

**EDMONSON COUNTY WATER DISTRICT  
BROWNSVILLE, KENTUCKY**

**COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2013 & 2012**

**JAMES D. SPURLOCK**  
*Certified Public Accountant*

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## INDEPENDENT AUDITOR'S REPORT

To the Commissioners  
Edmonson County Water District

### Report on the Financial Statements

I have audited the accompanying financial statements of Edmonson County Water District as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Edmonson County Water District's 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 risks 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Edmonson County Water District as of December 31, 2013 and 2012, and the respective changes in financial position and, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

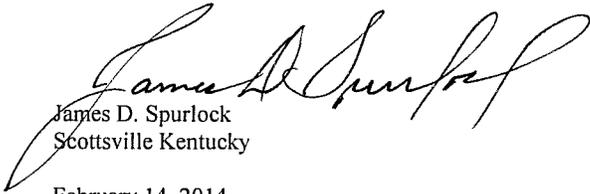
Accounting principles generally accepted in the United States of America require that the Managements' Discussion and Analysis on pages 3 through 5 and Statement of Revenues and Expenses and Changes in Net Assets - Budget and Actual on Page 28 are presented to supplement the basic financial statements. 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Edmonson County Water District's basic financial statements. The individual schedule of operating expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated February 14, 2014, on my consideration of the Edmonson County Water District's internal control over financial reporting and on my 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 my 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 Edmonson County Water District's internal control over financial reporting and compliance.



James D. Spurlock  
Scottsville Kentucky

February 14, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Edmonson County Water District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2013. This information is presented in conjunction with the audited financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

Operating revenues for the year ending December 31, 2013, were \$2,742,157 or a decrease of 5.87% from the previous year. The increase was due to a cooler and wetter summer causing consumers to use less water.

Operating expenses for the year ending December 31, 2013, were \$2,644,525 or an increase of 1.19% from previous year expenses. Expenses were basically the same, with the exception of increases in salaries and related employee benefits. Significant time incurred to detect leaks created most of this increase including abnormal transportation costs (fuel).

Total assets for the year ending December 31, 2013, were \$30,478,865 an decrease of 2.41% from the previous year, while total liabilities were \$13,794,686 or a decrease of 3.21 % from the previous year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of management's discussion and analysis, financial statements, and supplementary information. The financial statements include notes, which explain in detail some of the information included in the financial statements.

The financial statements present the financial position of Edmonson County Water District as of December 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Each years' revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the success of Edmonson County Water District's operations over the past two years.

**Edmonson County Water District  
Summary of Net Assets  
December 31, 2013 and 2012**

	2013	2012
<b>Assets:</b>		
Total Current Assets	\$ 4,546,361	\$ 4,509,734
Net Capital Assets	25,667,926	26,440,421
Other Assets	264,578	283,211
Total Assets	30,478,865	31,233,366
<b>Liabilities:</b>		
Total Current Liabilities	\$ 875,969	\$ 843,167
Total Long-Term Liabilities	12,918,717	13,409,200
Total Liabilities	\$ 13,794,686	\$ 14,252,367
<b>Nets Assets:</b>		
Invested in Capital Assets, Net of Related Debt	\$ 12,228,499	\$ 12,482,451
Restricted	3,434,271	3,280,614
Unrestricted	1,021,409	1,217,934
Total Net Assets	\$ 16,684,179	\$ 16,980,999

The net assets for the year ending December 31, 2013 showed an decrease of \$296,820 or approximately 1.74% from the previous year. This was due to curren year depreciation expense.

**Edmonson County Water District  
Summary of Changes in Net Assets  
December 31, 2013 and 2012**

	2013	2012
Total Operating Revenues	\$ 2,742,157	\$ 2,913,319
Total Operating Expenses	(2,644,525)	(2,612,867)
Operating Income	97,632	300,452
Total Nonoperating Revenues (Expenses)	(593,586)	(498,332)
Income (Loss) before Capital Contributions	(495,954)	(197,880)
Capital Contributions	199,134	88,179
Change in Net Assets	(296,820)	(109,701)
Net Assets, Beginning of Year	16,980,999	17,090,700
Net Assets, Ending of Year	\$ 16,684,179	\$ 16,980,999

**CAPITAL ASSET CHANGE**

Net capital assets for the year ending December 31, 2013, were \$25,667,926, which was a net decrease of \$772,495. This decrease was due to depreciation expense with no significant capital asset additions.

## **DEBT ADMINISTRATION**

Bonds and loans outstanding for the year ending December 31, 2013 were \$13,283,300. Principal payments on bonds and loans amounted to \$539,185 for the year. During the year a \$1,922,000 Kentucky Rural Water Finance Corporation loan was refinanced with a subsequent Kentucky Rural Water Finance Corporation loan. The refinancing saved the District \$218,006 in total debt service payments.

## **REQUEST FOR INFORMATION**

This analysis is designed to provide a general overview of Edmonson County Water District's finances and to demonstrate Edmonson County Water District's accountability for the funds it receives whether from water sales or construction proceeds. If you have any questions about this report or need any additional information please contact Edmonson County Water District at P. O. Box 208, Brownsville, Kentucky, 42210 or by telephone at (270) 597-2165.

**EDMONSON COUNTY WATER DISTRICT  
BALANCE SHEET**

**ASSETS**

	DECEMBER 31,	
	2013	2012
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 611,265	\$ 733,324
Accounts Receivable - Note A	137,745	139,492
Material and Supplies Inventory	85,373	85,286
Prepaid Expenses	35,632	31,893
Restricted Cash and Cash Equivalents - Note B	3,676,346	3,519,739
Total Current Assets	4,546,361	4,509,734
 <b>UTILITY PLANT - NOTE A</b>		
Utility Plant in Service	38,798,619	38,793,917
Less Accumulated Depreciation	(13,175,518)	(12,359,773)
Net Utility Plant in Service	25,623,101	26,434,144
Construction in Progress	44,825	6,277
Net Utility Plant	25,667,926	26,440,421
 <b>OTHER ASSETS</b>		
Unamortized Debt Discount and Expense - Note A	264,578	283,211
 <b>TOTAL ASSETS</b>	 <b>\$ 30,478,865</b>	 <b>\$ 31,233,366</b>

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

**LIABILITIES AND NET ASSETS**

	DECEMBER 31,	
	2013	2012
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt - Note C	\$ 364,583	\$ 367,786
Accounts Payable	44,553	31,916
Customers Deposits	242,075	239,125
Compensated Absences - Note G	167,091	150,569
Accrued Interest	984	984
Accrued and Other Liabilities	56,683	52,787
Total Current Liabilities	<u>875,969</u>	<u>843,167</u>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt - Note C	<u>12,918,717</u>	<u>13,409,200</u>
Total Long-Term Liabilities	<u>12,918,717</u>	<u>13,409,200</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	12,228,499	12,482,451
Restricted	3,434,271	3,280,614
Unrestricted	<u>1,021,409</u>	<u>1,217,934</u>
Total Net Assets	<u>16,684,179</u>	<u>16,980,999</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 30,478,865</u></u>	<u><u>\$ 31,233,366</u></u>

