

**CITY OF CENTRAL CITY
MUNICIPAL WATER & SEWER SYSTEM
214 NORTH FIRST STREET
CENTRAL CITY, KENTUCKY**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
FOR YEAR-ENDED JUNE 30, 2021
AND
INDEPENDENT AUDITOR'S REPORT**

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Basic Financial Statements	
Statement of Net Position	3-4
Statement of Revenues, Expenses and Changes in Fund Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18
Required Supplemental Information	
Schedule I - Schedule of Budget and Actual Operating Revenues and Expenses	19-21
Schedule II - Pension Schedules	22-23
Schedule III - OPEB Schedules	24
Notes to the Required Supplementary Information	25
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 <i>Government Auditing Standards</i>	26-27

INDEPENDENT AUDITOR'S REPORT

To the Water Board
City of Central City, Municipal Water & Sewer System
Central City, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the City of Central City, Municipal Water & Sewer System (the System), a component unit of the City of Central City Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities of the System as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 19-21 and the Pension and OPEB Schedules on pages 22-25 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 December 9, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Pate & Co. CPAs

Pate & Company, CPAs, Inc.

Central City, Kentucky
December 9, 2021

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current Assets	
Cash and cash equivalents	\$ 2,198,102
Receivables, net	674,967
Inventory	43,073
Prepaid expenses	19,782
Total current assets	<u>2,935,924</u>
Restricted Assets	
Restricted cash and cash equivalents	2,648,415
Restricted investments	76,436
Total restricted assets	<u>2,724,851</u>
Noncurrent Assets	
Property, plant & equipment, net	55,684,462
Less: Accumulated depreciation	<u>(18,079,850)</u>
Total noncurrent assets	<u>37,604,612</u>
Total Assets	<u>43,265,387</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Outflows for pension & other post employment benefits	<u>914,025</u>
Total Deferred Outflows of Resources	<u>914,025</u>

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

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2021

LIABILITIES

Current Liabilities	
Accounts payable	83,411
Accrued payroll	32,804
Total current liabilities	116,215
Current Liabilities Payable from Restricted Assets	
Long term debt - current portion - loan	60,000
Long term debt - current portion - bonds	531,000
Total current liabilities payable from restricted assets	591,000
Noncurrent Liabilities	
Net OPEB liability	891,240
Compensated absences payable	163,745
Meter deposits	188,367
Net pension liability	2,830,660
Total noncurrent liabilities	4,074,012
Noncurrent Liabilities Payable from Restricted Assets	
Long term debt - loan (less current portion)	2,125,441
Long term debt - bonds (less current portion)	28,630,000
Total noncurrent liabilities	30,755,441
Total Liabilities	35,536,668
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred gain on debt refunding	44,462
Inflows for pension & other post employment benefits	179,056
Total Deferred Inflows of Resources	223,518
 <u>NET POSITION</u>	
Net investment in capital assets	6,258,171
Restricted	2,133,851
Unrestricted	27,204
Total Net Position	\$ 8,419,226

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

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Operating Revenues (Schedule I)	
Charges for services	\$ 4,266,468
Miscellaneous revenues	4,960
Total operating revenues	<u>4,271,428</u>
Operating Expenses (Schedule I)	
Water plant operation	765,389
Sewer plant operation	252,644
Water distribution	352,379
Sewer collection	57,179
General & administrative expenses - water	944,771
General & administrative expenses - sewer	632,291
Subtotal	<u>3,004,653</u>
Depreciation	982,362
Total operating expenses	<u>3,987,015</u>
Operating income	<u>284,413</u>
Nonoperating Revenues (Expenses)	
Interest revenue	21,924
Interest expense	(642,232)
Capital grant income	1,905,665
Investment income	10
Total nonoperating revenue (expenses)	<u>1,285,367</u>
Increase in net position	1,569,780
Total net position - beginning	<u>6,849,446</u>
Total net position - ending	<u>\$ 8,419,226</u>

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

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities	
Receipts from customers	\$ 4,193,157
Payments to suppliers	(2,035,785)
Payments to and on behalf of employees	(627,145)
Net cash provided by operating activities	<u>1,530,227</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(7,434,494)
Interest paid on capital debt	(606,484)
Principal payments on long-term debt	(329,786)
Capital grant income	1,905,665
Net cash used for capital and related financing activities	<u>(6,465,099)</u>
Cash Flows from Investing Activities	
Interest received	21,924
Purchase of investments	(3,828)
Investment earnings received	10
Net cash provided by investing activities	<u>18,106</u>
Net increase in cash and cash equivalents	<u>(4,916,766)</u>
Balance-beginning of year	9,763,283
Balance-end of year	<u>\$ 4,846,517</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating income	\$ 284,413
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	982,362
Change in assets and liabilities:	
Receivables, net	(103,728)
Inventories	(7,492)
Accrued payroll	4,077
Pension & OPEB	312,416
Compensated absences	30,773
Meter Deposits	25,457
Accounts payable	1,949
Net cash provided by operating activities	<u>\$ 1,530,227</u>
<u>Summary of Cash and Cash Equivalents shown on Statement of Net Position</u>	
Cash and cash equivalents	\$ 2,198,102
Restricted cash and cash equivalents	2,648,415
Total cash and cash equivalents per statement of net position	<u>\$ 4,846,517</u>

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

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: DESCRIPTION OF ENTITY

The Municipal Water and Sewer System (System), a component unit of the City of Central City, Kentucky, is a proprietary (business-type) fund, which operates under the guidance of a five member commission appointed by the City Council. The System provides water and sewer services to residents of Central City, Kentucky. The System also provides water to local county water districts.

