

**Edmonson County Water District**

**Financial Statements**

**December 31, 2014**

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA

## INDEPENDENT AUDITOR'S REPORT

Edmonson County Water District  
Brownsville, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Edmonson County Water District, as of and for the year ended December 31, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Edmonson County Water District, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–6 and 20 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edmonson County Water District's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information is the responsibility of management and were derived from and relate 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information 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*, we have also issued our report dated February 19, 2015, on our consideration of Edmonson County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Edmonson County Water District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

February 19, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Edmonson County Water District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2014. This information presented in conjunction with the audited financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

Operating revenues for the year ending December 31, 2014 were \$2,928,537 or an increase of 5.75% from the previous year. This increase was due to a dryer summer and colder winter causing more water to be used and an increase in rates effective August 4, 2014 of 8.33% on minimum bill (first 1,500 gal), 8.89% per 1,000 gal after minimum and 7.41% Wholesale.

Operating expenses for the year ending December 31, 2014 were \$2,809,838 or an increase of 4.11%. Expenses were up due to increase in salaries and employee benefits and due to an increase in sales that in turn caused an increase in Purchased Power and overtime at Water Treatment Plants.

Total assets for the year ending December 31, 2014 were \$34,321,247 or an increase of 2.19% while total liabilities were \$14,350,944 or an increase of .30%.

### **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 the Edmonson County Water District as of December 31, 2014 and 2013 and the results of its operations and cash flows for the years then 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, 2014 and 2013

|   | 2014                 | 2013 (restated)      |
|---|----------------------|----------------------|
| <b>Assets:</b>                                  |                      |                      |
| Total Current Assets                            | \$ 1,015,794         | \$ 962,133           |
| Net Capital Assets                              | \$ 29,148,522        | \$ 28,563,797        |
| Restricted Assets                               | \$ 4,156,931         | \$ 4,041,828         |
| <b>Total Assets</b>                             | <b>\$ 34,321,247</b> | <b>\$ 33,567,758</b> |
| <b>Liabilities:</b>                             |                      |                      |
| Total Current Liabilities                       | \$ 1,106,814         | \$ 1,005,810         |
| Total Long-Term Liabilities                     | \$ 13,221,179        | \$ 13,275,017        |
| Unamortized Premium on Bonds                    | \$ 22,951            | \$ 25,956            |
| <b>Total Liabilities</b>                        | <b>\$ 14,350,944</b> | <b>\$ 14,306,783</b> |
| <b>Net Assets:</b>                              |                      |                      |
| Invested in Capital Assets, Net of Related Debt | \$ 15,495,543        | \$ 14,924,197        |
| Restricted                                      | \$ 3,781,561         | \$ 3,665,569         |
| Unrestricted                                    | \$ 693,199           | \$ 671,209           |
| <b>Total Net Assets</b>                         | <b>\$ 19,970,303</b> | <b>\$ 19,260,975</b> |

The Net Assets for the year ending December 31, 2014 showed an increase of \$709,328 or approximately 3.55% from the previous year. This increase was due to an increase in capital contributions and revenue increase from the previous year.

Edmonson County Water District  
Summary of Changes in Net Assets  
December 31, 2014 and 2013

|   | 2014          | 2013 (restated) |
|---|---------------|-----------------|
| Total Operating Revenues                  | \$ 2,928,537  | \$ 2,759,959    |
| Total Operating Expenses                  | \$ 2,809,838  | \$ 2,694,317    |
| Operating Income                          | \$ 118,699    | \$ 65,642       |
| Total Nonoperating Revenues (Expense)     | \$ (358,620)  | \$ (596,944)    |
| Income(Loss) Before Capital Contributions | \$ (239,921)  | \$ (531,302)    |
| Capital Contributions                     | \$ 949,249    | \$ 260,232      |
| Change in Net Assets                      | \$ 709,328    | \$ (271,070)    |
| Net Assets, Beginning of Year             | \$ 19,260,975 | \$ 19,532,045   |
| Net Assets, End of Year                   | \$ 19,970,303 | \$ 19,260,975   |
|   |               |                 |
|   |               |                 |

Net assets increased \$709,328 from the previous year. This increase was due to an increase in capital contributions and increase revenues from the previous year.

The largest portion 78% of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding. This represents 3.68% increase from the prior year.

Restricted net assets 19% represent resources that are subject to external restrictions on how they may be used.

The balance 3% of unrestricted net position may be used to meet the District's ongoing obligations to citizens, consumers and creditors.

#### CAPITAL ASSET CHANGE

Capital Assets for the year ending December 31, 2014 were \$29,148,522, which was a net increase of \$584,725 or 2% due to construction projects being completed in 2014 by the District.

#### BUDGETARY HIGHLIGHTS

The Edmonson County Water District adopts an annual operating budget after careful considerations of prior year and anticipated current year operations. The operating budget includes proposed expenses and the means to finance them. The District's operating budget remains in effect the entire year and is not revised.

#### DEBT ADMINISTRATION

At December 31, 2014, the District had \$13,652,979 bonds outstanding. The District incurred \$426,468 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$528,200 for the year.

