</u>	<u>104,410</u>
Non-operating income (expense)		
Interest income	40	19
Net effect of change in pension and OPEB expense	42,069	(2,550)
Interest on long-term obligations	<u>(86,214)</u>	<u>(89,394)</u>
Net non-operating expense	<u>(44,105)</u>	<u>(91,925)</u>
Net (loss) gain	(22,155)	12,485
Capital contributions	<u>22,554</u>	<u>6,400</u>
Change in net position	399	18,885
Net position, January 1	<u>915,235</u>	<u>896,350</u>
Net position, December 31	<u>\$ 915,634</u>	<u>\$ 915,235</u>

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

CORINTH WATER DISTRICT STATEMENTS OF CASH FLOWS For Years Ending December 31, 2020 and 2019
--

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Received from customers	\$ 734,537	\$ 729,749
Paid to suppliers for goods and services	(407,744)	(345,127)
Paid to or on behalf of employees for services	(173,606)	(128,450)
	<u>153,187</u>	<u>256,172</u>
Net change in cash for operating activities		
Cash flows from investing activities		
Interest on investments	40	19
Expenditures for construction and equipment	(34,234)	(11,130)
Change in restricted cash	(5,717)	11,681
Contributions in aid of construction	22,554	6,400
	<u>(17,357)</u>	<u>6,970</u>
Net change in cash for investing activities		
Cash flows from capital and related financing activities		
Interest on long-term debt	(86,214)	(134,233)
Payments on long-term debt	(56,790)	(116,516)
	<u>(143,004)</u>	<u>(250,749)</u>
Net change in cash for capital and related financing activities		
Change in cash and cash equivalents	(7,174)	12,393
Cash and cash equivalents-beginning of year	<u>15,767</u>	<u>3,374</u>
Cash and cash equivalents-end of year	<u>\$ 8,593</u>	<u>\$ 15,767</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 21,950	\$ 104,410
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	165,494	165,243
Change in operating assets and liabilities		
Decrease in receivables	(34,212)	(14,366)
Decrease (increase) in inventories	(4,374)	(3,312)
Decrease in prepaid assets	1,722	(594)
(Decrease) increase in accounts payable	3,529	7,514
(Decrease) increase in withheld and accrued liabilities	118	(2,003)
Decrease in customer deposits	(1,040)	(720)
	<u>\$ 153,187</u>	<u>\$ 256,172</u>
Net cash provided by operating activities		
Supplemental information		
Interest paid	<u>\$ (86,214)</u>	<u>\$ (134,233)</u>

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

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Corinth Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Pendleton, and Harrison Counties in Kentucky. The District was created by the Grant County Court on January 11, 1965 under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”).

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission (“PSC”) pursuant to KRS 278.040.

Basis of Accounting

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

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

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into “invested in capital assets, net of related liabilities”; “restricted”; and “unrestricted” components.

Allowance for Bad Debts

The District uses the allowance method to account for bad debts. The balances of the allowance for bad debts were \$5,600 at December 31, 2020 and 2019, respectively.

Cash Equivalents

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

Budgets

In accordance with Kentucky Revised Statutes 65A, the District is required to upload a balanced budget on the Kentucky Department of Local Government’s website prior to January 15. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019**

Inventories

Inventories are stated at the lower of cost or market. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

Distribution System, Building, and Equipment

Property, plant, transmission lines, and equipment are recorded at cost and depreciated over their estimated useful lives using the straight line method. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the "Non-Operating Income (Expense)" portion of results of operations.

Capital Contributions

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and other contributions to recover the costs of extensions of the distribution system. During 2020 and 2019 these contributions consisted of the following:

Source	2020	2019
Tap in fees and construction costs paid by new customers	\$ 22,554	\$ 6,400
Total capital contributions received in aid of construction	<u>\$ 22,554</u>	<u>\$ 6,400</u>

Purchased Water Costs

The District is dependent on the City of Williamstown as its sole supplier of water. On September 1, 2004, the District signed an agreement with the City of Williamstown to extend this water service agreement for the next 42 years.