The System's management prepares separate financial statements from those of the City. Copies of these financial statements may be obtained by contacting the Municipal Water and Sewer System. Copies of the financial statements of the City of Central City, Kentucky may be obtained by contacting the City Administrator's office.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Accounting: The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

All activities of the System are accounted for within a single proprietary (business-type) fund. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

(b) Budgetary Accounting: The System adopts annual operating budgets as approved by the City Council prior to July 1 of each year. The current budget details the System's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. All unexpended amounts in the budget lapse at the end of the fiscal year. The City Council has authority to amend the budget during the year, if it becomes necessary.

(c) Cash Equivalents, Deposits and Investments: Cash and cash equivalents, for purposes of the statement of cash flows (page 5), include restricted and unrestricted cash on deposit and investments. The System can invest in the following so long as the term of the investment does not exceed five years: U.S. Government securities, savings accounts and interest bearing time deposits or certificates of deposit. If the funds are held in a bank, the bank must be FDIC insured and the amounts must remain collateralized at all times. The System's investments consist solely of Certificates of Deposit with a maturity of eighteen months or less. All of the investments are restricted as to use.

(d) Restricted Assets: Restricted assets represent cash and investments in certificates of deposit maintained in order to meet future obligations related to debt service and maintenance of the water and sewer plants.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Accounts Receivable: As of each fiscal year ending June 30, there is an amount of accounts receivable for water and sewer that is unbilled from the date of the meter reading until the end of the month. The amount on the Balance Sheet represents current accounts receivable of \$563,112 and unbilled accounts receivable arising from the above mentioned transaction of \$111,855.

(f) Accounts Payable: As of each fiscal year ending June 30, there are unpaid invoices for services or goods received prior to June 30, but not paid by the System until on or after July 1. The amount on the Balance Sheet represents current accounts payable of \$83,411. Included in this total is taxes held in trust of \$8,256, accrued payroll taxes and withholdings of \$9,645 and \$18,274 of accrued employer pension and OPEB contributions.

(g) Inventories: Inventories of main supplies, sewer plant supplies, chemicals and office supplies were estimated by management using lower of cost of market. Inventory of grinder pumps was physically counted and priced at lower-of-cost or market by employees of the system.

(h) Capital Assets: Property, plant and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. The following is a schedule of fixed assets and the range of useful lives used in computing depreciation at June 30, 2021:

<u>Description</u>	<u>Range of Lives</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Land		\$ 37,656	\$ -	\$ -	\$ 37,656
Water Plant	40-50	24,048,351			24,048,351
Sewer plant	40-50	15,699,838	7,222,278		22,922,116
Administrative facilities	40-50	148,754	5,100		153,854
Transmission and distribution	40-50	2,094,733	109,106		2,203,839
Other structures and improvements	40-50	3,041,933			3,041,933
Automobiles	03-10	551,628			551,628
Administrative Equip., Furn., and Fixtures	03-10	1,692,187	41,083		1,733,270
Other general equipment	03-10	934,888	56,927		991,815
Total property, plant and equipment		48,249,968	7,434,494	-	55,684,462
Accumulated Depreciation		(17,097,488)	(982,362)	-	(18,079,850)
Net property, plant and equipment		\$ 31,152,480	\$ 6,452,132	\$ -	\$ 37,604,612

Depreciation expense was \$982,362 for year ending June 30, 2021. Maintenance and repairs, which do not extend the value or life of property, plant and equipment, are expensed when incurred.

The System has capital improvement projects ongoing during the year ended June 30, 2021. During fiscal year 2021, the System expended \$7,291,384 on the projects. The projects will begin to be depreciated upon completion.

(i) Claims and judgments: These events and obligations are recorded on the accrual basis when the event occurs and the obligation arises.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenues and Rate Structure: Operating revenues consist of income from water and sewer services and are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage. Non-operating income is defined in the bond ordinances and includes such items as sale of assets and insurance proceeds.

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

(l) Net Position: Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net position not included in the above categories. It is the System's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

(m) Compensated Absences: Compensated absences reflected on the balance sheet represent the amount that the system expects to pay in wages within the next year for employee sick leave accrued and employee vacation leave.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Deposits consist of cash in checking or saving accounts and Certificates of Deposit. All bank accounts and certificates of deposit were held in federally insured depositories. The present method of pledging collateral consists of placing government securities in safekeeping with a corresponding bank, with the safekeeping receipt being issued in the name of the Municipal Water and Sewer System.