#### REQUEST FOR INFORMATION

This analysis is designed to provide a general overview of the Edmonson County Water District's finances and to demonstrate the 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 the Edmonson County Water District at P. O. Box 208, Brownsville, Kentucky, 42210 or by telephone at (270) 597-2165.



**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Net Position**  
**December 31, 2014**

**Assets**

**Current Assets**

|                      |                  |
|----------------------|------------------|
| Cash                 | \$ 783,596       |
| Accounts Receivable  | 103,355          |
| Inventory            | 87,412           |
| Prepaid Expenses     | 41,431           |
| Total Current Assets | <u>1,015,794</u> |

**Non-current Assets**

Restricted Assets

|  |                  |
|--|------------------|
| Cash - Depreciation Fund                 | 3,401,803        |
| Cash - Membership Fund                   | 375,370          |
| Cash - Bond and Interest Redemption Fund | 376,888          |
| Cash - Capital Projects Fund             | <u>2,870</u>     |
| Total Restricted Assets                  | <u>4,156,931</u> |

Capital Assets

|   |                     |
|---|---------------------|
| Utility Plant in Service                  | 41,082,973          |
| Construction in Progress                  | 2,290,743           |
| Accumulated Depreciation and Amortization | <u>(14,225,194)</u> |
| Net Capital Assets                        | <u>29,148,522</u>   |
| Total Non-current Assets                  | <u>33,305,453</u>   |

|              |                      |
|--------------|----------------------|
| Total Assets | <u>\$ 34,321,247</u> |
|--------------|----------------------|

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Concluded**  
**December 31, 2014**

**Liabilities**

**Current Liabilities**

|                           |            |
|---------------------------|------------|
| Accounts Payable          | \$ 156,294 |
| Compensated Absences      | 169,342    |
| Accrued Liabilities       | 20,131     |
| Total Current Liabilities | 345,767    |

**Liabilities Payable from Restricted Assets**

|  |         |
|--|---------|
| Current Maturities of Long-Term Debt             | 431,800 |
| Customer Deposits                                | 243,775 |
| Accrued Interest                                 | 85,472  |
| Total Liabilities Payable from Restricted Assets | 761,047 |

**Long-term Liabilities**

|   |            |
|---|------------|
| Long-term debt, less current maturities |            |
| Total Long-term Liabilities             | 13,221,179 |

|                   |            |
|-------------------|------------|
| Total Liabilities | 14,327,993 |
|-------------------|------------|

**Deferred Inflows of Resources**

|                              |           |
|------------------------------|-----------|
| Unamortized Premium on Bonds | \$ 22,951 |
|------------------------------|-----------|

**Net Position**

**Net Position**

|   |            |
|---|------------|
| Invested in Capital Assets, net of Related Debt | 15,495,543 |
| Restricted for Equipment Replacement            | 3,401,803  |
| Restricted for Debt Retirement                  | 376,888    |
| Restricted - Other                              | 2,870      |
| Unrestricted                                    | 693,199    |

|                           |                      |
|---------------------------|----------------------|
| <b>Total Net Position</b> | <b>\$ 19,970,303</b> |
|---------------------------|----------------------|

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2014**

**Operating revenues:**

|                                |                  |
|--------------------------------|------------------|
| Water Sales                    | \$ 2,805,685     |
| Sewer Sales                    | 19,472           |
| Consumers' Forfeited Discounts | 60,571           |
| Service Fees                   | <u>42,809</u>    |
| Total operating revenues       | <u>2,928,537</u> |

**Operating expenses:**

|                               |                  |
|-------------------------------|------------------|
| Water Treatment               | 645,232          |
| Transmission and Distribution | 506,536          |
| Customer Accounts             | 249,643          |
| General and Administrative    | 404,862          |
| Depreciation                  | 928,300          |
| Taxes Other than Income       | <u>75,265</u>    |
| Total operating expenses      | <u>2,809,838</u> |
| Operating income              | <u>118,699</u>   |

**Non-operating revenue (expenses):**

|  |                  |
|--|------------------|
| Interest Income                            | 33,392           |
| Interest Expense                           | (431,893)        |
| Gain (loss) on Disposal of Assets          | 6,796            |
| Miscellaneous Income                       | 37,737           |
| Miscellaneous Expenses                     | (7,657)          |
| Amortization                               | <u>3,005</u>     |
| Total non-operating revenue (expenses)     | <u>(358,620)</u> |
| Income/(loss) before capital contributions | <u>(239,921)</u> |

**Capital contributions**

|                             |                |
|-----------------------------|----------------|
| Tap Fees                    | 60,863         |
| Grants                      | <u>888,386</u> |
| Total capital contributions | <u>949,249</u> |

Increase in net position 709,328

**Net position:**

|                             |                      |
|-----------------------------|----------------------|
| Beginning of year, restated | <u>19,260,975</u>    |
| End of year                 | <u>\$ 19,970,303</u> |