Income Tax Status

The District is exempt from federal and state income taxes since it is a political subdivision of the Grant County Court. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-Operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sales of fixed assets and interest income.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits consist of checking and savings accounts and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the statements of net position as "Cash and Cash Equivalents" and "Restricted Assets". The balances for "Cash and Cash, Equivalents"

<p>CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2020 and 2019</p>

were \$8,593 and \$15,767 at December 31, 2020 and 2019, respectively. The balances for "Restricted Assets" were \$40,284 and \$34,567 at December 31, 2020 and 2019, respectively.

The District's investment policy allows investments only in the form of savings accounts and certificates of deposit at local banks in Grant County, Kentucky. The District holds funds at Forcht Bank. The FDIC insures bank deposits for amounts up to \$250,000 per banking institution. Thus, all of the \$48,877 in District funds are insured. In accordance with GASB 40, there is no market risk on these savings account investments.

NOTE 3 – RESTRICTED NET POSITION

Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net position. Invested in capital assets, net of related debt, consists of all capital assets net of accumulated depreciation and reduced by outstanding debts that are attributable to the acquisition, construction and improvement of those assets. The restricted portion of net position consists of assets, net of related liabilities, for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. The unrestricted portion of net position consists of all other assets, net of related liabilities, not included in the above categories.

The following amounts are included in restricted net position at December 31, 2020 and 2019:

	2020	2019
Reserve fund	\$ 24,370	\$ 20,108
Sinking fund	15,914	14,459
Total Restricted Net Position	<u>\$ 40,284</u>	<u>\$ 34,567</u>

NOTE 4 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5-20 years
Machinery and equipment	3-10 years
Transportation equipment	5 years
Transmission lines and distribution systems	10-40 years

**CORINTH WATER DISTRICT
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Asset Type	Balance at December 31, 2019	Additions	Retirements	Balance at December 31, 2020
Land	\$ 21,200	\$ -	\$ -	\$ 21,200
Buildings and improvements	105,885	-	-	105,885
Distribution reservoirs and pipes	409,285	-	-	409,285
Furniture and fixtures	24,048	-	-	24,048
Hydrants	122,814	-	-	122,814
Meter system and installation	948,818	32,409	-	981,227
Supply mains	13,191	-	-	13,191
Tools and equipment	19,016	1,825	-	20,841
Transmission mains	4,894,654	-	-	4,894,654
Transportation equipment	51,573	-	-	51,573
Subtotal	6,610,484	34,234	-	6,644,718
Accumulated depreciation	(3,438,217)	(165,494)	-	(3,603,711)
Capital assets, net	\$ 3,172,267	\$ (131,260)	\$ -	\$ 3,041,007

NOTE 5 – LONG TERM DEBT

The following is a summary of the District's debt:

Debt Instrument	Balance at December 31, 2019	Additions	Retirements	Balance at December 31, 2020
USDA Rural Development FHA Bonds-97/98	\$ 364,000	\$ -	\$ (13,000)	\$ 351,000
USDA Rural Development FHA Bonds-2002	374,600	-	(10,000)	364,600
USDA Rural Development FHA Bonds-2005	1,225,000	-	(30,000)	1,195,000
Huntington Bank Loan	14,507	-	(3,790)	10,717
Subtotal	1,978,107	\$ -	\$ (56,790)	1,921,317
Less: current portion of long-term debt	(3,790)			(4,074)
Total Long-Term Indebtedness	\$ 1,974,317			\$ 1,917,243