The following reconciles deposits to cash and cash equivalents, as presented on the balance sheet:

Disclosures regarding deposits:

Cash on hand	\$ 292
Deposits	3,318,357
Certificates of deposit	<u>1,527,868</u>
Total	<u>\$ 4,846,517</u>

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Balance sheet and cash flow statement amounts:

Cash and cash equivalents:	
Unrestricted	\$ 2,198,102
Restricted	<u>2,648,415</u>
Total cash and cash equivalents	<u>\$ 4,846,517</u>

At June 30, 2021, the reported amount of the System's deposits in bank accounts and certificates of deposit was \$4,932,878. Of the balance per bank, \$1,500,000 was covered by the FDIC and \$2,834,251 was secured by governmental securities pledged as collateral in the System's name by the pledging institution. The remaining balance of \$598,627 was unsecured and subject to custodial credit risk, which is the risk that in the event of bank failure, that the System's deposits are not returned.

Investments

The System's investments consist solely of investments in a taxable mutual fund that invests exclusively in obligations of the U.S. Government and its agencies and instrumentalities and in repurchase agreements collateralized by such securities.

Amortized cost and fair value of debt securities at June 30, 2021 is as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
--	---------------------------	---------------------------------------	--	-----------------------

June 30, 2021:

Available for sale

Taxable mutual funds	\$ 76,436	\$ —	\$ —	\$ 76,436
----------------------	-----------	------	------	-----------

Available-for-sale debt securities are carried in the financial statements at fair value. There were no unrealized holding gains or losses, therefore cost and fair value were the same as of June 30, 2021.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: LONG-TERM DEBT

The following is a summary of the changes in noncurrent liabilities reported in Statement of Net Position for the year ended June 30, 2021:

<u>Description</u>	<u>6/30/2020</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2021</u> <u>Balance</u>	<u>Due within</u> <u>One Year</u>
Bonds Payable	\$ 15,010,500	\$ 14,420,000	\$ 269,500	\$ 29,161,000	\$ 531,000
Notes Payable	16,660,000	-	14,475,000	2,185,000	55,000
Plus: Original Issue Premiums	5,727	-	5,286	441	-
Notes Payable, Net	<u>16,665,727</u>	<u>-</u>	<u>14,480,286</u>	<u>2,185,441</u>	<u>55,000</u>
Net Pension Liability	2,519,518	311,142	-	2,830,660	-
Net OPEB Liability	602,375	288,865.00	-	891,240	-
Compensated Absences	132,972	30,773	-	163,745	-
Meter Deposits	162,910	25,457	-	188,367	-
Total Long-Term Obligations	<u>\$ 35,094,002</u>	<u>\$ 15,076,237</u>	<u>\$ 14,749,786</u>	<u>\$ 35,420,453</u>	<u>\$ 586,000</u>

Revenue Bonds

On March 29, 2013, the System issued \$14,450,000 United States Department of Agriculture Rural Development Water and Sewer Revenue Bonds, Series 2012A and 2012B for the purpose of funding expansion of the water treatment plant. Interest payments are based on the coupon rate of 2.5%. Principal and interest payments shall continue through maturity in 2052.

In June 2014, the System issued \$1,950,000 United States Department of Agriculture Rural Development Water and Sewer Revenue Bonds, Series 2014 for the purpose of funding construction of a water tank. Interest payments are based on the coupon rate of 2.5%. Principal and interest payments shall continue through maturity in 2054.

In January 2021, the System issued \$14,420,000 United States Department of Agriculture Rural Development Water and Sewer Revenue Bonds, Series 2019 A&B for the purpose of funding the expansion of the wastewater treatment plant. Interest payments are based on the coupon rate of 2.75%. Principal and interest payments shall continue through maturity in 2061.

KRWFC Loan

In June 2013, the System borrowed \$895,000, payable over 16 years, from the Kentucky Rural Water Finance Corporation bearing an interest rate between 2.3% and 4.3%.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: LONG-TERM DEBT (Continued)

KRWFC Flexible Term Loan

On August 9, 2018, the System entered into a \$1,645,000 loan through the Kentucky Rural Water Finance Corporation's flexible term loan program to assist in funding the wastewater treatment plant expansion. Interest will be paid semi-annually based on the rate of 2.5%. No principal payments are required until maturity on August 1, 2021. Original issue premium related to this loan will be amortized through maturity as a component of interest expense.

KRWFC Bond Anticipation Loan

On December 5, 2019, the System entered into a \$14,420,000 bond anticipation loan to assist in financing the construction of the wastewater treatment plant expansion. Interest is payable at maturity date of May 1, 2021 at the rate of 3.1%. In addition, the System shall receive an earnings credit of 1.4% of the unspent balance as an offset to the interest due. The System paid this loan off upon receiving permanent financing in January 2021 with the issuance of series 2019 A&B revenue bonds.