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

**Cash flows from operating activities:**

|   |                    |
|---|--------------------|
| Cash receipts from customers                      | \$ 2,963,228       |
| Cash payments to suppliers for goods and services | (883,335)          |
| Cash payments to employees for services           | <u>(1,060,433)</u> |
| Net cash provided (used) by operating activities  | <u>1,019,460</u>   |

**Cash flows from capital and related financing activities:**

|  |                  |
|--|------------------|
| Principal paid on long-term debt                 | (528,200)        |
| Proceeds from long-term debt                     | 541,579          |
| Interest paid on long-term debt                  | (347,405)        |
| Additions to capital assets                      | (1,510,958)      |
| Proceeds from sale of capital assets             | 8,520            |
| Capital contributions and other revenue          | <u>979,329</u>   |
| Net cash provided (used) in financing activities | <u>(857,135)</u> |

**Cash flows from investing activities:**

|   |               |
|---|---------------|
| Interest income                                     | <u>33,392</u> |
| Net cash provided by (used) in investing activities | <u>33,392</u> |

**Net increase (decrease) in cash and cash equivalents**

195,717

|  |                  |
|--|------------------|
| Cash and cash equivalents, beginning of year, restated | <u>4,744,810</u> |
|--|------------------|

**Cash and cash equivalents, end of year**

\$ 4,940,527

**Reconciliation of operating income to net cash provided by operating activities:**

|   |                            |
|---|----------------------------|
| Operating income  | \$ 118,699                 |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                            |
| (Gain) loss on disposal of assets   | (6,796)                    |
| Depreciation and amortization   | 931,305                    |
| Changes in assets and liabilities:  |                            |
| (Increase) decrease in accounts receivable  | 34,691                     |
| (Increase) decrease in inventory  | (2,039)                    |
| (Increase) decrease in prepaid expenses   | (5,699)                    |
| Increase (decrease) in accounts payable   | (18,100)                   |
| Increase (decrease) in compensated absences   | 2,251                      |
| Increase (decrease) in customer deposits  | 1,700                      |
| Increase (decrease) in accrued expenses   | <u>(36,552)</u>            |
| Net cash provided (used) by operating activities  | <u><u>\$ 1,019,460</u></u> |

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

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies**

Organization

The Edmonson County Water District was organized in 1967 under KRS 74.010 to provide water service to the residents of Edmonson County, Kentucky. The District is governed by a three commission Board, appointed by the Edmonson County Judge-Executive and approved by the Edmonson County Fiscal Court.

The District grants credit to customers, substantially all of whom are local residents and commercial businesses in Edmonson County, Kentucky.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the District's financial statements. The District is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Position.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

On January 1, 2004, the District adopted the provisions of Governmental Accounting Standards Board (GASB) No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components: (i) invested in capital assets, net of related debt, (ii) restricted, and (iii) unrestricted.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of December 31, 2014. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost. The cost of additions to the utility plant and major replacements of retired units of property is capitalized. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ending December 31, 2014 was \$928,300.

The estimated useful lives of capital assets are as follows:

|               |             |
|---------------|-------------|
| Utility plant | 25-50 years |
| Equipment     | 5-10 years  |

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued**

Operating Revenues and Expenses

Operating revenues consist of those revenues that result from the ongoing principal operations of the District. Operating expenses consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

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

Bond and Interest Redemption Fund

The ordinances authorizing the bond issues require monthly deposits of one-twelfth of the annual bond principal requirement and one-sixth of the semi-annual interest requirement. For the year ending December 31, 2014, the District had complied with this requirement.

Inventory

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capital addition as inventory items are consumed.

Use of Estimates

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

Compensated Absences

Accumulated unpaid vacation amounts are accrued when benefits vest to employees and the unpaid liability is reflected in accrued liabilities.

Depreciation Fund

The ordinances authorizing the various bond issues of the District require monthly transfers into a depreciation fund until the maximum requirement is reached. These funds can be used for capital improvements, expansions and extraordinary repairs. For the years ended December 31, 2014, the District complied with this requirement.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 2 – Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