WATER REVENUE BONDS, SERIES 1998

On November 5, 1998, the District issued a water revenue bond in the amount of \$526,000. The interest rate is 4.75% per year. Interest is payable semi-annually on the first day of January and July of each year. Collateral includes water lines, meters and pumping equipment of the District. The first payments were due January 1, 2001 and mature through 2038.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2021	4.75%	\$ -	\$ 16,981	\$ 16,981
2022	4.75%	14,000	16,340	30,340
2023	4.75%	14,000	15,675	29,675
2024	4.75%	15,000	14,986	29,986
2025	4.75%	16,000	14,250	30,250
2026-2030	4.75%	91,000	58,972	149,972
2031-2035	4.75%	116,000	34,485	150,485
2036-2038	4.75%	85,000	6,199	91,199
Totals		\$ 351,000	\$ 177,888	\$ 528,888

WATER REVENUE BONDS, SERIES 2002

On October 25, 2002, the District issued water revenue bonds in the amount of \$485,000. The interest rate is 4.625% per year. Interest is payable semi-annually on the first day of January and July of each year. Principal installments mature in 2005 through 2042. The first payments were due January 2005. Collateral includes water lines, meters and pumping equipment of the District.

The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2021	4.625%	\$ -	\$ 17,094	\$ 17,094
2022	4.625%	10,500	16,620	27,120
2023	4.625%	11,000	16,123	27,123
2024	4.625%	11,500	15,602	27,102
2025	4.625%	12,100	15,056	27,156
2026-2030	4.625%	69,400	66,160	135,560
2031-2035	4.625%	87,600	48,087	135,687
2036-2040	4.625%	110,600	25,262	135,862
2041-2042	4.625%	51,900	2,430	54,330
Totals		\$ 364,600	\$ 222,434	\$ 587,034

WATER REVENUE BONDS, SERIES 2005

On September 9, 2005, the District issued water revenue bonds in the amount of \$1,532,000. These bonds were issued to finance the construction of a waterline extension and to pay off the capital lease balance of \$890,000 previously held by the District. The interest rate is 4.125% per year. Interest is payable semi-annually on the first day of January and July of each year. Principal installments mature in 2007 through 2044. Collateral includes water lines, meters and pumping equipment of the District.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2021	4.125%	\$ -	\$ 49,913	\$ 49,913
2022	4.125%	31,000	48,655	79,655
2023	4.125%	32,500	47,345	79,845
2024	4.125%	34,000	45,973	79,973
2025	4.125%	35,500	44,540	80,040
2026-2030	4.125%	202,000	198,929	400,929
2031-2035	4.125%	250,500	152,409	402,909
2036-2040	4.125%	310,000	94,832	404,832
2041-2044	4.125%	299,500	25,295	324,795
Totals		\$ 1,195,000	\$ 707,891	\$ 1,902,891

NOTE PAYABLE – HUNTINGTON BANK

On March 13, 2017, the District signed a 75-month loan agreement with Huntington Bank for the purchase of a pick-up truck in the amount of \$23,636 at a fixed annual interest rate of 7.0744%. Principal and interest are payable in seventy-five (75) monthly installments in the amount of \$393 each and any outstanding principal and accrued interest will be due and payable in full on the maturity date of June 13, 2023. This loan is secured by the pick-up truck. The future minimum note payments are as follows:

Year	Principal Amount	Interest Amount	Total Note Payments
2021	\$ 4,074	\$ 636	\$ 4,710
2022	4,376	334	4,710
2023	2,267	47	2,314
Totals	\$ 10,717	\$ 1,017	\$ 11,734

NOTE 6 - COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description - Employees are covered by CERS (County Employees' Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) 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 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/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The Bullock Pen Water District has only Non-Hazardous employees.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Membership in CERS consisted of the following at June 30, 2020:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	81,506	81,147
Inactive Plan Members	91,543	29,362
Retired Members	64,539	36,371
	<u>237,588</u>	<u>146,880</u>
Number of participating employers		<u>1,136</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of 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.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2020 and 2019
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Contributions – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

Contributions

For non-hazardous duty employees, the District contributed 24.06% (from January – June 2020), of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, and 24.06% (from July – December 2020), of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee’s compensation during the fiscal year ended December 31, 2020.