As of June 30, 2021, annual debt service requirements of the System to maturity are as follows:

<u>Fiscal Year</u>	<u>Bonds</u>		<u>Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 531,000	\$ 612,483	\$ 60,000	\$ 20,430
2023	544,000	567,963	60,000	17,850
2024	558,500	598,068	65,000	15,163
2025	572,000	586,062	65,000	12,368
2026	587,000	573,754	70,000	9,465
2027-2031	3,170,000	2,672,133	220,000	11,404
2032-2036	3,604,500	2,310,006	-	-
2037-2041	4,103,000	1,895,490	-	-
2042-2046	4,688,500	1,419,635	-	-
2047-2051	5,342,000	873,801	-	-
2052-2056	3,071,500	353,634	-	-
2057-2061	2,389,000	126,665	-	-
Totals	<u>29,161,000</u>	<u>\$ 12,589,694</u>	<u>\$ 540,000</u>	<u>\$ 86,680</u>

NOTE 5: RESTRICTED ASSETS

The System considers the following accounts and funds to be restricted for the purpose of funding construction on the water and sewer plants as well as servicing debt requirements.

(a) Revenue Fund: All cash revenues of the System are to be deposited in this fund as received, except those items of revenue deposited directly to the Depreciation Fund as noted in paragraph (d).

(b) Maintenance and Operation Fund: Necessary and reasonable costs of maintaining and operating the System will be paid from this fund. Monthly deposits shall be made to this fund from the Revenue Fund in sums equal to the anticipated expenses of maintaining and operating the System for the next ensuing month and to make up any deficit incurred in the preceding month.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: RESTRICTED ASSETS (Continued)

(c) Bond Interest and Redemption Fund: Monies deposited in this fund shall be used, disbursed, and applied, and are irrevocably pledged, solely for the purpose of paying the principal and interest on outstanding bonds. Monthly transfers totaling \$900,000 were made from the Revenue Fund.

(d) Depreciation Fund: Transfers from the Revenue Fund to the Depreciation Fund totaled \$81,150 for 2021. This fund shall be used for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals, or replacements but only upon written recommendation of a consulting engineer. Other deposits to this fund shall consist of connection fees or charges as may be exacted from users of the System, the proceeds of all property damage insurance (except public liability) and the cash proceeds resulting from the sale of any worn out or obsolescent properties.

(e) Improvement Fund: Transfers from the Revenue Fund to the Improvement fund totaled \$81,150 for 2021. Such sums shall be available for the purpose of constructing additions, extensions and improvements (other than capital replacements to be made by recourse to the Depreciation Fund as heretofore provided), which, as certified by a consulting engineer, will enhance or increase the revenue-producing capacity of the System or provide a higher degree of service. Such sums may also be transferred to the Bond Interest and Redemption Fund, Maintenance and Operation Fund, or Depreciation Fund.

(f) Construction Fund: The System established the Construction Fund in order to properly account for the grant and loan income and related expenditures as they relate to the construction of the water and sewer plant. All cash maintained in the Construction Fund checking account are restricted for future construction on the system. In addition, there was a grant receivable restricted for capital construction as well capitalized interest to meet the future interest payments on debt incurred as a result of construction.

The restricted assets as of June 30, 2021 were as follows:

Summary of Restricted Assets

Depreciation Fund (Cash, cash equivalents and investments)	\$ 401,444
Improvement Fund (Cash, cash equivalents and investments)	423,494
Construction Fund (Cash, cash equivalents and investments)	536,477
Bond Interest and Redemption Fund (Cash, cash equivalents and investments)	<u>1,363,436</u>
Total Assets Restricted by Bond Ordinances	2,724,851
Less: Payables from Restricted Funds	<u>(591,000)</u>
Total Restricted Net Position	<u>\$2,133,851</u>

NOTE 6: PENDING LITIGATION

The Municipal Water & Sewer System is a defendant in a lawsuit that arose in the normal course of business. The outcome of the case cannot be reasonable determined at this time and the City maintains insurance coverages in an amount exceeding the damages sought in the case.

NOTE 7: PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The System participates in the County Employee's Retirement System (CERS), a cost sharing multiple-employer, defined benefit pension and other postemployment benefit plan (OPEB) that covers substantially all regular, full-time members employed in both hazardous and non-hazardous duty position of each county and school board,

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members through its Pension Fund, as well as other postemployment benefits for hospital and medical insurance through its Insurance Fund. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments (COLA) are provided at the discretion of State legislature.

The Board of Trustees of the Kentucky Retirement Systems administers the CERS, as well as various other pension plans. As such, the Kentucky Retirement Systems issues its own financial reports for each of the pension plans it administers. A copy of the financial reports may be obtained at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601. The latest financial reports available are for the year ending June 30, 2020.