|  | Beginning<br>Balance | Additions        | Deletions        | Ending<br>Balance    |
|--|----------------------|------------------|------------------|----------------------|
| <i>Capital Assets not being depreciated</i>        |                      |                  |                  |                      |
| Land and Rights                                    | \$ 362,958           | \$ 17            | \$ -             | \$ 362,975           |
| Construction In Progress                           | <u>1,571,437</u>     | <u>1,403,541</u> | <u>(684,235)</u> | <u>2,290,743</u>     |
| Total Non-Depreciable Capital Assets               | <u>1,934,395</u>     | <u>1,403,558</u> | <u>(684,235)</u> | <u>2,653,718</u>     |
| <br><i>Capital Assets being depreciated</i>        |                      |                  |                  |                      |
| Structures and Improvements                        | 4,470,688            | -                | -                | 4,470,688            |
| Lake, River, and Other Intakes                     | 746,435              | -                | -                | 746,435              |
| Supply Mains                                       | 226,954              | -                | -                | 226,954              |
| Collections Sewers Force/Gravity                   | 1,372,242            | -                | -                | 1,372,242            |
| Pumping Equipment                                  | 1,662,395            | 4,622            | -                | 1,667,017            |
| Water Treatment Equipment                          | 1,726,885            | -                | -                | 1,726,885            |
| Franchise  | 10,262               | -                | -                | 10,262               |
| Distribution Reservoirs                            | 6,057,332            | -                | -                | 6,057,332            |
| Transmission and Distribution Mains                | 18,527,848           | 684,234          | (95,650)         | 19,116,432           |
| Services   | 1,196,767            | 22,020           | -                | 1,218,787            |
| Meters and Installations                           | 2,764,955            | 35,013           | -                | 2,799,968            |
| Other Plant  | 100,408              | 3,388            | -                | 103,796              |
| Furniture and Equipment                            | 316,547              | 4,346            | -                | 320,893              |
| Transportation Equipment                           | 308,216              | 41,086           | (56,652)         | 292,650              |
| Communication Equipment                            | 237,793              | 718              | -                | 238,511              |
| Power Operated Equipment                           | <u>353,646</u>       | <u>-</u>         | <u>(2,500)</u>   | <u>351,146</u>       |
| Total Depreciable Capital Assets                   | <u>40,079,373</u>    | <u>795,427</u>   | <u>(154,802)</u> | <u>40,719,998</u>    |
| Less: Accumulated Depreciation<br>and Amortization | <u>13,449,971</u>    | <u>928,300</u>   | <u>(153,077)</u> | <u>14,225,194</u>    |
| Total Net Capital Assets                           | <u>\$ 28,563,797</u> |                  |                  | <u>\$ 29,148,522</u> |



**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 3 – Long-Term Debt**

Long-term debt consists of the following at December 31, 2014:

|   |              |
|---|--------------|
| Series 2001 A Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$3,837,000; due in annual installments on January 1 ranging from \$52,500 to \$172,000 through January 2041; interest rate of 3.25% due semi-annually on January 1 and July 1. | \$ 3,080,000 |
| Series 2001 B Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$276,000; due in annual installments on January 1 ranging from \$2,900 to \$14,700 through January 2041; interest rate of 4.5% due semi-annually on January 1 and July 1.      | 231,600      |
| Series 2003 Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$442,000; due in annual installments on January 1 ranging from \$4,500 to \$23,000 through January 2042; interest rate of 4.375% due semi-annually on January 1 and July 1.      | 378,000      |
| Series 2007 A Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$1,200,000; due in annual installments on January 1 ranging from \$13,000 to \$63,000 through January 2047; interest rate of 4.375% due semi-annually on January 1 and July 1. | 1,114,000    |
| Series 2007 B Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$520,000; due in annual installments on January 1 ranging from \$6,000 to \$29,000 through January 2047; interest rate of 4.125% due semi-annually on January 1 and July 1.    | 481,000      |
| Series 2009 Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$1,511,000; due in annual installments on January 1 ranging from \$16,000 to \$77,000 through January 2048; interest rate of 4.125% due semi-annually on January 1 and July 1.   | 1,423,000    |

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 3 – Long-Term Debt, Continued**

|   |                      |
|---|----------------------|
| Series 2010 A Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$570,000; due in annual installments on January 1 ranging from \$9,000 to \$23,500 through January 2050; interest rate of 2.25% due semi-annually on January 1 and July 1.                                   | 542,500              |
| Series 2010 B Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$700,000; due in annual installments on January 1 ranging from \$11,000 to \$28,000 through January 2050; interest rate of 2.25% due semi-annually on January 1 and July 1.                                  | 666,500              |
| Series 2013 B Revenue Bonds issued through the Kentucky Rural Water Finance Corporation in the amount of \$1,960,000; due in annual installments on January 1 ranging from \$155,000 to \$160,000 through January 2028; interest rates ranging from of 2.3% to 3.3% due semi-annually on January 1 and July 1.    | 1,845,000            |
| Series 2008 C Water Revenue Bonds issued through the KEntucky Rural Water Finance Corporation in the amount of \$830,000; due in annual on January 1 ranging from \$45,000 to \$75,000 through January 2022; interest rates ranging from of 2.35% to 4.175% due semi-annually on January 1 and July 1.            | 520,000              |
| Series 2012 D Water Revenue Bonds issued through the Kentucky Rural Water Finance Corporation in the amount of \$2,900,000; due in annual installments on January 1 ranging from \$20,000 to \$190,000 through January 2036; interest rates ranging from 2.95% to 4.2% due semi-annually on January 1 and July 1. | 2,740,000            |
| KIA Interim Financing Water Revenue Bonds issued through the Kentucky Infrastructure Authority in the amount of \$541,579; due in annual installments on January 1 ranging from \$5,500 to \$27,500 through January 2043; interest rate of 4.5% due semi-annually on January 1 and July 1.                        | 541,579              |
| Series 2005 Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$100,000; due in annual installments on January 1 ranging from \$1,100 to \$5,500 through January 2045; interest rate of 4.25% due semi-annually on January 1 and July 1.                                      | 89,800               |
| Total debt  | <u>\$ 13,652,979</u> |

