

CORINTH WATER DISTRICT
FINANCIAL STATEMENTS

For Years Ending December 31, 2019 and 2018

<p style="text-align: center;">CORINTH WATER DISTRICT</p> <p style="text-align: center;">FINANCIAL STATEMENTS</p> <p style="text-align: center;">For Years Ending December 31, 2019 and 2018</p>

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CORINTH WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2019 and 2018

Chair

Dan Field

Treasurer

Diane Mincarelli

Secretary

Cherish Kennedy

Legal Counsel

Pete Whaley, Attorney at Law



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2019 and 2018 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.



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

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 30 and 31 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 12, 2020 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.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.

Erlanger, Kentucky

August 12, 2020

**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, 2019. 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 \$915,235 (net position). Net position increased by \$18,885 from the prior year.
- At the end of the current year, unrestricted net position was (\$313,492), which is an increase of \$37,323 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, 2019 and 2018.

Table 1
Net Position

	2019	2018
Current assets	\$ 117,094	\$ 86,429
Restricted assets	34,567	46,246
Capital assets	3,172,267	3,326,381
Deferred outflow of resources	72,344	114,253
	<hr/>	<hr/>
Total assets and deferred outflow of resources	3,396,272	3,573,309
	<hr/>	<hr/>
Current liabilities	47,262	56,471
Liabilities from restricted assets	3,790	97,255
Long-term liabilities	2,286,907	2,473,804
Deferred inflow of resources	143,078	49,429
	<hr/>	<hr/>
Total liabilities and deferred inflow of resources	2,481,037	2,676,959
	<hr/>	<hr/>
Net position:		
Invested in capital assets, net of related debt	1,194,160	1,245,758
Restricted	34,567	1,407
Unrestricted	(313,492)	(350,815)
	<hr/>	<hr/>
Total net position	\$ 915,235	\$ 896,350
	<hr/>	<hr/>

The District's net position for 2019 increased 2.1%, or \$18,885, as compared to an 18.5% or \$203,294 decrease in the previous year. The 2019 increase is due to an increase in operating revenue and a decrease in operating expenses.

The largest portion of the District's net position (130.5%) 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 (3.8%) 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 increased \$38,070, or 5.4%. There was a slight increase in the number of customers and an increase in loading station sales. In addition, the amount of leak adjustments given to customers in 2019 declined significantly from the 2018 amount.

Operating Expenses

Operating expenses decreased \$144,453 or 18.4%. There was a large decrease in employee salaries and benefits due to the retirement of the general manager on December 31, 2018. This allowed the District to realign its staff and reduce the general manager's salary. There was also a decrease in purchased water costs during 2019.

Net Effect of Change in Pension and OPEB Expense

This expense represents the amount of 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 non-operating expense, \$2,550, 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, 2019 and December 31, 2018. This expense decreased \$36,275 from the amount reported in 2018. 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 \$1,400 from 2018 to 2019.

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

Table 2
Changes in Net Position

	2019	2018
Operating revenues:		
Water revenue	\$ 703,500	\$ 667,764
Forfeited discounts	32,518	30,496
Miscellaneous service revenues	8,097	7,785
Total operating revenues	744,115	706,045
Total operating expenses	639,705	784,158
Net operating gain (loss)	104,410	(78,113)
Non-operating income (expense):		
Interest income	19	6
Net effect of change in pension and OPEB expense	(2,550)	(38,825)
Interest on long-term obligations	(89,394)	(91,362)
Net non-operating expense	(91,925)	(130,181)
Net gain (loss)	12,485	(208,294)
Capital contributions	6,400	5,000
Change in net position	18,885	(203,294)
Net position, January 1	896,350	1,099,644
Net position, December 31	\$ 915,235	\$ 896,350

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On December 31, 2019, the District had \$3,172,267 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 \$154,114 from the prior year. This decrease is due to the fact that depreciation expense of \$165,243 exceeded the cost of new assets purchased during 2019.

Table 3 summarizes the District's capital assets at the end of 2019 as compared to 2018.

Table 3
Capital Assets at Year End

	2019	2018
Land	\$ 21,200	\$ 21,200
Buildings and improvements	105,885	105,885
Lines and equipment	6,407,778	6,396,649
Office furniture and fixtures	24,048	24,048
Transportation equipment	51,573	51,573
Subtotal	6,610,484	6,599,355
Accumulated depreciation	(3,438,217)	(3,272,974)
Total capital assets	<u>\$ 3,172,267</u>	<u>\$ 3,326,381</u>

The District currently has no construction in progress.

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2019 compared to 2018.