**EDMONSON COUNTY WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	YEAR ENDED DECEMBER 31,	
	2013	2012
<b>OPERATING REVENUES</b>		
Water Sales	\$ 2,642,469	\$ 2,793,281
Consumers' Forfeited Discounts	55,452	60,702
Service Fees	44,236	59,336
Total Operating Revenues	2,742,157	2,913,319
<b>OPERATING EXPENSES</b>		
Water Treatment	536,882	539,443
Transmission and Distribution	583,969	532,036
Customer Accounts	227,235	234,489
General and Administrative	360,928	368,353
Depreciation	865,347	872,873
Taxes, Other Than Income	70,164	65,673
Total Operating Expenses	2,644,525	2,612,867
Net Income from Operations	97,632	300,452
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Amortization	(12,545)	(10,824)
Interest Income	41,510	44,299
Interest Expense	(462,625)	(500,673)
Gain (Loss) on Disposition of Utility Plant	(129,626)	(27,669)
Nonutility Income	37,785	27,041
Miscellaneous Nonutility Expense	(68,085)	(30,506)
Total Nonoperating Revenues (Expense), Net	(593,586)	(498,332)
Income (Loss) Before Capital Contributions	(495,954)	(197,880)
<b>CAPITAL CONTRIBUTIONS</b>		
Tap Fees	62,142	49,542
Contributed Capital	136,992	33,477
Grants	-	5,160
Total Capital Contributions	199,134	88,179
Change in Net Assets	(296,820)	(109,701)
Net Assets, Beginning of Year	16,980,999	17,090,700
Net Assets, End of Year	\$ 16,684,179	\$ 16,980,999

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

**EDMONSON COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Receipts from Customers	\$ 2,746,250	\$ 2,919,864
Cash Paid to Suppliers for Goods and Services	(956,428)	(978,735)
Cash Paid To Employees	(803,365)	(752,041)
Net Cash Provided by Operating Activities	986,457	1,189,088
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Other Income/Expenses	29,729	22,229
Net Cash Provided (Used) by Noncapital Financing Activities	29,729	22,229
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisitions of Utility Plant Assets	(187,723)	(161,201)
Loan Proceeds	45,500	2,900,000
Proceeds from Sale of Utility Plant Assets	9,799	18,662
Principal Payments on Debt	(539,186)	(3,168,014)
Interest Payments on Debt	(462,625)	(500,673)
Increase in Other Assets	(53,941)	(87,381)
Cash Contributed in Aid of Construction	165,028	40,844
Grants	-	5,160
Net Cash (Used) for Capital and Related Financing Activities	(1,023,148)	(952,603)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	41,510	44,299
Net Cash Provided from Investing Activities	41,510	44,299
Net Increase (Decrease) in Cash and Cash Equivalents	34,548	303,013
Cash and Cash Equivalents, Beginning of year	4,253,063	3,950,050
Cash and Cash Equivalents, End of Year	\$ 4,287,611	\$ 4,253,063

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

**EDMONSON COUNTY WATER DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)**

	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>		
Net Income from Operations	\$ 97,632	\$ 300,452
Adjustments to Reconcile Net Income from Operations to Net Cash Provided by Operating Activities		
Depreciation	865,347	872,873
Changes in Assets and Liabilities		
Accounts Receivable	1,143	5,795
Inventory	(87)	408
Prepaid Expenses	(3,739)	(3,297)
Accounts Payable	2,189	(3,535)
Customer Deposits	2,950	750
Compensated Absences	16,522	15,255
Accrued Liabilities	4,500	387
	<u>\$ 986,457</u>	<u>\$ 1,189,088</u>
<b>NON-CASH, CAPITAL AND FINANCING ACTIVITIES</b>		
Capital Assets Acquired by Accrued Liabilities	\$ 19,948	\$ 9,500
Receipt of Contributed Assets	34,106	42,175
	<u>\$ 54,054</u>	<u>\$ 51,675</u>

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

**EDMONSON COUNTY WATER DISTRICT - SEWER DIVISION  
BALANCE SHEET**

**ASSETS**

	DECEMBER 31,	
	2013	2012
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 91,717	\$ 81,032
Accounts Receivable - Note A	301	296
Grants Receivable	340,047	1,342,173
Restricted Cash and Cash Equivalents	5,059	4,159
Total Current Assets	437,124	1,427,660
 <b>UTILITY PLANT - NOTE A</b>		
Utility Plant in Service	1,643,712	1,618,128
Less Accumulated Depreciation	(274,453)	(236,434)
Net Utility Plant in Service	1,369,259	1,381,694
Construction in Progress	1,526,612	514,973
Net Utility Plant	2,895,871	1,896,667
 <b>OTHER ASSETS</b>		
Unamortized Debt Discount and Expense - Note A	13,498	13,940
Utility Deposit	100	100
Total Other Assets	13,598	14,040
 <b>TOTAL ASSETS</b>	 \$ 3,346,593	 \$ 3,338,367

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

**LIABILITIES AND NET ASSETS**

	DECEMBER 31,	
	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Contractors Payable	\$ 128,054	\$ 145,893
Accounts Payable	<u>1,788</u>	<u>73</u>
Total Current Liabilities	<u>129,842</u>	<u>145,966</u>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt - Note C	<u>91,300</u>	<u>92,700</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	2,676,517	1,803,967
Restricted	345,106	1,346,332
Unrestricted, (Deficit)	<u>103,828</u>	<u>(50,598)</u>
Total Net Assets	<u>3,125,451</u>	<u>3,099,701</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 3,346,593</u></u>	 <u><u>\$ 3,338,367</u></u>

**EDMONSON COUNTY WATER DISTRICT - SEWER DIVISION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	YEAR ENDED DECEMBER 31,	
	2013	2012
<b>OPERATING REVENUES</b>		
Sewer Sales	\$ 17,586	\$ 18,259
Consumers' Forfeited Discounts	216	272
Total Operating Revenues	17,802	18,531
<b>OPERATING EXPENSES</b>		
Labor and Expenses	9,899	8,944
Purchased Power	999	812
Customer Accounts	155	111
Transportation	541	-
Administrative and General	119	141
Taxes, Other Than Income	60	122
Depreciation	38,019	36,439
Total Operating Expenses	49,792	46,569
Net (Loss) from Operations	(31,990)	(28,038)
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Amortization	(442)	(442)
Interest Income	1,024	1,041
Interest Expense	(3,940)	(3,999)
Total Nonoperating (Expense)	(3,358)	(3,400)
Income (Loss) Before Capital Contributions	(35,348)	(31,438)
<b>CAPITAL CONTRIBUTIONS</b>		
Contributed Capital	61,098	-
Total Capital Contributions	61,098	-
Change in Net Assets	25,750	(31,438)
Net Assets, Beginning of Year	3,099,701	3,131,139
Net Assets, End of Year	\$ 3,125,451	\$ 3,099,701