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 3 – Long-Term Debt, Continued**

Principal and interest maturities of long-term debt are as follows:

|           | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|-----------|----------------------|---------------------|----------------------|
| 2015      | \$ 431,800           | \$ 447,967          | \$ 879,767           |
| 2016      | 978,779              | 433,326             | 1,412,105            |
| 2017      | 453,000              | 419,496             | 872,496              |
| 2018      | 469,300              | 405,898             | 875,198              |
| 2019      | 485,600              | 390,645             | 876,245              |
| 2020-2024 | 2,503,900            | 1,666,303           | 4,170,203            |
| 2025-2029 | 2,543,900            | 1,267,091           | 3,810,991            |
| 2030-2034 | 2,218,200            | 834,833             | 3,053,033            |
| 2035-2039 | 1,753,900            | 458,946             | 2,212,846            |
| 2040-2044 | 1,166,600            | 186,287             | 1,352,887            |
| 2045-2049 | 648,000              | 24,749              | 672,749              |
|           | <u>\$ 13,652,979</u> | <u>\$ 6,535,541</u> | <u>\$ 20,188,520</u> |

Long-term debt activities for the year ended December 31, 2014 are as follows:

|                         | <u>Beginning</u><br><u>Balance</u> | <u>Additions</u>  | <u>Debt Payments</u><br><u>and Reductions</u> | <u>Ending</u><br><u>Balance</u> | <u>Amount Due</u><br><u>within One Year</u> |
|-------------------------|------------------------------------|-------------------|---|---------------------------------|---|
| RD Series 2001 A        | \$ 3,154,500                       | \$ -              | \$ (74,500)                                   | \$ 3,080,000                    | \$ 77,500                                   |
| RD Series 2001 B        | 236,300                            | -                 | (4,700)                                       | 231,600                         | 4,800                                       |
| RD Series 2003          | 385,000                            | -                 | (7,000)                                       | 378,000                         | 7,500                                       |
| RD Series 2007 A        | 1,130,000                          | -                 | (16,000)                                      | 1,114,000                       | 17,000                                      |
| RD Series 2007 B        | 488,000                            | -                 | (7,000)                                       | 481,000                         | 7,000                                       |
| RD Series 2009          | 1,442,000                          | -                 | (19,000)                                      | 1,423,000                       | 12,000                                      |
| RD Series 2010          | 552,000                            | -                 | (9,500)                                       | 542,500                         | 20,000                                      |
| RD Series 2010 B        | 678,000                            | -                 | (11,500)                                      | 666,500                         | 9,500                                       |
| KIA                     | 112,500                            | -                 | (112,500)                                     | -                               | -   |
| KRWFC 2008 C            | 575,000                            | -                 | (55,000)                                      | 520,000                         | 60,000                                      |
| KRWFC 2012 D            | 2,835,000                          | -                 | (95,000)                                      | 2,740,000                       | 100,000                                     |
| KRWFC Interim Financing | -                                  | 541,579           | -   | 541,579                         | -   |
| KRWFC 2013 B            | 1,960,000                          | -                 | (115,000)                                     | 1,845,000                       | 115,000                                     |
| RD Series 2005          | 91,300                             | -                 | (1,500)                                       | 89,800                          | 1,500                                       |
|                         | <u>\$ 13,639,600</u>               | <u>\$ 541,579</u> | <u>\$ (528,200)</u>                           | <u>\$ 13,652,979</u>            | <u>\$ 431,800</u>                           |

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 3 – Long-Term Debt, Concluded**

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and at December 31, 2014 and does not expect to incur a liability.

**Note 4 – Cash and Investments**

The carrying amount of the District's cash deposits was \$4,940,527 for the year ending December 31, 2014 and the bank balances, were \$4,596,201. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank. The District's deposits included six certificates of deposit totaling approximately \$3,327,000 for 2014 that matured annually. Approximately \$1,950,000 was with Bank of Edmonson County with rates at .75%. The remaining certificates were with PBI bank of approximately \$1,377,000 with rates at .80% for the year ending December 31, 2014. All of the District's deposits were either insured by FDIC or by collateral pledged by PBI Bank and Bank of Edmonson County.

**Note 5 – Pension Plan**

The District participated in the Kentucky Public Employees 401(k) Deferred Compensation Plan. The District contributes 8% of covered payroll and each employee contributes up to 25% of their wages. For the years ended December 31, 2014 employer contributions were \$61,672 and employee contributions were \$21,895. Covered payroll was approximately \$770,000 for year ended December 31, 2014.

On March 1, 2005 the District adopted a retiree health insurance plan pursuant to KRS 74.070, in order to provide health benefits in the form of premium payments for health insurance coverage. 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 funded completely 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 funded the plan for all eligible participants based on age and years of service at the date of the contribution. The initial contribution amounted to \$220,000. Contributions for the year ended December 31, 2014 were \$19,440. These amounts are included in the operating expenses on the statement of revenues, expenses, and changes in net position.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 6 – Deferred Inflows/Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has unamortized premiums on bonds in the amount of \$22,951.