Table 4
Outstanding Debt at Year End

	2019	2018
Bonds payable	\$ 1,963,600	\$ 2,062,300
Note payable	14,507	18,323
Total outstanding debt	<u>\$ 1,978,107</u>	<u>\$ 2,080,623</u>

At year-end, the District had \$1,978,107 in outstanding debt compared to \$2,080,623 the previous year. This is a decrease of \$102,516.

All the required payments were made on the District's outstanding debt during 2019.

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 15,767	\$ 3,374
Accounts receivable - customers, net of allowance	86,452	72,086
Inventories	11,692	8,380
Prepaid insurance	3,183	2,589
Total current assets	<u>117,094</u>	<u>86,429</u>
Restricted assets		
Reserve funds	20,108	104
Sinking funds	14,459	46,142
Total restricted assets	<u>34,567</u>	<u>46,246</u>
Capital assets		
Land	21,200	21,200
Buildings and improvements	105,885	105,885
Lines and equipment	6,407,778	6,396,649
Office furniture and fixtures	24,048	24,048
Transportation equipment	51,573	51,573
Total utility plant in service	6,610,484	6,599,355
Less accumulated depreciation	<u>(3,438,217)</u>	<u>(3,272,974)</u>
Total capital assets, net of depreciation	<u>3,172,267</u>	<u>3,326,381</u>
Total assets	3,323,928	3,459,056
Deferred outflow of resources		
Deferred outflows related to pensions and OPEB	<u>72,344</u>	<u>114,253</u>
Total assets and deferred outflow of resources	<u>3,396,272</u>	<u>3,573,309</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Liabilities		
Current liabilities		
Accounts payable - general	33,715	26,201
Customer deposits	4,960	5,680
Line of credit - Forcht Bank	-	14,000
Withheld and accrued liabilities	8,587	10,590
Total current liabilities	<u>47,262</u>	<u>56,471</u>
Current liabilities payable from restricted assets		
Bonds payable	-	48,600
Note payable	3,790	3,816
Accrued interest payable	-	44,839
Total current liabilities payable from restricted assets	<u>3,790</u>	<u>97,255</u>
Long-term liabilities		
Note payable - Huntington Bank	10,717	14,507
Bonds payable - USDA - Water Revenue Bonds	1,963,600	2,013,700
Net unfunded pension and OPEB liability	312,590	445,597
Total long-term liabilities	<u>2,286,907</u>	<u>2,473,804</u>
Total liabilities	2,337,959	2,627,530
Deferred inflow of resources		
Deferred inflow related to pensions and OPEB	143,078	49,429
Total liabilities and deferred inflow of resources	<u>2,481,037</u>	<u>2,676,959</u>
Net position		
Invested in capital assets, net of related debt	1,194,160	1,245,758
Restricted	34,567	1,407
Unrestricted	(313,492)	(350,815)
Total net position	<u>\$ 915,235</u>	<u>\$ 896,350</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues		
Water revenue	\$ 703,500	\$ 667,764
Forfeited discounts	32,518	30,496
Miscellaneous service revenues	8,097	7,785
Total operating revenues	<u>744,115</u>	<u>706,045</u>
Operating expenses		
Salaries and wages - employees	80,399	150,560
Salaries and wages - officer and directors	15,108	13,946
Employee benefits	13,858	35,717
Retirement benefits	9,884	29,188
Payroll taxes	7,198	12,728
Bad debt expenses	8,833	6,582
Contractual services	52,364	54,345
Depreciation expenses	165,243	167,423
Education/training	2,279	-
Insurance expenses	7,638	12,145
Materials and supplies	17,761	20,393
Miscellaneous expenses	2,856	3,076
Purchased power	5,012	4,904
Purchased water	239,545	260,308
Taxes other than income taxes	1,461	1,442
Transportation expenses	10,266	11,401
Total operating expenses	<u>639,705</u>	<u>784,158</u>
Operating gain (loss)	<u>104,410</u>	<u>(78,113)</u>
Non-operating income (expense)		
Interest income	19	6
Net effect of change in pension and OPEB expense	(2,550)	(38,825)
Interest on long-term obligations	(89,394)	(91,362)
Net non-operating expense	<u>(91,925)</u>	<u>(130,181)</u>
Net gain (loss)	12,485	(208,294)
Capital contributions	<u>6,400</u>	<u>5,000</u>
Change in net position	18,885	(203,294)
Net position, January 1	<u>896,350</u>	<u>1,099,644</u>
Net position, December 31	<u><u>\$ 915,235</u></u>	<u><u>\$ 896,350</u></u>