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

**EDMONSON COUNTY WATER DISTRICT - SEWER DIVISION  
STATEMENT OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Receipts from Customers	\$ 17,797	\$ 18,785
Cash Paid to Suppliers for Goods and Services	(9,276)	(10,837)
Cash Paid To Employees	(782)	-
Net Cash Provided from Operating Activities	7,739	7,948
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Utility Plant Assets	(1,055,062)	(273,258)
Payments on Debt	(1,400)	(1,400)
Interest Payments on Debt	(3,940)	(3,999)
Grant Proceeds	1,002,126	272,142
Cash Contributed in Aid of Construction	61,098	-
Net Cash Provided (Used) for Capital and Related Financing Activities	2,822	(6,515)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	1,024	1,041
Net Cash Provided from Investing Activities	1,024	1,041
Net Increase (Decrease) in Cash and Cash Equivalents	11,585	2,474
Cash and Cash Equivalents, Beginning of Year	85,191	82,717
Cash and Cash Equivalents, End of Year	\$ 96,776	\$ 85,191
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>		
Net (Loss) from Operations	\$ (31,990)	\$ (28,038)
Adjustments to Reconcile Net Income from Operations to Net Cash Provided by Operating Activities		
Depreciation	38,019	36,439
Changes in Assets and Liabilities		
Accounts Receivable	(5)	254
Accounts Payable	1,715	(707)
Net Cash Provided by Operating Activities	\$ 7,739	\$ 7,948
<b>NON-CASH, CAPITAL AND FINANCING ACTIVITIES</b>		
Capital Assets Acquired by Accrued Liabilities	\$ 128,054	\$ 145,893

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

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**Note A - Summary of Significant Accounting Policies**

**Organization**

Edmonson County Water District was organized in 1967 to provide water services to residents and commercial businesses of Edmonson County. The District is governed by a three commission Board, which is appointed by the Edmonson County Judge Executive and approved by the Edmonson County Fiscal Court. The Judge Executive and Fiscal Court have no other authority over the District. On January 28, 2003, the Board passed a resolution to implement a waste water collection system to provide collection sewer services to Edmonson County.

**Reporting Entity**

The Edmonson County Water District is a governmental unit having oversight responsibilities over all activities related to water and sewer services within Edmonson County and portions of surrounding counties excluding the City of Brownsville. The District is not included in any other governmental reporting entity as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards* because District commissioners have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

**Revenue Recognition**

The District's revenue from sales of water and sewer services is recognized when billed to consumers. All consumers are billed on a monthly basis.

**Accounts Receivable/Bad Debts**

Accounts receivable are shown at net realizable value. The District uses the direct write-off method for bad debts, thus no allowance is provided for doubtful accounts. This method does not significantly depart from generally accepted accounting principles.

**Other Receivables**

Other receivables consist of approved federal and state grants for current construction projects. These amounts will be received in the subsequent year as construction progresses.

**Inventory**

Inventory of material and supplies is stated at average cost.

**Unamortized Debt Expense**

Unamortized debt expense as of December 31, 2013, for the water system consisted of debt issue costs of \$310,865 and loan premium of \$(11,426). Respective accumulated amortization was \$36,077 and \$(1,216). Unamortized debt expense for the sewer system amounted to \$16,817 with \$3,319 of accumulated amortization. These amounts are being amortized by the straight-line method over the lives of the bond issues and loans, which are 38, 26, and 25 years. During the year \$60,029 of net unamortized debt expense associated with a prior Kentucky Rural Water Finance Corporation loan was written off due to refinancing. This expense is included in non-utility expense on the statement of revenues, expenses and changes of fund balance.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, net assets and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note A - Summary of Significant Accounting Policies (Continued)**

**Water Utility Plant**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
Franchises	\$ 10,262	\$ -	\$ -	\$ 10,262
Land and Land Rights	362,082	-	-	362,082
Structures and Improvements	4,462,088	8,600	-	4,470,688
Lake, River and Other Intakes	746,435	-	-	746,435
Power Generation Equipment	33,782	-	-	33,782
Pumping Equipment	1,486,953	935	-	1,487,888
Water Treatment Equipment	1,721,904	4,981	-	1,726,885
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission Mains	18,667,369	87,433	-	18,754,802
Services	1,123,641	28,505	-	1,152,146
Meters and Meter Installations	2,770,624	51,359	(189,027)	2,632,956
Hydrants	127,016	4,983	-	131,999
Other Miscellaneous Equipment	5,285	-	-	5,285
Office Equipment	312,651	3,896	-	316,547
Transportation Equipment	283,707	-	-	283,707
Tools and Shop Equipment	47,378	-	-	47,378
Laboratory Equipment	16,260	-	-	16,260
Power Operated Equipment	319,864	-	-	319,864
Communications Equipment	227,749	-	-	227,749
Miscellaneous Equipment	11,535	3,037	-	14,572
Subtotal	38,793,917	193,729	(189,027)	38,798,619
Construction Work in Progress	6,277	106,970	(68,422)	44,825
Total Cost	<u>\$ 38,800,194</u>	<u>\$ 300,699</u>	<u>\$ (257,449)</u>	<u>38,843,444</u>

**Sewer Utility Plant**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
Land and Land Rights	\$ 876	\$ -	\$ -	\$ 876
Collection Sewers - Force	78,997	-	-	78,997
Collection Sewers - Gravity	1,293,245	-	-	1,293,245
Services	43,545	-	-	43,545
Flow Measuring Devices	15,835	-	-	15,835
Pumping Equipment	174,507	-	-	174,507
Transportation Equipment	-	25,584	-	25,584
Tools and Shop Equipment	115	-	-	115
Communications Equipment	10,044	-	-	10,044
Miscellaneous Equipment	964	-	-	964
Subtotal	1,618,128	25,584	-	1,643,712
Construction Work in Progress	514,973	1,011,639	-	1,526,612
Total Cost	<u>\$ 2,133,101</u>	<u>\$ 1,037,223</u>	<u>\$ -</u>	<u>\$ 3,170,324</u>

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**Note A - Summary of Significant Accounting Policies (Continued)**