**Note 7- Subsequent Events**

Management has evaluated subsequent events through February 19, 2015, the date which the financial statements were available to be issued.

**Note 8 – Reclassification**

Reclassifications

Certain amounts in the 2013 financial statements were reclassified to conform to the 2014 presentation.

**Note 9 – Restatement**

During 2014, the Authority implemented GASB Statement No. 65, Items Previously reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Beninning net position has also been restated for a correction of an error. It was determined certain prior year grant revenues were overstated in the sewer division by \$340,047. Prior year cash –bond and interest fund was understated by \$360,424 and bonds payable was understated by \$265,000 in the water division. As a result of the corrections of errors and change in accounting principle (GASB 65), beginning net position was restated as follows:

|   |               |
|---|---------------|
| Net position as originally reported (beginning) | \$ 19,809,630 |
| GASB 65 bond issuance costs                     | (304,032)     |
| Grant Receivable                                | (340,047)     |
| Cash and Bonds Payable                          | 95,424        |
| Net position as restated (beginning)            | \$ 19,260,975 |

The above adjustment for a correction of an error and change in accounting principle had no impact on the current year change in net position.

## **Supplemental Information**

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and**  
**Change in Equity – Budget and Actual**  
**For the Year Ended December 31, 2014**

|  | Original and<br>Final Budget | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|--|------------------------------|----------------------|--|
| <b>Operating revenues:</b>                 |                              |                      |  |
| Water Sales                                | \$ 2,747,875                 | \$ 2,805,685         | \$ 57,810                              |
| Sewer Sales                                | 27,640                       | 19,472               | (8,168)                                |
| Consumers' Forfeited Discounts             | 102,377                      | 103,380              | 1,003                                  |
| Service Fees                               | <u>-</u>                     | <u>42,809</u>        | <u>42,809</u>                          |
| Total operating revenues                   | <u>2,877,892</u>             | <u>2,928,537</u>     | <u>50,645</u>                          |
| <b>Operating expenses:</b>                 |                              |                      |  |
| Salaries                                   | 797,000                      | 864,343              | (67,343)                               |
| Employee Benefits                          | 234,221                      | 254,706              | (20,485)                               |
| Purchased Power                            | 206,650                      | 243,902              | (37,252)                               |
| Chemicals                                  | 90,055                       | 76,476               | 13,579                                 |
| Materials and supplies                     | 155,450                      | 95,893               | 59,557                                 |
| Depreciation                               | 897,500                      | 928,300              | (30,800)                               |
| Transportation                             | 46,220                       | 45,661               | 559                                    |
| Taxes Other Than Income                    | 73,677                       | 75,265               | (1,588)                                |
| Contractual Services                       | 140,031                      | 114,685              | 25,346                                 |
| Rental                                     | 2,460                        | -                    | 2,460                                  |
| Avertising                                 | 2,000                        | 790                  | 1,210                                  |
| Miscellaneous                              | 44,670                       | 46,197               | (1,527)                                |
| Insurance                                  | 64,950                       | 52,081               | 12,869                                 |
| Bad Debts                                  | <u>10,765</u>                | <u>11,539</u>        | <u>(774)</u>                           |
| Total operating expenses                   | <u>2,765,649</u>             | <u>2,809,838</u>     | <u>(44,189)</u>                        |
| Operating income                           | <u>112,243</u>               | <u>118,699</u>       | <u>6,456</u>                           |
| <b>Non-operating revenue (expenses):</b>   |                              |                      |  |
| Interest Income                            | 42,490                       | 33,392               | (9,098)                                |
| Interest Expense                           | (472,802)                    | (431,893)            | 40,909                                 |
| Gain (loss) on Disposal of Assets          | -                            | 6,796                | 6,796                                  |
| Miscellaneous Income                       | 18,475                       | 37,138               | 18,663                                 |
| Miscellaneous Expenses                     | -                            | (7,058)              | (7,058)                                |
| Amortization                               | <u>-</u>                     | <u>3,005</u>         | <u>3,005</u>                           |
| Total non-operating revenue (expenses)     | <u>(411,837)</u>             | <u>(358,620)</u>     | <u>53,217</u>                          |
| Income/(loss) before capital contributions | <u>(299,594)</u>             | <u>(239,921)</u>     | <u>59,673</u>                          |
| <b>Capital contributions</b>               |                              |                      |  |
| Tap Fees                                   | 54,625                       | 60,863               | 6,238                                  |
| Grants                                     | <u>895,000</u>               | <u>888,386</u>       | <u>(6,614)</u>                         |
| Total capital contributions                | <u>949,625</u>               | <u>949,249</u>       | <u>(376)</u>                           |
| Increase in net position                   | 650,031                      | 709,328              | 59,297                                 |
| <b>Net position:</b>                       |                              |                      |  |
| Beginning of year, restated                | <u>19,260,975</u>            | <u>19,260,975</u>    | <u>-</u>                               |
| End of year                                | <u>\$ 19,911,006</u>         | <u>\$ 19,970,303</u> | <u>\$ (59,297)</u>                     |