Contributions

For the year ended June 30, 2021, grandfathered plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute 6% of wages for non-hazardous job classifications. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the years ended June 30, 2021, participating employers contributed 24.06%, of each employee's wages, which is equal to the actuarially determined rate set by the Board. Of these rates, for 2021 the Pension Fund portion was 19.30% and the Insurance Fund portion was 4.76%. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The System's payroll for employees covered under CERS for the year ended June 30, 2021, 2020 and 2019 was \$1,008,660, \$957,071 and \$917,888 respectively resulting in employer contributions to the Pension Fund of \$192,355, \$182,073 and \$146,935 respectively and to the Insurance Fund of \$47,441, \$44,905 and \$47,650 respectively.

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

At June 30, 2021, the System reported a liability of \$2,830,660 for its proportionate share of the net pension liability as well as a liability of \$891,240 for its proportionate share of the net OPEB liability. The liabilities were measured as of June 30, 2020, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities was determined by an actuarial valuation as of that date. The System's proportion of the net pension and OPEB liabilities were based on a projection of the System'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 System's Pension proportion was .036906 percent, which was an increase of 0.0001082 percent from its proportion measured as of June 30, 2019. At June 30, 2020, the System's OPEB proportion was .036909 percent, which was an increase of 0.0001095 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the System recognized pension and OPEB expense of \$552,212.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 2021, the System reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Pension</u>		<u>OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 70,588	\$ -	\$ 148,908	\$ 149,024
Changes of assumptions	110,532	16,545	155,023	943
Changes in proportion	52,832		14,016	12,544
Contributions subsequent to the measurement date	192,355		69,314	
Net difference between projected and actual earnings on Plan investments	70,834		29,623	
Total	<u>\$ 497,141</u>	<u>\$ 16,545</u>	<u>\$ 416,884</u>	<u>\$ 162,511</u>

The \$261,669 of deferred outflows of resources resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Of this total, \$192,355 represents the portion for the Pension Fund and \$57,839 represents the portion for the Insurance Fund. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	<u>Pension</u>	<u>OPEB</u>
2021	\$127,921	\$ 49,365
2022	94,258	58,131
2023	37,613	41,336
2024	28,449	39,127
2025		(2,900)
Thereafter		

Actuarial Assumptions

The total pension and OPEB liabilities, net pension and OPEB liabilities and sensitivity information for the actuarial valuation as of June 30, 2020 was based on an actuarial valuation date of June 30, 2019. The total pension and OPEB liabilities were rolled forward from the valuation date to the Plan's fiscal year ended June 30, 2019 using generally accepted actuarial principles. Subsequent to the actuarial valuation date, but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation and payroll growth historical trends.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Based on this review, the Board adopted the following updated actuarial assumptions, which were used in performing the actuarial valuation as of June 30, 2020:

Investment rate of return	6.25 percent, net of investment expense including inflation
Projected salary increases	3.30 to 11.55 percent, varies by servicen
Inflation	2.30 percent
Healthcare cost trend rates – Pre-65 (OPEB)	Initial trend starting at 7.00 percent gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 10 years.
Healthcare cost trend rates – Post-65 (OPEB)	Initial trend starting at 5.00 percent gradually decreasing to an ultimate trend rate of 4.05 percent over a period of 10 years.

The mortality table used for active members was a RP-2000 Combined Mortality Table, for the Non-Hazardous System, projected to 2013 with Scale BB (set back one year for females).

Discount Rate – the discount rate used to measure the total pension liability was 6.25% and the discount rate used to measure the total OPEB liability was 5.34%.

Sensitivity of the System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following presents the System’s proportionate share of the net pension and OPEB liabilities calculated using the appropriate discount rate, as well as what the System’s proportionate share of the liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate	System’s proportionate share of net pension liability	Discount rate	System’s proportionate share of net OPEB liability
1% decrease	5.25%	\$ 3,490,776	4.34%	\$1,144,980
Current discount rate	6.25%	\$ 2,830,660	5.34%	\$ 891,240
1% increase	7.25%	\$ 2,283,994	6.34%	\$ 682,832

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

The following presents the System’s proportionate share of the net pension and OPEB liabilities calculated using the appropriate discount rate, as well as what the System’s proportionate share of the liabilities 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:

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

	Healthcare Cost Trend Rate	System's proportionate share of net OPEB liability
1% decrease	4.34%	\$1,135,396
Current healthcare cost trend rate	5.34%	\$ 891,240
1% increase	6.34%	\$ 690,041

Long Term Rate of Return – the long-term expected return on plan assets was determined by using a building block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. For the year ended June 30, 2018 actuarial calculation, the target allocation and best estimates of arithmetic nominal rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	18.75 %	4.50 %
Non-US equity	18.75	5.25
Core bonds	13.50	-.25
Specialty Credit/High yield	15.00	3.90
Opportunistic	3.00	2.25
Real estate	5.00	5.30
Real return	15.00	3.95
Private equity	10.00	6.65
Cash equivalents	1.00	-.75
Total	<u>100 %</u>	

Payable to CERS

At June 30, 2021, the System reported payables totaling \$18,274 for the outstanding amount of Pension Fund and Insurance Fund for contributions due to CERS.