**Water Utility Plant**

Accumulated Depreciation activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
Franchises	\$ -	\$ -	\$ -	\$ -
Land and Land Rights	-	-	-	-
Structures and Improvements	1,591,406	94,714	-	1,686,120
Lake, River and Other Intakes	248,062	14,979	-	263,041
Power Generation Equipment	3,639	676	-	4,315
Pumping Equipment	415,153	36,088	-	451,241
Water Treatment Equipment	648,131	36,764	-	684,895
Distribution Reservoirs	1,284,798	121,879	-	1,406,677
Transmission Mains	6,370,991	374,489	-	6,745,480
Services	468,303	22,758	-	491,061
Meters and Meter Installations	613,047	90,537	(49,602)	653,982
Hydrants	32,013	2,590	-	34,603
Other Miscellaneous Equipment	5,285	-	-	5,285
Office Equipment	181,114	21,973	-	203,087
Transportation Equipment	247,929	15,408	-	263,337
Tools and Shop Equipment	31,053	3,121	-	34,174
Laboratory Equipment	2,195	1,626	-	3,821
Power Operated Equipment	155,493	19,314	-	174,807
Communications Equipment	52,290	7,626	-	59,916
Miscellaneous Equipment	8,871	805	-	9,676
Total Accumulated Depreciation	<u>\$ 12,359,773</u>	<u>\$ 865,347</u>	<u>\$ (49,602)</u>	<u>\$ 13,175,518</u>

**Sewer Utility Plant**

Accumulated Depreciation activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Disposals	Balance 12/31/2012
Land and Land Rights	\$ -	\$ -	\$ -	\$ -
Collection Sewers - Force	10,270	1,580	-	11,850
Collection Sewers - Gravity	168,122	25,865	-	193,987
Services	5,661	882	-	6,543
Flow Measuring Devices	4,117	633	-	4,750
Pumping Equipment	45,371	6,098	-	51,469
Transportation Equipment	-	2,451	-	2,451
Tools an Shop Equipment	40	12	-	52
Communications Equipment	2,611	402	-	3,013
Miscellaneous Equipment	242	96	-	338
Total Accumulated Depreciation	<u>\$ 236,434</u>	<u>\$ 38,019</u>	<u>\$ -</u>	<u>\$ 274,453</u>

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Utility Plant/Depreciation (Continued)**

Plant additions and improvements are capitalized at cost. The cost and accumulated depreciation applicable to plant dispositions are removed from the respective accounts. Interest costs on temporary financing during construction of utility plant assets are capitalized when utility plant under construction becomes operational.

Depreciation is calculated by the straight-line method over the estimated useful lives of the utility plant assets which range from three to fifty years.

**Note B - Restricted Cash Funds**

The special funds were established and are being maintained in accordance with the water and sewer system bond resolutions of the Edmonson County Water District dated March 12, 2001, October 28, 2003, June 3, 2005, July 10, 2007, May 25, 2010, November 24, 2010, and December 15, 2010.

Deposits to the revenue fund are made daily from current revenues. Disbursements from this fund are made into the following funds as required by the bond covenants and are more fully described in the subsequent paragraphs:

- (1) Operation and Maintenance Fund
- (2) Depreciation Fund
- (3) Bonds Sinking Fund

Each month there is to be withdrawn from the revenue fund and deposited into the operations and maintenance fund an amount sufficient to pay the reasonable necessary monthly cost of operating and maintaining the plant. This fund is reported on the balance sheet as cash and working funds.

The bond covenants require monthly deposits into a depreciation fund until all outstanding bonds are paid or until a maximum amount is reached. Detailed below is a listing of the funding requirements for the years ended December 31, 2013 and 2012:

<b>Water System</b>				
<u>Bond Issues</u>	<u>Funds Per Month</u>	<u>Funding Required</u>	<u>Funds Deposited</u>	<u>Funds Remaining</u>
Prior		\$ 495,000	\$ 495,000	\$ -
2001	\$ 1,610	772,800	201,250	571,550
2003	\$ 205	24,600	19,680	4,920
2007	\$ 780	93,000	42,900	50,100
2010	\$ 1,135	136,200	29,130	107,070
Balance 2012		1,521,600	787,960	733,640
Funding 2013		-	44,760	(44,760)
Balance 2013		<u>\$ 1,521,600</u>	<u>\$ 832,720</u>	<u>\$ 688,880</u>

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note B - Restricted Cash Funds (Continued)**

<b>Sewer System</b>				
Bond Issue	Funds Per Month	Funding Required	Funds Deposited	Funds Remaining
2005	\$ 50	\$ 6,000	\$ 3,900	\$ 2,100
Balance 2012		6,000	3,900	2,100
Funding 2013		-	600	(600)
Balance 2013		\$ 6,000	\$ 4,500	\$ 1,500

Disbursements from this fund are restricted to expenditures for renewals, replacements, extensions, improvements, acquisitions and additions to the utility plant. Timely deposits are being made into the depreciation fund.

In addition, proceeds of all property damage insurance maintained in connection with the System, proceeds from sales of worn out or obsolete properties of the System and fees levied for the privilege of connecting to the System shall be deposited into the depreciation fund.

Each month sufficient deposits are made into the bonds sinking fund to pay when due the interest and principal on bonds dated 2001, 2003, 2005, 2007, and 2010 as required by the bond resolutions. The bonds sinking fund is restricted to the payment of interest and principal on the bonds outstanding under the authority of the bond resolutions.

There shall be deposited into the water system revenue bonds sinking fund on or before the (20th) day of each month a sum which together with other funds available in the bonds sinking fund for such purpose will be equal to one-sixth (1/6) of the next succeeding interest installment to become due on all bonds then outstanding and a sum equal to one-twelfth (1/12) of the principal of all bonds maturing on the next succeeding January 1.

All payments into the above special funds shall be made on or before the (20th) day of each month, except when the (20th) day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

There shall be transferred on or before the (15th) day of each month from the sewer system revenue fund, as a first charge thereon, and deposited in the sewer system revenue bonds fund, sums not less than:

- (1) beginning with and including the month in which interest shall last be payable from bond proceeds a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all bonds then outstanding; and
- (2) beginning on January 15, 2007, a sum equal to one-twelfth (1/12) of the principal of all bonds maturing on the next succeeding January 1.

A separate and special fund distinct and apart from all other funds and accounts was created and identified as the water system revenue bond debt service reserve fund, which shall be maintained so long as there are outstanding any 1997 bonds. All moneys deposited in the debt service fund from time to time shall be held and applied, and are irrevocably pledged solely if and to the extent insufficient funds are available therefore in the bond fund.

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS ( CONTINUED)**

**Note B - Restricted Cash Funds (Continued)**

In addition, to the above mentioned funds, there is also a construction fund which is funded by the proceeds of the bond issues. Its use is restricted to plant expansion.

The Kentucky Infrastructure Loan Agreements require the District to maintain a debt service reserve fund and bonds sinking fund. The debt service reserve fund is to be used for subsequent prepayments of the refunding bonds. The bonds sinking fund is to be used for funding payment of current interest and principal obligations as stipulated in the loan agreements.