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Net Position - Water**  
**December 31, 2014**

**Assets**

**Current Assets**

|                      |            |
|----------------------|------------|
| Cash                 | \$ 665,098 |
| Accounts Receivable  | 103,038    |
| Inventory            | 87,412     |
| Prepaid Expenses     | 41,331     |
| Total Current Assets | 896,879    |

**Non-current Assets**

Restricted Assets

|  |           |
|--|-----------|
| Cash - Depreciation Fund                 | 3,396,689 |
| Cash - Membership Fund                   | 375,370   |
| Cash - Bond and Interest Redemption Fund | 376,819   |
| Cash - Capital Projects Fund             | 2,312     |
| Total Restricted Assets                  | 4,151,190 |

Capital Assets

|   |              |
|---|--------------|
| Utility Plant in Service                  | 39,439,260   |
| Construction in Progress                  | 655,804      |
| Accumulated Depreciation and Amortization | (13,914,302) |
| Net Capital Assets                        | 26,180,762   |
| Total Non-current Assets                  | 30,331,952   |

|              |               |
|--------------|---------------|
| Total Assets | \$ 31,228,831 |
|--------------|---------------|



**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Water, Concluded**  
**December 31, 2014**

**Liabilities**

**Current Liabilities**

|                           |            |
|---------------------------|------------|
| Accounts Payable          | \$ 123,950 |
| Compensated Absences      | 169,342    |
| Accrued Liabilities       | 20,131     |
| Total Current Liabilities | 313,423    |

**Liabilities Payable from Restricted Assets**

|  |         |
|--|---------|
| Current Maturities of Long-Term Debt             | 430,300 |
| Customer Deposits                                | 243,775 |
| Accrued Interest                                 | 85,472  |
| Total Liabilities Payable from Restricted Assets | 759,547 |

**Long-term Liabilities**

|   |            |
|---|------------|
| Long-term debt, less current maturities | 13,132,879 |
| Total Long-term Liabilities             | 13,132,879 |

|                   |            |
|-------------------|------------|
| Total Liabilities | 14,205,849 |
|-------------------|------------|

**Deferred Inflows of Resources**

|                              |           |
|------------------------------|-----------|
| Unamortized Premium on Bonds | \$ 22,951 |
|------------------------------|-----------|

**Net Position**

**Net Position**

|   |            |
|---|------------|
| Invested in Capital Assets, net of Related Debt | 12,617,583 |
| Restricted for Equipment Replacement            | 3,396,689  |
| Restricted for Debt Retirement                  | 291,347    |
| Restricted - Other                              | 2,312      |
| Unrestricted                                    | 692,100    |

|                           |                      |
|---------------------------|----------------------|
| <b>Total Net Position</b> | <b>\$ 17,000,031</b> |
|---------------------------|----------------------|

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position - Water**  
**For the Year Ended December 31, 2014**

**Operating revenues:**

|                                |                  |
|--------------------------------|------------------|
| Water Sales                    | \$ 2,805,685     |
| Consumers' Forfeited Discounts | 60,255           |
| Service Fees                   | <u>42,809</u>    |
| Total operating revenues       | <u>2,908,749</u> |

**Operating expenses:**

|                               |                  |
|-------------------------------|------------------|
| Water Treatment               | 645,232          |
| Transmission and Distribution | 496,765          |
| Customer Accounts             | 249,555          |
| General and Administrative    | 404,862          |
| Depreciation                  | 891,861          |
| Taxes Other than Income       | <u>74,971</u>    |
| Total operating expenses      | <u>2,763,246</u> |
| Operating income              | <u>145,503</u>   |

**Non-operating revenue (expenses):**

|  |                  |
|--|------------------|
| Interest Income                            | 32,733           |
| Interest Expense                           | (428,013)        |
| Gain (loss) on Disposal of Assets          | 6,796            |
| Miscellaneous Income                       | 37,737           |
| Miscellaneous Expenses                     | (7,058)          |
| Amortization                               | <u>3,005</u>     |
| Total non-operating revenue (expenses)     | <u>(354,800)</u> |
| Income/(loss) before capital contributions | <u>(209,297)</u> |

**Capital contributions**

|                             |                |
|-----------------------------|----------------|
| Tap Fees                    | 60,863         |
| Grants                      | <u>659,397</u> |
| Total capital contributions | <u>720,260</u> |

Increase in net position 510,963

**Net position:**

|                             |                      |
|-----------------------------|----------------------|
| Beginning of year, restated | <u>16,489,068</u>    |
| End of year                 | <u>\$ 17,000,031</u> |