NOTE 8: RISK MANAGEMENT

The Municipal Water and Sewer System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the System also carries commercial insurance for a variety of other risks of loss such as workers' compensation and employee health insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: TRANSFERS

Transfers between the funds are eliminated in the financial statements. The following transfers were made during the year:

Transfers In:

Depreciation Fund	\$ 81,150
Bond Interest and Redemption Fund	900,000
Improvement Fund	<u>81,150</u>
Subtotal	<u>1,062,300</u>

Transfers Out:

Revenue Fund	<u>(1,062,300)</u>
Net Transfers	<u>\$ -</u>

NOTE 10: MAJOR CUSTOMERS

Revenues from the two largest customers represent approximately 46% of operating revenues for the current fiscal year. These two customers are water districts in Muhlenberg County providing water to a combined 8,081 individual customers. The Muhlenberg County Water District and the Muhlenberg County Water District #3 are contractually obligated to receive water services from the System until June 30, 2063.

NOTE 11: RELATED PARTY TRANSACTIONS

The System leases office space from the City of Central City, Kentucky for \$6,000 per month.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2021, the date which financial statements were available to be issued.

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
SCHEDULE OF BUDGET AND ACTUAL OPERATING REVENUES AND EXPENSES
SCHEDULE I
FOR THE YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS		
	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY BASIS	BUDGET TO GAAP DIFFERENCE	GAAP BASIS
Operating Revenues					
Charges for Service					
Water					
Domestic	780,000	780,000	\$ 778,207	\$ (4,052)	\$ 774,155
County District	1,200,000	1,200,000	1,394,325	-	1,394,325
County District #3	530,000	530,000	562,049	-	562,049
Penalties	15,000	15,000	13,071	-	13,071
Allowances	(15,000)	(15,000)	(8,131)	-	(8,131)
Services charges and sales	6,800	6,800	6,091	-	6,091
Total water sales	2,516,800	2,516,800	2,745,612	(4,052)	2,741,560
Sewer					
Metered sewer charges	1,472,000	1,472,000	1,496,354	(651)	1,495,703
Penalties	17,000	17,000	21,674	-	21,674
Allowances	(30,000)	(30,000)	(22,262)	-	(22,262)
Services charges and sales	2,500	2,500	793	-	793
Grinder pump principal	1,800	1,800	6,505	(6,505)	-
Grinder pump sales	58,000	58,000	21,000	8,000	29,000
Total sewer charges	1,521,300	1,521,300	1,524,064	844	1,524,908
Total Charges For Service	4,038,100	4,038,100	4,269,676	(3,208)	4,266,468
Miscellaneous Revenues					
Miscellaneous-Water	1,000	1,000	2,073	-	2,073
Miscellaneous-Sewer	9,200	9,200	2,750	-	2,750
Bad debts paid	100	100	137	-	137
Total Miscellaneous Revenues	10,300	10,300	4,960	-	4,960
Total Operating Revenues	4,048,400	4,048,400	4,274,636	(3,208)	4,271,428
Operating Expenses					
Water Plant Operation					
Labor	415,000	415,000	407,010	1,789	408,799
Supplies	50,000	50,000	71,721	(5,351)	66,370
Repair & maintenance	91,000	91,000	49,562	(23,129)	26,433
Gas and oil	4,000	4,000	2,897	299	3,196
Chemicals	350,000	350,000	265,283	(4,692)	260,591
Total Water Plant Operation	910,000	910,000	796,473	(31,084)	765,389
Sewer Plant Operation					
Labor	150,000	150,000	140,726	(864)	139,862
Supplies	51,000	51,000	76,384	(298)	76,086
Repair & maintenance	80,000	80,000	58,878	(27,805)	31,073
Gas and oil	3,000	3,000	5,472	151	5,623
Total Sewer Plant Operation	284,000	284,000	281,460	(28,816)	252,644
Water Distribution					
Labor - water lines	250,000	250,000	243,252	1,161	244,413
Repairs & maintenance	10,000	10,000	17,477	(4,837)	12,640
Equipment maintenance	3,500	3,500	6,242	-	6,242
Parts & supplies	76,000	76,000	54,993	(1,894)	53,099
Gas and oil	15,000	15,000	19,960	(6,609)	13,351
Meters	-	-	21,590	-	21,590
Miscellaneous expense	2,000	2,000	1,044	-	1,044
Total Water Distribution	356,500	356,500	364,558	(12,179)	352,379
Sewer Collection					
Grinder pumps	50,000	50,000	57,179	-	57,179
Total Sewer Collection	50,000	50,000	57,179	-	57,179