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note C - Notes and Bonds Payable**

1. Water and sewer system revenue bonds payable to USDA, Rural Development as of December 31, 2013

Maturity Date January 1,	<b>Water System</b>					
	2001 Series A 3.25% Interest	2001 Series B 4.50% Interest	2003 Series 4.375% Interest	2007 Series A 4.375% Interest	2007 Series B 4.125% Interest	2009 Series A 4.125% Interest
2014	\$ 72,500	\$ 4,400	\$ 7,000	\$ 15,000	\$ 7,000	\$ 18,500
2015	74,500	4,700	7,000	16,000	7,000	19,000
2016	77,500	4,800	7,500	17,000	7,000	20,000
2017	79,500	5,100	8,000	17,000	8,000	21,000
2018	82,500	5,300	8,000	18,000	8,000	22,000
2019	85,000	5,600	8,500	19,000	8,000	23,000
2020	87,500	5,800	9,000	20,000	9,000	24,000
2021	90,500	6,100	9,500	21,000	9,000	25,000
2022	93,500	6,300	10,000	22,000	10,000	26,000
2023	96,500	6,600	10,000	22,000	10,000	27,000
2024	99,500	6,900	10,500	23,000	10,000	28,000
2025	103,000	7,200	11,000	24,000	11,000	29,500
2026	106,000	7,600	11,500	25,000	11,000	31,000
2027	110,000	7,900	12,000	27,000	12,000	32,000
2028	113,000	8,300	12,500	28,000	12,000	33,500
2029	117,000	8,600	13,000	29,000	13,000	35,000
2030	121,000	9,000	14,000	30,000	13,000	36,500
2031	124,500	9,400	14,500	32,000	14,000	38,000
2032	129,000	9,900	15,000	33,000	14,000	40,000
2033	133,000	10,300	16,000	34,000	15,000	41,500
2034	137,000	10,700	16,500	36,000	15,000	43,500
2035	142,000	11,300	17,000	37,000	16,000	45,000
2036	146,000	11,700	18,000	39,000	17,000	47,000
2037	151,000	12,300	19,000	41,000	17,000	49,500
2038	156,000	12,800	19,500	43,000	18,000	51,500
2039	161,000	13,400	20,500	44,000	19,000	53,500
2040	166,500	14,000	21,500	46,000	20,000	56,000
2041	172,000	14,700	22,500	48,000	21,000	58,500
2042	-	-	23,000	51,000	21,000	61,000
2043	-	-	-	53,000	22,000	63,500
2044	-	-	-	55,000	23,000	66,500
2045	-	-	-	57,000	24,000	69,500
2046	-	-	-	60,000	25,000	72,500
2047	-	-	-	63,000	29,000	75,500
2048	-	-	-	-	-	77,000
2049	-	-	-	-	-	-
2050	-	-	-	-	-	-
Due December 31, 2012	3,227,000	240,700	392,000	1,145,000	495,000	\$ 1,460,500
Maturing January 1, 2014	(72,500)	(4,400)	(7,000)	(15,000)	(7,000)	(18,500)
Due December 31, 2013	<u>\$ 3,154,500</u>	<u>\$ 236,300</u>	<u>\$ 385,000</u>	<u>\$ 1,130,000</u>	<u>\$ 488,000</u>	<u>\$ 1,442,000</u>

and 2012 are as follows:

2010		2010		<b>Sewer System</b>	
Series A		Series B		2005	
2.25%		2.25%		Series	
Interest		Interest		4.25%	
Interest		Interest		Interest	
\$ 9,000	\$ 11,000	\$ 1,400			
9,500	11,500	1,500			
9,500	12,000	1,500			
10,000	12,000	1,600			
10,000	12,500	1,700			
10,500	13,000	1,700			
10,500	13,000	1,800			
11,000	13,500	1,900			
11,500	14,000	2,000			
11,500	14,000	2,100			
12,000	14,500	2,100			
12,000	15,000	2,200			
12,500	15,500	2,300			
13,000	16,000	2,400			
13,000	16,000	2,500			
13,500	16,500	2,600			
14,000	17,000	2,700			
14,000	17,500	2,900			
14,500	18,000	3,000			
15,000	18,500	3,100			
15,500	19,000	3,200			
16,000	19,500	3,400			
16,000	20,000	3,500			
16,500	20,500	3,700			
17,000	21,000	3,800			
17,500	21,500	4,000			
18,000	22,000	4,200			
18,500	22,500	4,300			
19,000	23,000	4,500			
19,500	24,000	4,700			
20,000	24,500	4,900			
20,500	25,000	5,500			
21,000	26,000	-			
21,500	26,500	-			
22,000	27,000	-			
22,500	28,000	-			
23,500	28,000	-			
561,000	689,000	92,700			
(9,000)	(11,000)	(1,400)			
<u>\$ 552,000</u>	<u>\$ 678,000</u>	<u>\$ 91,300</u>			

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note C - Notes and Bonds Payable (Continued)**

A statutory mortgage upon the system and appurtenant facilities, together with all future additions and improvements thereto, and extensions thereof, is created by Section 106.080 of the Kentucky Revised Statutes and by the bond resolutions for the benefit and protection of the holder of the bonds, and the same shall remain in effect until payment in full of the principal of and interest on the bonds.

The annual requirements to amortize all bonds outstanding as of December 31, 2013, including interest payments are as follows:

Year Ending December 31,	Water System	Sewer System
2014	\$ 405,418	\$ 5,380
2015	406,774	5,317
2016	407,128	5,353
2017	407,706	5,385
2018	408,700	5,313
2019-49	10,783,228	139,383
Total Principal and Interest	12,818,954	166,131
Less Interest	(4,753,154)	(74,831)
Due December 31, 2013	<u>\$ 8,065,800</u>	<u>\$ 91,300</u>

The 2009 and 2010 bond issues are considered as Build America Bonds under the American Recovery and Reinvestment Act of 2009. Therefore, interest rebates equal to 35% of interest paid will be refunded to the District each year. These rebates are reflected in the schedule above.

2. On July 29, 2004, the District refinanced their loans with the Kentucky Infrastructure Authority. This refinancing resulted in a \$526,226.10 difference (decrease) between the reacquisition price of the new debt and net carrying amount of the old debt including the application of the debt service reserves. This decrease is reported in the accompanying statement of revenues, expenses and changes in net assets as an extraordinary gain on refinancing of long-term debt. The refinancing reduced total debt service payments by \$1,585,468.

The new loan with the Kentucky Infrastructure Authority matures in monthly installments in accordance with the following schedule:

Maturity Date	Interest Rate	Amount
1/1/13 - 12/1/13	5.25%	\$ 112,500
1/1/14 - 6/1/14	5.25%	112,500
Due December 31, 2012		225,000
Maturing 2013		(112,500)
Due December 31, 2013		<u>\$ 112,500</u>

The future annual requirements to amortize the loan as of December 31, 2013, including interest payments are as follows:

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note C - Notes and Bonds Payable (Continued)**

	Year Ending <u>December 31,</u> 2014	<u>Amount</u>
		118,406
Total Principal and Interest		118,406
Less Interest		(5,906)
Balance December 31, 2013		\$ 112,500

3. On May 29, 2008, the District refinanced \$950,000 of Edmonson County Water District Water System Refunding Revenue Bonds Series 1996 A with the Kentucky Rural Water Finance Corporation. This refinancing occurred in order to save the District \$294,623 in total debt service payments. The refinancing created an obligation with the Kentucky Rural Water Finance Corporation amounting to \$830,000, which is due in monthly installments. The schedule below reflects total annual principal payment requirements.