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

CORINTH WATER DISTRICT STATEMENTS OF CASH FLOWS For Years Ending December 31, 2019 and 2018
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	2019	2018
Cash flows from operating activities		
Received from customers	\$ 729,749	\$ 716,448
Paid to suppliers for goods and services	(345,127)	(370,129)
Paid to or on behalf of employees for services	(128,450)	(243,360)
Net change in cash for operating activities	<u>256,172</u>	<u>102,959</u>
Cash flows from investing activities		
Interest on investments	19	6
Expenditures for construction and equipment	(11,130)	(23,083)
Change in restricted cash	11,681	32,795
Contributions in aid of construction	6,400	5,000
Net change in cash for investing activities	<u>6,970</u>	<u>14,718</u>
Cash flows from capital and related financing activities		
Interest on long-term debt	(134,233)	(92,252)
Loan proceeds	-	15,000
Payments on long-term debt	(116,516)	(49,703)
Net change in cash for capital and related financing activities	<u>(250,749)</u>	<u>(126,955)</u>
Change in cash and cash equivalents	12,393	(9,278)
Cash and cash equivalents-beginning of year	<u>3,374</u>	<u>12,652</u>
Cash and cash equivalents-end of year	<u>\$ 15,767</u>	<u>\$ 3,374</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating gain (loss)	\$ 104,410	\$ (78,113)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	165,243	167,423
Change in operating assets and liabilities		
Decrease (increase) in receivables	(14,366)	10,403
Decrease (increase) in inventories	(3,312)	3,506
Decrease (increase) in prepaid assets	(594)	683
(Decrease) increase in accounts payable	7,514	(762)
(Decrease) increase in withheld and accrued liabilities	(2,003)	(1,221)
Decrease in customer deposits	(720)	1,040
Net cash provided by operating activities	<u>\$ 256,172</u>	<u>\$ 102,959</u>
Supplemental information		
Interest paid	<u>\$ (134,233)</u>	<u>\$ (92,252)</u>

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

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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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 and \$2,600 at December 31, 2019 and 2018, 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.

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.

CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 2019 and 2018 these contributions consisted of the following:

Source	2019	2018
Tap in fees and construction costs paid by new customers	\$ 6,400	\$ 5,000
Total capital contributions received in aid of construction	<u>\$ 6,400</u>	<u>\$ 5,000</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” were \$15,767 and \$3,374 at December 31, 2019 and 2018, respectively. The balances for “Restricted Assets” were \$34,567 and \$46,246 at December 31, 2019 and 2018, 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

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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insures bank deposits for amounts up to \$250,000 per banking institution. Thus, all of the \$50,334 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, 2019 and 2018:

	2019	2018
Reserve fund	\$ 20,108	\$ 104
Sinking fund	14,459	46,142
Accrued interest on debt	-	(44,839)
Total Restricted Net Position	<u>\$ 34,567</u>	<u>\$ 1,407</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
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018

Asset Type	Balance at December 31, 2018	Additions	Retirements	Balance at December 31, 2019
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	942,736	6,082	-	948,818
Supply mains	13,191	-	-	13,191
Tools and equipment	19,017	-	-	19,017
Transmission mains	4,889,606	5,047	-	4,894,653
Transportation equipment	51,573	-	-	51,573
Subtotal	6,599,355	11,129	-	6,610,484
Accumulated depreciation	(3,272,974)	(165,243)	-	(3,438,217)
Capital assets, net	<u>\$ 3,326,381</u>	<u>\$ (154,114)</u>	<u>\$ -</u>	<u>\$ 3,172,267</u>

NOTE 5 – LINE OF CREDIT

The District opened a \$15,000 unsecured line of credit with Forcht Bank on June 20, 2018, which matured on June 20, 2019. At December 31, 2018, the amount drawn on the line of credit was \$14,000, leaving an available balance of \$1,000. The line of credit was paid in full as of December 31, 2019.

NOTE 6 – LONG TERM DEBT

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

Debt Instrument	2018	Additions	Retirements	2019
USDA Rural Development FHA Bonds-97/98	\$ 388,000	\$ -	\$ (24,000)	\$ 364,000
USDA Rural Development FHA Bonds-2002	393,300	-	(18,700)	374,600
USDA Rural Development FHA Bonds-2005	1,281,000	-	(56,000)	1,225,000
Huntington Bank Loan	18,323	-	(3,816)	14,507
Subtotal	2,080,623	<u>\$ -</u>	<u>\$ (102,516)</u>	1,978,107
Less: current portion of long-term debt	(52,416)			(3,790)
Total Long-Term Indebtedness	<u>\$ 2,028,207</u>			<u>\$ 1,974,317</u>