The District made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$22,073, of which \$17,706 was for the pension fund and \$4,367 was for the health insurance fund.

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

At December 31, 2020, the District reported a liability of \$197,730 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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. At June 30, 2020, the District’s non-hazardous employer allocation proportion was 0.00258% of the total CERS non-hazardous duty employees. For the year ended December 31, 2020, the District recognized a reduction of pension expense of \$36,224 in addition to its \$17,706 pension contribution.

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 4,931	\$ -
Net difference between projected actual earnings on plan investments	4,948	-
Changes of assumptions	7,721	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,472	(89,359)
Contributions subsequent to the measurement date	9,273	-
	\$ 29,345	\$ (89,359)

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019**

The District's contributions subsequent to the measurement date of \$9,273 will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	Net Deferral
2021	\$ (42,790)
2022	(28,072)
2023	(412)
2024	1,987
	<u>\$ (69,287)</u>

Actuarial Assumptions

The total pension liability as of December 31, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.05-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. 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.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2019.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
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%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
	100.00%	

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 contributions from plan members 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%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

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:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
	Non-hazardous	\$ 243,845	\$ 197,730

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

**CORINTH WATER DISTRICT
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the period January - June 2020, was 4.76% and for July – December 2020 was 4.76% of covered-employee payroll for non-hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$4,367 for non-hazardous duty employees for the year ended December 31, 2020.

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

At December 31, 2020, the District reported a liability of \$62,227 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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 governmental entities,

<p>CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2020 and 2019</p>

actuarially determined. At December 31, 2020, the District's proportion of the non-hazardous plan was .00258%.

For the year ended December 31, 2020, the District recognized a reduction in OPEB expense of \$5,845. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 10,397	\$ (10,405)
Net difference between projected actual earnings on plan investments	2,068	-
Changes of assumptions	10,824	(66)
Changes in proportion and differences between contributions and proportionate share of contributions	3,116	(39,505)
Contributions subsequent to the measurement date	2,287	-
	<u>\$ 28,692</u>	<u>\$ (49,976)</u>

The District's contributions subsequent to the measurement date, \$2,287 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Net Deferral
2021	\$ (5,201)
2022	(4,589)
2023	(5,743)
2024	(6,308)
2025	(1,730)
Thereafter	-
	<u>\$ (23,571)</u>

Actuarial Assumptions

The total OPEB liability as of December 31, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed

<p>CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2020 and 2019</p>

Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)
Investment rate of return	6.25%, net of pension plan expense, including inflation
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased for all Funds. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

Plan Target Allocation

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

**CORINTH WATER DISTRICT
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Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
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%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.34% for the non-hazardous plan and 5.69% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.34% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.34%	5.34%	6.34%
Net OPEB liability, non-hazardous	\$ 79,943	\$ 62,227	\$ 47,676

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019**

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 48,179	\$ 62,227	\$ 79,274

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE 7 – RELATED PARTY TRANSACTIONS

Tara Wright, the Manager of the Water District, acts as both the Manager of the Water District and the City Clerk of the City of Corinth. The District has normal business relations with the City of Corinth. Some minor reimbursable expenses have been paid by one entity and reimbursed by/to the other.

The District paid \$147 during 2019 to the brother of a District commissioner for meter testing services.

NOTE 8 – RISKS/COMMITMENTS/CONTINGENCIES

Corinth Water District depends upon the credit given to a large group of individual customers. The revenue from individuals is significantly larger than the revenue from corporations. Therefore, there is considerably less cash flow risk from the failure of a single customer to pay.