Maturity <u>Date</u>	Interest <u>Rate</u>	<u>Amount</u>
02/01/13-07/01/13	3.30%	\$ 27,500
08/01/13-01/01/14	3.30%	27,500
02/01/14-07/01/14	3.55%	30,000
08/01/14-01/01/15	3.55%	30,000
02/01/15-07/01/15	3.55%	27,500
08/01/15-01/01/16	3.55%	27,500
02/01/16-07/01/16	4.05%	30,000
08/01/16-01/01/17	4.05%	30,000
02/01/17-07/01/17	4.05%	32,500
08/01/17-01/01/18	4.05%	32,500
02/01/18-07/01/18	4.05%	32,500
08/01/18-01/01/19	4.05%	32,500
02/01/19-07/01/19	4.05%	35,000
08/01/19-01/01/20	4.05%	35,000
02/01/20-07/01/20	4.05%	35,000
08/01/20-01/01/21	4.05%	35,000
02/01/21-07/01/21	4.175%	37,500
08/01/21-01/01/22	4.175%	37,500
Due December 31, 2012		575,000
Paid as of December 31, 2013		(55,000)
Due December 31, 2013		\$ 520,000

The annual requirements to amortize the loan outstanding as of December 31, 2013, including interest payments are as follows:

Year Ending December 31,						Total Principal & Interest
2014	2015	2016	2017	2018	2019-2022	2013-2022
\$ 80,579	\$ 73,449	\$ 76,496	\$ 79,066	\$ 76,434	\$ 232,899	\$ 618,923
						(98,923)
						\$ 520,000

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note C - Notes and Bonds Payable (Continued)**

4. On March 24, 2004, the District refinanced \$2,559,500 of Rural Development Bonds, Series 1988 A & B, 1990, and 1991 A & B with the Kentucky Rural Water Finance Corporation. This refinancing occurred in order to save the District \$395,245 in total debt service payments. The refinancing created an obligation with the Kentucky Rural Water Finance Corporation amounting to \$2,654,000, which is due in monthly installments. The schedule below reflects total annual principal payment requirements.

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
1/1/13-12/1/13	4.00%	87,999	1/1/22-12/1/22	4.25%	\$ 133,667
1/1/14-12/1/14	4.00%	97,833	1/1/23-12/1/23	4.375%	141,333
1/1/15-12/1/15	4.00%	101,667	1/1/24-12/1/24	4.375%	145,667
1/1/16-12/1/16	4.00%	105,667	1/1/25-12/1/25	4.375%	153,333
1/1/17-12/1/17	4.00%	111,500	1/1/26-12/1/26	4.375%	163,167
1/1/18-12/1/18	4.00%	115,667	1/1/27-12/1/27	4.375%	169,500
1/1/19-12/1/19	4.125%	119,667	1/1/28-12/1/28	4.375%	21,500
1/1/20-12/1/20	4.125%	123,667	1/1/2029	4.375%	666
1/1/21-12/1/21	4.25%	129,500			
Due December 31, 2012					1,922,000
Refinanced February 27, 2013					(1,922,000)
Due December 31, 2013					\$ -

5. On February 27, 2013, the District refinanced a \$1,922,000 Kentucky Rural Water Finance Corporation loan with a subsequent Kentucky Rural Water Finance Corporation loan. The refinancing occurred in order to save the District \$218,006 in total debt service payments. The refinancing created a new obligation with the Kentucky Rural Water Finance Corporation amounting to \$1,960,000, which is due in monthly installments. The schedule below reflects the total annual principal payment requirements.

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
4/1/13-1/1/14	2.300%	\$ 115,000	2/1/21-1/1/22	2.800%	\$ 130,000
2/1/14-1/1/15	2.300%	115,000	2/1/22-1/1/23	2.800%	135,000
2/1/15-1/1/16	2.300%	115,000	2/1/23-1/1/24	2.925%	140,000
2/1/16-1/1/17	2.300%	120,000	2/1/24-1/1/25	3.050%	140,000
2/1/17-1/1/18	2.300%	120,000	2/1/25-1/1/26	3.050%	145,000
2/1/18-1/1/19	2.300%	125,000	2/1/26-1/1/27	3.300%	150,000
2/1/19-1/1/20	2.300%	125,000	2/1/27-1/1/28	3.300%	160,000
2/1/20-1/1/21	2.800%	125,000			
					1,960,000
Paid as of December 31, 2013					(115,000)
Due December 31, 2013					\$ 1,845,000

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note C - Notes and Bonds Payable (Continued)**

The future annual debt service requirements to amortize the loan as of December 31, 2013, are as follows:

	Year Ending December 31,	Amount
	2014	\$ 165,498
	2015	162,852
	2016	165,207
	2017	162,447
	2018	164,688
	2019-2028	1,450,088
Total Principal and Interest		2,270,780
Less Interest		(425,780)
Balance December 31, 2013		\$1,845,000

6. On May 30, 2012, the District refinanced \$2,825,000 of Rural Development Bonds, Series 1994 A, B & C and 1997 A with the Kentucky Rural Water Finance Corporation. This refinancing occurred in order to save the District \$272,957 in total debt service payments. The refinancing created an obligation with the Kentucky Rural Water Finance Corporation amounting to \$2,900,000, which is due in monthly installments. The schedule below reflects total annual principal payment requirements.

Maturity Date	Interest Rate	Amount
1/1/2013	4.20%	\$ 9,286
2/1/2013-1/1/2014	4.20%	95,000
2/1/2014-1/1/2015	4.20%	100,000
2/1/2015-1/1/2016	3.20%	105,000
2/1/2016-1/1/2017	2.20%	105,000
2/1/2017-1/1/2018	3.20%	110,000
2/1-2018-1/1/2019	3.20%	115,000
2/1/2019-1/1/2020	3.20%	120,000
2/1/2020-1/1/2021	2.95%	120,000
2/1/2021-1/1/2022	3.20%	125,000
2/1/2022-1/1/2023	3.30%	130,000
2/1/2023-1/1/2024	3.40%	135,000
2/1/2024-1/1/2025	3.60%	140,000
2/1/2025-1/1/2026	3.60%	145,000
2/1/2026-1/1/2027	3.70%	150,000
2/1/2027-1/1/2028	3.70%	155,000
2/1/2028-1/1/2029	3.70%	160,000
2/1/2029-1/1/2030	3.83%	170,000
2/1/2030-1/1/2031	3.83%	175,000
2/1/2031-1/1/2032	3.95%	180,000
2/1/2032-1/1/2033	3.95%	190,000
2/1/2033-1/1/2034	3.95%	70,000
2/1/2034-1/1/2035	3.95%	20,000
2/1/2035-1/1/2036	4.00%	20,000
Due December 31, 2012		2,844,286
Paid as of December 31, 2013		(104,286)
Due December 31, 2013		\$2,740,000

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note C - Notes and Bonds Payable (Continued)**

The future annual debt service requirements to amortize the loan as of December 31, 2013, are as follows:

	Year Ending December 31,	Amount
	2014	\$ 191,521
	2015	192,521
	2016	189,371
	2017	192,271
	2018	193,971
	2019-2036	2,870,453
Total Principal and Interest		3,830,108
Less Interest		(1,090,108)
Balance December 31, 2013		\$2,740,000

**Note D - Retirement Plans**

On July 24, 2000, the District terminated its old retirement plan and elected to provide a deferred compensation plan for its employees. The District executed an agreement with the Kentucky Public Employees' Deferred Compensation Authority to participate in the Kentucky Public Employees' 401(k) Deferred Compensation Plan.