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
SCHEDULE OF BUDGET AND ACTUAL OPERATING REVENUES AND EXPENSES
SCHEDULE I
FOR THE YEAR ENDED JUNE 30, 2021

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>BUDGETARY BASIS</u>	<u>BUDGET TO GAAP DIFFERENCE</u>	<u>GAAP BASIS</u>
General & Administrative Expenses					
Water					
Office salaries	105,000	105,000	107,607	1,195	108,802
Office supplies	24,000	24,000	23,244	876	24,120
Office rent	43,200	43,200	43,200	-	43,200
Municipal insurance	90,000	90,000	66,842	(511)	66,331
Workman's Comp. insurance	21,000	21,000	12,300	-	12,300
Health Insurance	61,200	61,200	80,348	(22,406)	37,943
Dental Insurance	3,000	3,000	2,113	-	2,113
Payroll taxes	49,560	49,560	44,415	182	44,597
Commission salaries	7,200	7,200	7,200	-	7,200
Building maintenance	6,000	6,000	6,098	-	6,098
Legal & accounting	12,000	12,000	-	-	-
Engineering	-	-	450	-	450
Bonuses	9,000	9,000	10,260	-	10,260
Utilities	225,900	225,900	210,772	2,548	213,321
Pension & OPEB expense	132,000	132,000	143,520	187,807	331,327
Uniforms	6,000	6,000	5,311	67	5,378
Audit expense	9,300	9,300	11,100	-	11,100
Bank Fees	7,200	7,200	9,346	-	9,346
Miscellaneous expense	21,000	21,000	10,380	505	10,885
Total General & Administrative Expenses - Water	832,560	832,560	774,506	170,265	944,771
Sewer					
Office salaries	70,000	70,000	71,738	797	72,535
Office supplies	16,000	16,000	15,496	584	16,080
Office rent	28,800	28,800	28,800	-	28,800
Municipal insurance	60,000	60,000	44,562	(341)	44,221
Workman's Comp. Insurance	14,000	14,000	8,200	-	8,200
Health Insurance	40,800	40,800	40,232	(14,937)	25,295
Dental Insurance	2,000	2,000	1,409	-	1,409
Payroll taxes	33,040	33,040	29,610	121	29,731
Commission salaries	4,800	4,800	4,800	-	4,800
Building maintenance	4,000	4,000	4,066	-	4,066
Legal & accounting	8,000	8,000	-	-	-
Engineering	-	-	300	-	300
Bonuses	6,000	6,000	6,840	-	6,840
Utilities	150,600	150,600	140,514	1,700	142,214
Pension & OPEB expense	88,000	88,000	95,680	125,205	220,885
Grinder pump expense	25,000	25,000	2,442	-	2,442
Uniforms	4,000	4,000	3,540	45	3,585
Audit expense	6,200	6,200	7,400	-	7,400
Bank Fees	4,800	4,800	6,231	-	6,231
Miscellaneous expense	14,000	14,000	6,920	337	7,257
Total General & Administrative Expenses - Sewer	580,040	580,040	518,780	113,511	632,291

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
SCHEDULE OF BUDGET AND ACTUAL OPERATING REVENUES AND EXPENSES
SCHEDULE I
FOR THE YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS		
	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY BASIS	BUDGET TO GAAP DIFFERENCE	GAAP BASIS
Depreciation	-	-	-	982,362	982,362
Total operating expenses	3,013,100	3,013,100	2,792,966	1,194,059	3,987,015
Total operating income (loss)	1,035,300	1,035,300	1,481,680	(1,197,287)	284,413
Nonoperating Revenues (Expenses)					
Interest income	27,000	27,000	21,924	-	21,924
Investment income	-	-	10	-	10
Interest expense	-	-	(642,232)	-	(642,232)
Acquisition of equipment	-	-	(7,434,494)	7,434,494	-
Capital grant income	-	-	1,905,665	-	1,905,665
Total nonoperating revenue (expenses)	27,000	27,000	(6,149,127)	7,434,494	1,285,367
Income (loss) before transfers	1,062,300	1,062,300	(4,667,447)	6,237,227	1,569,780
Transfers In	2,800,000	2,800,000	1,062,300	-	1,062,300
Transfers Out	(3,862,300)	(3,862,300)	(1,062,300)	-	(1,062,300)
Increase (decrease) in net position	-	-	(4,667,447)	6,237,227	1,569,780
Total net position - beginning	-	-	6,849,446	-	6,849,446
Total net position - ending	\$ -	\$ -	2,181,999	\$ 6,237,227	8,419,226

Explanation of differences:

(1) The Municipal Water and Sewer System budgets for income and expenses only to the extent that these are expected to be received or paid, rather than on the accrual basis.	\$ (214,905)
(2) The Municipal Water and Sewer System does not budget for depreciation expense.	(982,362)
(3) For budgetary purposes, the Municipal Water & Sewer System records capital expenditures as expenses and capital grants are not included in income.	7,434,494
Net Change in Net Position	<u>\$ 6,237,227</u>