NOTE 9 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations – FY 2020*

Statement No. 88 – *Certain Disclosures Related to Debt – FY 2020*

Statement No. 95 – *Postponement of Effective Dates of Authoritative Guidance – FY 2020*

NOTE 10 – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities – FY 2021*

Statement No. 87 – *Leases – FY 2022*

Statement No. 89 – *Accounting for Interest Cost in Construction Projects – FY 2021*

Statement No. 90 – *Majority Equity Interests – FY 2021*

Statement No. 91 – *Conduit Debt Obligations – FY 2023*

Statement No. 92 – *Omnibus 2020 – FY 2022*

Statement No. 93 – *Replacement of Interbank Offered Rates – FY 2022*

Statement No. 94 – *Public-Private and Public-Public Partnerships – FY 2022*

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019**

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE 11 – COVID-19 GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization announced a global health emergency, later classified as a global pandemic, as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. The District's Management and Board continue to actively monitor the impact of the global pandemic on its financial condition, liquidity, operations, suppliers, and industry.

NOTE 12 – ECONOMIC DEPENDENCY/CREDIT RISK

Corinth Water District is a government agency operating with one office in Corinth, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Grant, Pendleton and Harrison Counties in Kentucky.

NOTE 13 - SUBSEQUENT EVENTS

Management has considered the need to recognize or disclose subsequent events through August 23, 2021 which represents the date on which the financial statements were available to be issued. The District did not have any events subsequent to December 31, 2020 through August 23, 2021 to disclose.

**CORINTH WATER DISTRICT
 MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN-NON-HAZARDOUS
 Last Ten Fiscal Years**

**Schedule of the District's Proportionate Share of the Net Pension Liability
 County Employees' Retirement System (CERS)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.00258%	0.00359%	0.00567%	0.005282%	0.005460%	0.005910%				
Proportionate share of the net pension liability (asset)	\$ 197,730	\$ 252,275	\$ 345,016	\$ 309,172	\$ 268,880	\$ 254,132				
Covered payroll in year	\$ 66,035	\$ 90,479	\$ 140,419	\$ 128,604	\$ 130,276	\$ 137,904				
Share of the net pension liability (asset) as a percentage of its covered payroll	299.43%	278.82%	245.70%	240.41%	206.39%	184.28%				
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.45%	53.54%	55.50%	59.97%	66.80%				

**Schedule of the District's Pension Fund Contributions
 County Employees' Retirement System (CERS)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 17,706	\$ 7,717	\$ 22,038	\$ 17,940	\$ 16,180	\$ 17,583	\$ 19,115			
Actual contribution	\$ 17,706	\$ 7,717	\$ 22,038	\$ 17,940	\$ 16,180	\$ 17,583	\$ 19,115			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll in District's fiscal year (Jan. - Dec.)	\$ 91,743	\$ 43,333	\$ 143,846	\$ 130,789	\$ 127,566	\$ 132,430	\$ 141,300			
Contributions as a percentage of covered payroll	19.30%	17.81%	15.32%	13.72%	12.68%	13.28%	13.53%			

**Notes to Required Supplementary Information
 for the Year Ended December 31, 2020**

The net pension liability as of December 31, 2020, is based on the June 30, 2020, actuarial valuation. The changes to the elements of the pension expense, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.

CORINTH WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.00258%	0.00359%	0.00567%							
Proportionate share of the net pension liability (asset)	\$ 62,227	\$ 60,315	\$ 100,581							
Covered payroll in year of measurement (July - June)	\$ 66,035	\$ 90,479	\$ 140,419							
Share of the net pension liability (asset) as a percentage of its covered payroll	94.23%	66.66%	71.63%							
Plan fiduciary net position as a percentage of total pension liability	51.67%	60.44%	57.62%							

Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 4,367	\$ 2,168	\$ 7,150	\$ 6,491						
Actual contribution	4,367	2,168	7,150	6,491						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll in District's fiscal year (Jan. - Dec.)	\$ 91,743	\$ 43,333	\$ 143,846	\$ 130,789						
Contributions as a percentage of covered payroll	4.76%	5.00%	4.97%	4.96%						

Notes to Required Supplementary Information
for the Year Ended December 31, 2020

The net OPEB liability as of December 31, 2020, is based on the June 30, 2020, actuarial valuation. The changes to the elements of the pension expense, i.e. the differences between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, the changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date are detailed in NOTE 6 in the Notes to the Financial Statements.