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 December 31, 2019 and 2018
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The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2020	4.75%	\$ -	\$ 8,645	\$ 8,645
2021	4.75%	13,000	16,981	29,981
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
2025-2029	4.75%	87,000	63,199	150,199
2030-2034	4.75%	111,000	39,877	150,877
2035-2038	4.75%	110,000	10,830	120,830
Totals		\$ 364,000	\$ 186,533	\$ 550,533

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
2020	4.625%	\$ -	\$ 8,663	\$ 8,663
2021	4.625%	10,000	17,094	27,094
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
2025-2029	4.625%	66,300	69,297	135,597
2030-2034	4.625%	83,600	52,046	135,646
2035-2039	4.625%	105,600	30,262	135,862
2040-2042	4.625%	76,100	5,390	81,490
Totals		\$ 374,600	\$ 231,097	\$ 605,697

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
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The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2020	4.125%	\$ -	\$ 25,266	\$ 25,266
2021	4.125%	30,000	49,913	79,913
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
2025-2029	4.125%	193,500	207,086	400,586
2030-2034	4.125%	240,000	162,526	402,526
2035-2039	4.125%	297,000	107,352	404,352
2040-2044	4.125%	367,000	39,041	406,041
Totals		<u>\$ 1,225,000</u>	<u>\$ 733,157</u>	<u>\$ 1,958,157</u>

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
2020	\$ 3,790	\$ 920	\$ 4,710
2021	4,074	636	4,710
2022	4,376	334	4,710
2023	2,267	47	2,314
Totals	<u>\$ 14,507</u>	<u>\$ 1,937</u>	<u>\$ 16,444</u>

NOTE 7 - 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 Corinth Water District has only Non-Hazardous employees.

Membership in CERS consisted of the following at June 30, 2019:

CORINTH WATER DISTRICT
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	Non-hazardous	Hazardous	Total
Active Plan Members	84,632	9,402	94,034
Inactive Plan Members	85,300	2,702	88,002
Retired Members	58,933	8,000	66,933
	<u>228,865</u>	<u>20,104</u>	<u>248,969</u>
Number of participating employers			<u>1,140</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 75% of the decedent's monthly final rate of pay and any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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Contributions

For non-hazardous duty employees, the District contributed 21.48%, of which 16.22% was for the pension fund and 5.26% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the period of January 1, 2019 to June 30, 2019. The District contributed 24.06%, 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 period of July 1, 2019 to December 31, 2019.

The District made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$9,884, of which \$7,717 was for the pension fund and \$2,167 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, 2019, the District reported a liability of \$252,275 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the District's non-hazardous employer allocation proportion was 0.00359% of the total CERS non-hazardous duty employees. For the year ended December 31, 2019, the District recognized pension expense of \$4,110 in addition to its \$7,717 pension contribution. At December 31, 2019, 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	\$ 6,441	\$ (1,066)
Net difference between projected actual earnings on plan investments	4,843	(8,909)
Changes of assumptions	25,533	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,847	(80,694)
Contributions subsequent to the measurement date	4,312	-
	<u>\$ 48,976</u>	<u>\$ (90,669)</u>

The District's contributions subsequent to the measurement date of \$4,312 will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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Fiscal Year Ending December 31,	Net Deferral
2020	\$ (11,194)
2021	(24,376)
2022	(10,725)
2023	290
	<u>\$ (46,005)</u>

Actuarial Assumptions

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

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05%-3.30%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1 year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were update.
- Annual rates of retirement, disability, withdrawal, and mortality were update.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment rate was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- The asset valuation method changed from *5-Year Smoothed* to *20% of the difference between market and actuarial values*.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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)	Long Term
	Target Allocation	Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit/high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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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	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 315,525	\$ 252,275	\$ 199,557

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 NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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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 1, 2019 to June 30, 2019, was 5.26% of covered-employee payroll for non-hazardous duty employees, and for the period July 1, 2019 to December 31, 2019, was 4.76% of the covered employee payroll, 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 \$2,167 for non-hazardous duty employees for the year ended December 31, 2019.

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

At December 31, 2019, the District reported a liability of \$60,315 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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,

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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actuarially determined. At December 31, 2019, the District's proportion of the non-hazardous plan was .000359%.