Under the 401(k) Plan, employees can defer up to 25% of compensation (wages) not to exceed an annual dollar limit of \$10,500. The District has elected to provide 401(k) discretionary supplemental contributions in an amount equal to 8% (not to exceed 15%) of each participant's 40 hours per week of eligible compensation. The District's share of 401(k) contributions amounted to \$55,889 on \$698,613 of eligible wages for the year ended December 31, 2013, and \$55,152 on \$689,406 of eligible wages for the year ended December 31, 2012. The plan is funded every week based on the weeks eligible payroll.

On March 1, 2005, the District adopted a retiree health plan pursuant to KRS 74.070, in order to provide retiree health benefits in the form of premium payments for health insurance coverage. The benefit is for the sole purpose of making premium payments for an individual policy of health insurance, including a Medicare supplement policy, for any participant who qualifies.

Each employee is eligible to participate immediately upon the earlier to occur of March 1, 2005 or employee's date of hire.

A participant is eligible to receive benefits under the plan after termination of employment, not including any termination for cause, upon attaining at least age 55 and completion of at least 25 years of service. Benefits are paid as a premium payment made directly to each insurer that provides an individual policy of health insurance for a participant.

The plan is totally funded by District contributions and are made and deposited in a Grantor Trust. Amounts and timing for contributions are solely at the discretion of the District, but in any event shall not consist of an amount for any participant in excess of the lifetime maximum. The maximum lifetime benefit paid to a participant shall not exceed \$32,400. The maximum monthly benefit paid to a participant in any given month shall not exceed \$1,000.

In March 2005, the District totally funded the plan for all eligible participants based on age and years of service at the date of the contribution. This contribution amounted to \$220,000. Contributions for the years ended December 31, 2013 and 2012 amounted to \$18,792 and \$12,312, respectively. These amounts are included in the operating expenses on the statement of revenues, expenses, and changes in net assets.

**EDMONSON COUNTY WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note E - Schedule of Deposits with Financial Institutions**

<u>Name</u>	<u>Cash Balance</u>	<u>FDIC Insured</u>	<u>*Secured by Collateral</u>	<u>Unsecured</u>
Bank of Edmonson County Brownsville, Kentucky	<u>\$ 3,445,118</u>	<u>\$ 250,000</u>	<u>\$ 3,669,154</u>	<u>\$ -</u>
PBI Bank Brownsville, Kentucky	<u>\$ 1,626,322</u>	<u>\$ 250,000</u>	<u>\$ 1,434,446</u>	<u>\$ -</u>

\*Collateralized with federal and state securities held and pledged by financial institutions in the District's name.

**Note F - Cash Flows Statements**

For purposes of the statements of cash flows, the District considers all certificate of deposits, highly liquid investments with a maturity of twelve months or less when purchased, and all government funds to be cash equivalents.

**Note G - Compensated Absences**

Full time permanent employees are granted one to six weeks vacation benefits per year depending on tenure with the District. All vacation benefits can be carried over from year to year. Accrued vacation benefits are paid on retirement, resignation and termination. As of December 31, 2013 and 2012, the District was liable for an estimated \$167,091 and \$150,569, respectively, of accrued vacation benefits.

The District has established a cash fund in which deposits are made until the balance equals current year liability.

**Note H - Reclassification**

In order to maintain comparability, the 2012 financial information has been reclassified where appropriate to conform to the 2013 presentation.

**EDMONSON COUNTY WATER DISTRICT  
SCHEDULE OF OPERATING EXPENSES**

	YEAR ENDED DECEMBER 31,	
	2013	2012
<b>WATER TREATMENT</b>		
Salaries	\$ 201,507	\$ 191,076
Employee Benefits	55,577	44,761
Purchased Power	134,213	139,443
Chemicals	78,087	89,675
Materials and Supplies	19,181	21,312
Maintenance	18,329	18,779
Contractual Services	17,107	24,091
Rent of Equipment	949	496
Transportation	8,253	5,537
Miscellaneous	3,679	4,273
Total	536,882	539,443
<b>TRANSMISSION AND DISTRIBUTION</b>		
Salaries	261,381	247,022
Employee Benefits	87,400	83,988
Purchased Power	84,919	84,957
Materials and Supplies	13,230	9,186
Maintenance	94,507	61,519
Contractual Services	5,212	10,383
Transportation	34,844	32,338
Miscellaneous	2,476	2,643
Total	583,969	532,036
<b>CUSTOMER ACCOUNTS</b>		
Salaries	112,418	110,300
Employee Benefits	49,501	48,142
Materials and Supplies	39,754	39,007
Contractual Services	-	6,890
Bad Debts	7,680	9,990
Miscellaneous	17,882	20,160
Total	227,235	234,489
<b>ADMINISTRATIVE AND GENERAL</b>		
Salaries	183,157	174,104
Employee Benefits	43,408	41,996
Purchased Power	4,966	4,807
Materials and Supplies	12,619	19,960
Contractual Services	39,050	44,178
Transportation	4,931	3,848
Insurance	55,488	56,252
Advertising	616	950
Miscellaneous	16,693	22,258
Total	360,928	368,353
<b>Total Operating Expenses</b>	<b>\$ 1,709,014</b>	<b>\$ 1,674,321</b>

**EDMONSON COUNTY WATER DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS- BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31,