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
Corinth Water District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Corinth Water District, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Corinth Water District's basic financial statements and have issued our report thereon dated August 23, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described below, that we consider significant deficiencies.

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.

Lack of Segregation of Duties

Condition: We noted that, due to the size of the District and financial considerations, the executing and recording of transactions are performed by the same person.

Criteria: The process of executing a transaction should be segregated from the process of recording the transaction.

Effect: Segregation of duties is a necessary part of any system of internal control. Lack of segregation of duties could allow for receipts to be diverted away from the District and expenses not attributed to the District could be paid for from the District's cash account.

Recommendation: Internal controls should continue to be implemented to segregate the duties of the personnel. Controls should be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

Compliance and Other Matters

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

August 23, 2021

EXHIBIT E

EXISTING OBLIGATIONS

- (i) Water Revenue Bonds, Series 1998
- (ii) Water Revenue Bonds, Series 2002
- (iii) Water Revenue Bonds, Series 2005
 - Reflecting the Prior USDA Obligations

- (iv) Lease Agreement with City of Corinth, Series 2012
- (v) Lease Agreement with Huntington Bank, dated March 13, 2017
- (vi) Line of Credit with Forcht Bank dated June 20, 2019.

EXHIBIT F

**DRAFT STATEMENT OF NOTIFICATION OF INTENT TO FINANCE AND
APPLICATION OF DEBT APPROVAL WITH THE STATE AND LOCAL DEBT
OFFICE**

Page 1	NOTIFICATION OF INTENT TO FINANCE AND APPLICATION OF DEBT APPROVAL Form # SLDO-1 Revised 1/1/2011	For DLG staff use only: File # _____ Received _____
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Completion and delivery of this form to the address below shall satisfy the requirements of KRS 65.117, which prohibits any city, county, urban-county, consolidated local government, charter county, special district, or taxing district from entering into any financing obligation of any nature, except leases under \$200,000, without first notifying the state local debt officer in writing. This form shall also serve as application for approval of debt issuance when applicable. An electronic version of the form is available at www.dlg.ky.gov.

<input checked="" type="checkbox"/> Type of debt to be issued (must check one):	SLDO Approval Required	Complete Sections
<input type="checkbox"/> Short Term Borrowing – KRS 65.7701 et. seq.	No	A,B,C
<input type="checkbox"/> Lease from \$200,000 - \$500,000 – KRS 65.940 et. seq.	No	A,B,D
<input checked="" type="checkbox"/> Lease exceeding \$500,000 – KRS 65.940 et. seq.	Yes (Counties only)	A,B,D
<input type="checkbox"/> General Obligation Bond – KRS Chapter 66	Yes (Counties only)	A,B,E
<input type="checkbox"/> Public Project Rev. Bond – KRS Chapter 58	No	A,B,E
<input type="checkbox"/> Public Project Rev. Bonds w/Lease - KRS 65.310(2)	Yes (Counties only)	A,B,D,E
<input type="checkbox"/> Industrial Revenue Bond – KRS Chapter 103	Yes (All Borrowers)	A,B,F
<input type="checkbox"/> Other Bonds (True Revenue, Utility Assessment, TIF)	No	A,B,E

Section A – Borrower Information

Agency Name: Corinth Water District	
Governing Body: Special District	
Street Address: 215 Thomas Lane	
PO Box:	City: Corinth
County: Grant County	Zip: 41010
Authorized Official: Manager	

Section B – Terms of Financial Obligation

Please provide all relevant information. Fields in bold are mandatory.