For the year ended December 31, 2019, the District recognized a reduction in OPEB expense of \$1,560. 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	\$ -	\$ (18,198)
Net difference between projected actual earnings on plan investments	397	(3,076)
Changes of assumptions	17,848	(119)
Changes in proportion and differences between contributions and proportionate share of contributions	4,060	(31,016)
Contributions subsequent to the measurement date	1,063	-
	<u>\$ 23,368</u>	<u>\$ (52,409)</u>

The District's contributions subsequent to the measurement date, \$1,063 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Net Deferral
2020	\$ (5,408)
2021	(5,408)
2022	(4,556)
2023	(6,176)
2024	(6,767)
Thereafter	(1,789)
	<u>\$ (30,104)</u>

Actuarial Assumptions

The total OPEB liability as of December 31, 2019 is based on an actuarial valuation date of June 30, 2017, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013
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

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Amortization period:	26 years, closed
Payroll growth rate:	2.00%
Investment return:	6.25%, net of pension plan expense, including inflation
Inflation	2.30%
Salary increases:	3.05-3.30% minimum, including inflation
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set-back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

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 Health Insurance (Haz & Non-Haz)	Long Term Expected Nominal Return
	Target Allocation	
Combined equity	37.5%	4.55%
Specialty credit/high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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In 2019 the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.85% to 5.68%

In 2018 the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.84% to 5.85%

In 2017, the demographic and economic assumptions that affect the measurement of the total OPEB liability were updated as follows:

- The assumed investment return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary increase was reduced from 4.00% to 3.05%.
- The asset valuation method changed from *5-Year Smoothed* to *20% of the difference between market and actuarial values*.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

Discount Rate

The discount rate used to measure the total OPEB liability was 5.68% for the non-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 5.68% 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	4.68%	5.68%	6.68%
Net OPEB liability, non-hazardous	\$ 80,797	\$ 60,315	\$ 43,439

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:

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	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 44,857	\$ 60,315	\$ 79,060

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 8 – 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 and \$1,331 during 2019 and 2018, respectively, to the brother of a District commissioner for meter testing services.

NOTE 9 – 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 10 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations*

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

NOTE 11 – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – Implementation in 2020

Statement No. 87 – *Leases* – Implementation in 2021

Statement No. 89 – *Accounting for Interest Cost* – Implementation in 2021

Statement No. 90 – *Majority Equity Interests* – Implementation in 2020

Statement No. 91 – *Conduit Debt Obligations* – Implementation in 2022

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018
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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 12, 2020, 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, 2019 through August 12, 2020 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.00359%	0.00567%	0.005282%	0.005460%	0.005910%					
Proportionate share of the net pension liability (asset)	\$ 252,275	\$ 345,016	\$ 309,172	\$ 268,880	\$ 254,132					
Covered payroll in year of measurement (July - June)	\$ 90,479	\$ 140,419	\$ 128,604	\$ 130,276	\$ 137,904					
Share of the net pension liability (asset) as a percentage of its covered payroll	278.82%	245.70%	240.41%	206.39%	184.28%					
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	55.50%	59.97%	66.80%					

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 7,717	\$ 22,038	\$ 17,940	\$ 16,180	\$ 17,583	\$ 19,115				
Actual contribution	7,717	22,038	17,940	16,180	17,583	19,115				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll in District's fiscal year (Jan. - Dec.)	\$ 43,333	\$ 143,846	\$ 130,789	\$ 127,566	\$ 132,430	\$ 141,300				
Contributions as a percentage of covered payroll	17.81%	15.32%	13.72%	12.68%	13.28%	13.53%				

Notes to Required Supplementary Information
for the Year Ended December 31, 2019

The net pension liability as of December 31, 2019, is based on the June 30, 2019, 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 7 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.00359%	0.00567%								
Proportionate share of the net pension liability (asset)	\$ 60,315	\$ 100,581								
Covered payroll in year of measurement (July - June)	\$ 90,479	\$ 140,419								
Share of the net pension liability (asset) as a percentage of its covered payroll	66.66%	71.63%								
Plan fiduciary net position as a percentage of total pension liability	60.44%	57.62%								

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 2,167	\$ 7,150	\$ 6,491							
Actual contribution	2,167	7,150	6,491							
Contribution deficiency (excess)	-	-	-							
Covered payroll in District's fiscal year (Jan. - Dec.)	\$ 43,333	\$ 143,846	\$ 130,789							
Contributions as a percentage of covered payroll	5.00%	4.97%	4.96%							

Notes to Required Supplementary Information
for the Year Ended December 31, 2019

The net OPEB liability as of December 31, 2019, is based on the June 30, 2019, 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 7 in the Notes to the Financial Statements.



Van Gorder, Walker & Co., Inc.
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

**To the Board of Commissioners
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, 2019 and 2018, 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 12, 2020.

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.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
August 12, 2020