	2013			2012		
	Actual	Budget	Variance	Actual	Budget	Variance
<u>Operating Revenues</u>						
Metered Water Sales	\$ 2,642,469	\$ 2,770,500	\$ (128,031)	\$ 2,793,281	\$ 2,757,500	\$ 35,781
Forfeited Discounts	55,452	54,500	952	60,702	65,000	(4,298)
Miscellaneous Service Revenues	44,236	50,500	(6,264)	59,336	35,000	24,336
Total Operating Revenues	<u>2,742,157</u>	<u>2,875,500</u>	<u>(133,343)</u>	<u>2,913,319</u>	<u>2,857,500</u>	<u>55,819</u>
<u>Operating Expenses</u>						
Salaries and Wages, Employees	801,888	744,910	(56,978)	749,296	741,500	(7,796)
Salaries and Wages, Commissioners	18,000	18,000	-	18,000	18,000	-
Employee Benefits	235,885	234,829	(1,056)	218,887	215,440	(3,447)
Purchased Power	224,098	207,200	(16,898)	229,207	201,200	(28,007)
Chemicals	78,087	96,061	17,974	89,675	102,886	13,211
Material and Supplies	104,755	152,205	47,450	105,098	150,040	44,942
Contractual Services	82,917	105,800	22,883	105,413	104,700	(713)
Rental of Equipment	949	2,940	1,991	496	3,780	3,284
Transportation Expense	57,922	40,220	(17,702)	41,723	37,800	(3,923)
Insurance	55,488	53,500	(1,988)	56,252	59,500	3,248
Advertising	616	4,000	3,384	950	6,000	5,050
Bad Debts	7,680	12,500	4,820	9,990	9,000	(990)
Miscellaneous Expense	40,729	45,550	4,821	49,334	40,550	(8,784)
Depreciation	865,347	850,000	(15,347)	872,873	730,000	(142,873)
Taxes, Other than Income	70,164	70,001	(163)	65,673	71,300	5,627
Total Operating Expenses	<u>2,644,525</u>	<u>2,637,716</u>	<u>(6,809)</u>	<u>2,612,867</u>	<u>2,491,696</u>	<u>(121,171)</u>
Operating Income (Loss)	<u>97,632</u>	<u>237,784</u>	<u>(140,152)</u>	<u>300,452</u>	<u>365,804</u>	<u>(65,352)</u>
<u>Nonoperating Revenues and Expenses</u>						
Amortization	(12,545)	-	(12,545)	(10,824)	-	(10,824)
Interest Income	41,510	35,000	6,510	44,299	65,000	(20,701)
Interest Expense	(462,625)	(509,542)	46,917	(500,673)	(545,591)	44,918
Gain (Loss) on Disposition of Assets	(129,626)	-	(129,626)	(27,669)	6,000	(33,669)
Nonutility Income (Expense) - Net	(30,300)	22,500	(52,800)	(3,465)	21,500	(24,965)
Total Nonoperating Revenues and Expenses	<u>(593,586)</u>	<u>(452,042)</u>	<u>(141,544)</u>	<u>(498,332)</u>	<u>(453,091)</u>	<u>(45,241)</u>
Income (Loss) Before Capital Contributions	(495,954)	(214,258)	(281,696)	(197,880)	(87,287)	(110,593)
Capital Contributions	<u>199,134</u>	<u>54,625</u>	<u>144,509</u>	<u>88,179</u>	<u>57,500</u>	<u>30,679</u>
Change in Net Assets	<u>\$ (296,820)</u>	<u>\$ (159,633)</u>	<u>\$ (137,187)</u>	<u>\$ (109,701)</u>	<u>\$ (29,787)</u>	<u>\$ (79,914)</u>

**EDMONSON COUNTY WATER DISTRICT - SEWER DIVISION**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31,

	2013			2012		
	Actual	Budget	Variance	Actual	Budget	Variance
<u>Operating Revenues</u>						
Metered Sewer Sales	\$ 17,586	\$ 19,000	\$ (1,414)	\$ 18,259	\$ 18,500	\$ (241)
Forfeited Discounts	216	200	16	272	325	(53)
Total Operating Revenues	<u>17,802</u>	<u>19,200</u>	<u>(1,398)</u>	<u>18,531</u>	<u>18,825</u>	<u>(294)</u>
<u>Operating Expenses</u>						
Salaries and Wages, Employees	782	2,000	1,218	756	2,000	1,244
Employee Benefits	-	360	360	-	360	360
Purchased Power	999	800	(199)	812	750	(62)
Chemicals	-	150	150	-	150	150
Material and Supplies	208	400	192	141	350	209
Contractual Services	8,986	9,800	814	8,188	11,000	2,812
Transportation Expense	541	300	(241)	-	250	250
Insurance	-	450	450	-	400	400
Bad Debts	155	-	(155)	111	-	(111)
Miscellaneous	42	250	208	-	200	200
Depreciation	38,019	37,500	(519)	36,439	39,000	2,561
Taxes Other Than Income	60	200	140	122	200	78
Total Operating Expenses	<u>49,792</u>	<u>52,210</u>	<u>2,418</u>	<u>46,569</u>	<u>54,660</u>	<u>8,091</u>
Operating Income Loss)	<u>(31,990)</u>	<u>(33,010)</u>	<u>1,020</u>	<u>(28,038)</u>	<u>(35,835)</u>	<u>7,797</u>
<u>Nonoperating Revenues and Expenses</u>						
Amortization	(442)	-	(442)	(442)	-	(442)
Interest Income	1,024	575	449	1,041	100	941
Allowance for Funds Used During Construction	-	(1,435,372)	1,435,372	-	(1,710,000)	1,710,000
Interest Expense	(3,940)	(3,940)	-	(3,999)	(4,050)	51
Total Nonoperating Revenues and Expenses	<u>(3,358)</u>	<u>(1,438,737)</u>	<u>1,435,379</u>	<u>(3,400)</u>	<u>(1,713,950)</u>	<u>1,710,550</u>
Income (Loss) Before Capital Contributions	(35,348)	(1,471,747)	1,436,399	(31,438)	(1,749,785)	1,718,347
Capital Contributions	* 61,098	1,435,372	(1,374,274)	-	1,710,000	(1,710,000)
Change in Net Assets	<u>\$ 25,750</u>	<u>\$ (36,375)</u>	<u>\$ 62,125</u>	<u>\$ (31,438)</u>	<u>\$ (39,785)</u>	<u>\$ 8,347</u>

**James D. Spurlock**  
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**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 Commissioners  
Edmonson County Water District  
Brownsville, Kentucky

I have audited, in accordance with the auditing Standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Edmonson County Water District as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Edmonson County Water District's basic financial statements and have issued my report thereon dated February 13, 2014.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Edmonson County 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Scottsville, Kentucky's internal control. Accordingly, I do not express an opinion on the effectiveness of Edmonson County Water District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Edmonson County Water District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that is required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



James D. Spurlock  
Scottsville, Kentucky  
February 14, 2014

**EDMONSON COUNTY WATER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**I. SUMMARY OF AUDITOR'S RESULTS**

- a. As detailed on page one, an unqualified report was issued on the financial statements.
- b. The audit disclosed no significant deficiencies.
- c. The audit disclosed no audit findings of noncompliance, which would have been material to the financial statements.

**II. FINDINGS RELATING TO FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

- a. None

**EDMONSON COUNTY WATER DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND  
QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**I. FINDINGS REQUIRED TO BE REPORTED BY GOVERNMENT AUDITING STANDARDS.**

a. None