Principal Amount: \$2,020,000	Date of Issue: July 23, 2021
Maturity Date(s): 02/01/2045	Payment Schedule: (must attach schedule)
Term: 30 years	Number of Renewal Periods: N/A
Interest Rate(s): 2.000-5.000%	Type of Interest (fixed or variable): Fixed
Retirement Method: Lease payments	
Lender's Name: N/A	
Lender's Address: N/A	
Right of Termination: N/A	

Termination Penalties: N/A
Prepayment Provisions: Bonds maturing on and after February 1, 2030 are subject to optional redemption on any date on and after February 1, 2029
Trustee or Paying Agent: The Bank of New York Mellon Trust Company, N.A.
AOC Funding Percentage: 0%

Page 2	NOTIFICATION OF INTENT TO FINANCE AND APPLICATION OF DEBT APPROVAL Form # SLDO-1 Revised 1/1/2011
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Section C – Note (Loan) Information/Documentation

Purpose – Briefly explain the documented need that necessitates this note (loan) and the public purpose it is intended to address. (Attach additional information if necessary):

Pledge of Taxes/Description:

Pledge of Revenue/Description:

Pledge of Project Revenues (Attach documentation which substantiates the revenue projections):

Have bids been sought by the local governments to determine the financial and programmatic competitiveness of the note (loan) proposal? Yes No

If No, explain what steps were taken to ensure adequate competition.

Required Attachments

1. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the note and statement as to taxes and revenues to be collected during the term of the note.

Section D – Lease Information/Documentation

Describe the real or personal property to be acquired or constructed:

N/A, Refunding.

Type of Lease: General Obligation Revenue

Is Lease Annually Renewable? Yes No

Does Agency seek approval without a hearing? Yes No Jurisdiction: Revenue Refunding

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Water District Revenue Bonds, Series 1998, of which \$351,000 remains outstanding;

Water District Revenue Bonds, Series 2002, of which \$364,600 remains outstanding; and

Water District Revenue Bonds, Series 2005, of which \$1,195,000 remains outstanding

Required Attachments (If lease requires SLDO approval)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing (if hearing is required) and newspaper advertisement tear sheet
3. Copy of lease
4. Executed copy of ordinance/resolution of fiscal court authorizing the lease
5. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the lease and statement as to taxes and revenues to be collected during the term of the lease

Page 3	NOTIFICATION OF INTENT TO FINANCE AND APPLICATION OF DEBT APPROVAL Form # SLDO-1 Revised 1/1/2011
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Section E – Bond Information/Documentation

Please provide all relevant information. Fields in bold are mandatory.

Describe the purpose of the bond:

The bond is being issued to refinance a portion of the District's outstanding obligations for debt service savings.

Bond Counsel: Dinsmore & Shohl LLP
Counsel Address: 50 East RiverCenter Boulevard, Suite 1150, Covington, KY
Financial Advisor: RSA Advisors, LLC
Advisor Address: 333 West Main Street, Suite 300, Lexington, Kentucky 40507
Bond Series: Financing Program Revenue Bonds, Series 2021D
Call Date: Bonds maturing on and after February 1, 2030 are subject to optional redemption on any date on and after February 1, 2029
Does this bond refund a prior bond? Yes
If yes, please state the name, date and principal amount of original issue(s) being refunded:
Water District Revenue Bonds, Series 1998, of which \$351,000 remains outstanding;
Water District Revenue Bonds, Series 2002, of which \$364,600 remains outstanding; and
Water District Revenue Bonds, Series 2005, of which \$1,195,000 remains outstanding

Required Attachments (If SLDO Approval is Required)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing and newspaper advertisement tear sheet
3. Executed copy of ordinance/resolution of fiscal court authorizing financial plan for the issuance of the bonds
4. Proposed plan of financing
5. Preliminary official statement (if applicable)
6. Sources and uses table

Additional Required Attachments for KRS Chapter 103 Bonds

1. Documentation in an appropriate form substantiating the project's eligibility under KRS 103.2101(1)(a)-(e).
2. If the project requires approval of the reduction in property taxes, attach any documentation provided to agency responsible for approval.