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
PENSION RELATED REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE II
JUNE 30, 2021

Schedule of the System's Proportionate Share of the Net Pension Liability
CERS
Last 8 Fiscal Years

Year Ended June 30	System's proportion of the net pension liability	System's proportionate share of the net pension liability	System's covered employee payroll	System's share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.033256%	\$ 1,220,855	\$ 770,899	158.37%	66.80%
2015	0.033319%	\$ 1,081,145	\$ 783,926	137.91%	59.97%
2016	0.033917%	\$ 1,458,275	\$ 835,863	174.46%	55.50%
2017	0.035040%	\$ 1,725,240	\$ 892,308	193.35%	53.32%
2018	0.036402%	\$ 2,130,721	\$ 908,683	234.48%	53.54%
2019	0.036663%	\$ 2,232,888	\$ 917,888	243.26%	50.45%
2020	0.035824%	\$ 2,519,518	\$ 957,071	263.25%	47.81%
2021	0.036906%	\$ 2,830,660	\$ 1,008,660	280.64%	-

**CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
PENSION RELATED REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE II
JUNE 30, 2021**

**Schedule of the System's Pension Contributions
CERS
Last 9 Fiscal Years**

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	System's covered employee payroll	Contributions as a percentage of covered-employee payroll
2013	\$ 89,332	\$ 89,332	\$ —	\$ 707,858	12.62%
2014	\$ 105,724	\$ 105,724	\$ —	\$ 770,899	13.71%
2015	\$ 100,190	\$ 100,190	\$ —	\$ 783,926	12.78%
2016	\$ 103,816	\$ 103,816	\$ —	\$ 835,863	12.42%
2017	\$ 123,640	\$ 123,640	\$ —	\$ 892,308	13.86%
2018	\$ 131,577	\$ 131,577	\$ —	\$ 908,683	14.48%
2019	\$ 146,935	\$ 146,935	\$ —	\$ 917,888	16.01%
2020	\$182,073	\$182,073	\$ —	\$ 957,071	19.02%
2021	\$182,449	\$182,449	\$ —	\$1,008,660	18.09%

**CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
OPEB RELATED REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE III
JUNE 30, 2021**

**Schedule of the System's Proportionate Share of the Net OPEB Liability
CERS
Last 5 Fiscal Years**

Year Ended June 30	System's proportion of the net OPEB liability	System's proportionate share of the net OPEB liability (asset)	System's covered employee payroll	System's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2017	0.035040%	\$574,006	\$ 892,308	64.33%	52.39%
2018	0.036402%	\$731,805	\$ 908,683	80.53%	57.62%
2019	0.036661%	\$650,909	\$ 917,888	70.91%	60.44%
2020	0.035814%	\$602,375	\$ 957,071	62.94%	51.67%
2021	0.036909%	\$891,240	\$1,008,660	88.36%	-

**Schedule of the System's OPEB Contributions
CERS
Last 8 Fiscal Years**

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	System's covered employee payroll	Contributions as a percentage of covered-employee payroll
2014	\$ 39,627	\$ 39,627	\$ —	\$ 770,899	5.14%
2015	\$ 38,662	\$ 38,662	\$ —	\$ 783,926	4.93%
2016	\$ 38,785	\$ 38,785	\$ —	\$ 835,863	4.64%
2017	\$ 41,922	\$ 41,922	\$ —	\$ 892,308	4.70%
2018	\$ 42,708	\$ 42,708	\$ —	\$ 908,683	4.70%
2019	\$ 47,650	\$ 47,650	\$ —	\$ 917,888	5.19%
2020	\$ 44,905	\$ 44,905	\$ —	\$ 957,071	4.69%
2021	\$ 45,015	\$ 45,015	\$ —	\$1,008,660	4.46%

CITY OF CENTRAL CITY, KENTUCKY
MUNICIPAL WATER AND SEWER SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

Changes of Benefit Terms – the plan had no changes in benefit terms since the previous valuation.

Changes in Assumptions – the inflation rate (2.30%) and the salary increase rate (2.00%) both remained unchanged since the previous valuation. The rates are used in order to reflect future economic expectations.

Required supplementary information for contributions should be presented for a maximum of ten years. As of June 30, 2021, only eight years of data concerning the System's proportionate share of net pension liability and five years of data concerning the System's proportionate share of OPEB liability were readily available. In addition, only nine years of data concerning the System's contributions for the pension plan and eight years of data concerning the System's contributions for the OPEB plan were readily available.

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 Water Board
City of Central City, Municipal Water & Sewer System
Central City, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the City of Central City, Municipal Water & Sewer System (the System), a component unit off the City of Central City, Kentucky, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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 financial statements. 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.

Pate & Co. CPAs

Pate & Company, CPAs, Inc.

Central City, Kentucky

December 9, 2021