By signing below, the Authorized Official certifies that the foregoing is true and accurate to the best of his or her knowledge.

Name (please print): Daniel D. Briscoe, Jr., Esq.	Date:
Title: Bond Counsel	Signature:

Mail to:
Department for Local Government
Attn: State Local Debt Officer
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601

Fax to: 502-573-3712

Attachment A

Debt Service Comparison

Date	Total P+I	Expenses	Existing D/S	Net New D/S	Old Net D/S	Savings
12/31/2020	-	-	-	-	-	-
12/31/2021	106,061.67	1,547.92	50,750.00	158,359.59	169,034.39	10,674.80
12/31/2022	152,267.50	6,637.50	-	159,005.00	172,031.27	13,026.27
12/31/2023	149,817.50	6,425.00	-	156,242.50	170,417.20	14,174.70
12/31/2024	147,267.50	6,212.50	-	153,480.00	168,725.63	15,245.63
12/31/2025	154,567.50	6,000.00	-	160,567.50	171,837.20	11,269.70
12/31/2026	151,717.50	5,762.50	-	157,480.00	169,259.70	11,779.70
12/31/2027	148,867.50	5,525.00	-	154,392.50	167,564.38	13,171.88
12/31/2028	150,942.50	5,287.50	-	156,230.00	170,024.07	13,794.07
12/31/2029	147,942.50	5,037.50	-	152,980.00	167,186.88	14,206.88
12/31/2030	149,867.50	4,787.50	-	154,655.00	169,779.69	15,124.69
12/31/2031	152,055.00	4,525.00	-	156,580.00	166,802.51	10,222.51
12/31/2032	149,525.00	4,250.00	-	153,775.00	168,684.70	14,909.70
12/31/2033	151,795.00	3,975.00	-	155,770.00	165,915.64	10,145.64
12/31/2034	153,797.50	3,687.50	-	157,485.00	167,984.70	10,499.70
12/31/2035	155,612.50	3,387.50	-	159,000.00	169,794.07	10,794.07
12/31/2036	152,262.50	3,075.00	-	155,437.50	166,398.76	10,961.26
12/31/2037	153,950.00	2,762.50	-	156,712.50	167,796.57	11,084.07
12/31/2038	155,206.25	2,437.50	-	157,743.75	168,930.01	11,186.26
12/31/2039	156,525.00	2,100.00	-	158,625.00	170,288.13	11,663.13
12/31/2040	54,050.00	1,750.00	-	55,800.00	67,520.94	11,720.94
12/31/2041	52,950.00	1,650.00	-	54,600.00	67,628.44	13,028.44
12/31/2042	51,850.00	1,550.00	-	53,400.00	67,649.69	14,249.69
12/31/2043	50,750.00	1,450.00	-	52,200.00	67,585.01	15,385.01
12/31/2044	54,525.00	1,350.00	-	55,875.00	67,434.39	11,559.39
12/31/2045	53,175.00	1,237.50	-	54,412.50	67,686.89	13,274.39
12/31/2046	51,825.00	1,125.00	-	52,950.00	67,342.51	14,392.51
12/31/2047	55,400.00	1,012.50	-	56,412.50	67,401.26	10,988.76
12/31/2048	53,900.00	887.50	-	54,787.50	67,352.51	12,565.01
12/31/2049	52,400.00	762.50	-	53,162.50	67,196.26	14,033.76
12/31/2050	55,825.00	637.50	-	56,462.50	67,420.63	10,958.13
Total	\$3,426,997.92	\$96,835.42	\$50,750.00	\$3,574,583.34	\$3,950,674.03	\$376,090.69

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	325,484.50
Effects of changes in Expenses	(58,816.22)
Net PV Cashflow Savings @ 2.548%(Bond Yield)	266,668.29
Contingency or Rounding Amount	969.81
Net Present Value Benefit	\$267,578.10
Net PV Benefit / \$2,443,000 Refunded Principal	10.953%