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Operating Expenses- Water**  
**For the Year Ended December 31, 2014**

|                               |               |
|-------------------------------|---------------|
| Water Treatment               |               |
| Salaries                      | \$ 283,603    |
| Employee Benefits             | 62,274        |
| Purchased Power               | 143,231       |
| Chemicals                     | 76,476        |
| Materials and Supplies        | 16,705        |
| Contractual Services          | 51,117        |
| Transportation                | 7,536         |
| Miscellaneous                 | 4,290         |
|                               | <hr/> 645,232 |
|                               |               |
| Transmission and Distribution |               |
| Salaries                      | 233,142       |
| Employee Benefits             | 86,048        |
| Purchased Power               | 94,808        |
| Materials and Supplies        | 23,287        |
| Contractual Services          | 22,508        |
| Transportation                | 34,490        |
| Miscellaneous                 | 2,482         |
|                               | <hr/> 496,765 |
|                               |               |
| Customer Accounts             |               |
| Salaries                      | 122,614       |
| Employee Benefits             | 50,019        |
| Materials and Supplies        | 43,090        |
| Bad Debts                     | 11,539        |
| Miscellaneous                 | 22,293        |
|                               | <hr/> 249,555 |
|                               |               |
| Administrative and General    |               |
| Salaries                      | 216,177       |
| Employee Benefits             | 56,365        |
| Purchased Power               | 4,949         |
| Materials and Supplies        | 12,811        |
| Contractual Services          | 41,060        |
| Transportation                | 3,585         |
| Insurance                     | 52,081        |
| Advertising                   | 790           |
| Miscellaneous                 | 17,044        |
|                               | <hr/> 404,862 |

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Net Position – Sewer**  
**December 31, 2014**

**Assets**

**Current Assets**

|                      |                |
|----------------------|----------------|
| Cash                 | 118,498        |
| Accounts Receivable  | 317            |
| Prepaid Expenses     | <u>100</u>     |
| Total Current Assets | <u>118,915</u> |

**Non-current Assets**

Restricted Assets

|  |              |
|--|--------------|
| Cash - Depreciation Fund                 | 5,114        |
| Cash - Bond and interest redemption Fund | 69           |
| Cash - Capital Projects Fund             | <u>558</u>   |
| Total Restricted Assets                  | <u>5,741</u> |

Capital Assets

|   |                  |
|---|------------------|
| Utility Plant in Service                  | 1,643,713        |
| Construction in Progress                  | 1,634,939        |
| Accumulated Depreciation and Amortization | <u>(310,892)</u> |
| Net Capital Assets                        | <u>2,967,760</u> |
| Total Non-current Assets                  | <u>2,973,501</u> |

|              |                     |
|--------------|---------------------|
| Total Assets | <u>\$ 3,092,416</u> |
|--------------|---------------------|

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Net Position – Sewer, Concluded**  
**December 31, 2014**

**Liabilities**

**Current Liabilities**

|                           |               |
|---------------------------|---------------|
| Accounts Payable          | \$ 32,344     |
| Total Current Liabilities | <u>32,344</u> |

**Liabilities Payable from Restricted Assets**

|  |              |
|--|--------------|
| Current Maturities of Long-Term Debt             | <u>1,500</u> |
| Total Liabilities Payable from Restricted Assets | <u>1,500</u> |

**Long-term Liabilities**

|   |               |
|---|---------------|
| Long-term debt, less current maturities | <u>88,300</u> |
| Total Long-term Liabilities             | <u>88,300</u> |

|                   |                |
|-------------------|----------------|
| Total Liabilities | <u>122,144</u> |
|-------------------|----------------|

**Net Position**

**Net Position**

|   |               |
|---|---------------|
| Invested in Capital Assets, net of Related Debt | 2,877,960     |
| Restricted for Equipment Replacement            | 5,114         |
| Restricted for Debt Retirement                  | 69            |
| Restricted - Other                              | 558           |
| Unrestricted                                    | <u>86,571</u> |

|                           |                            |
|---------------------------|----------------------------|
| <b>Total Net Position</b> | <b><u>\$ 2,970,272</u></b> |
|---------------------------|----------------------------|

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position - Sewer**  
**For the Year Ended December 31, 2014**

**Operating revenues:**

|                                |           |
|--------------------------------|-----------|
| Sewer Sales                    | \$ 19,472 |
| Consumers' Forfeited Discounts | 316       |
|                                | 19,788    |
| Total operating revenues       | 19,788    |

**Operating expenses:**

|                          |          |
|--------------------------|----------|
| Labor                    | 8,807    |
| Purchased Power          | 914      |
| Customer Accounts        | 88       |
| Transportation           | 50       |
| Taxes Other than Income  | 294      |
| Depreciation             | 36,439   |
|                          | 46,592   |
| Total operating expenses | 46,592   |
| Operating income         | (26,804) |

**Non-operating revenue (expenses):**

|  |          |
|--|----------|
| Interest Income                            | 659      |
| Interest Expense                           | (3,880)  |
| Miscellaneous Expenses                     | (599)    |
|  | (3,820)  |
| Total non-operating revenue (expenses)     | (3,820)  |
| Income/(loss) before capital contributions | (30,624) |

**Capital contributions**

|                             |         |
|-----------------------------|---------|
| Grants                      | 228,989 |
|                             | 228,989 |
| Total capital contributions | 228,989 |

|                          |         |
|--------------------------|---------|
| Increase in net position | 198,365 |
|--------------------------|---------|

**Net position:**

|                              |              |
|------------------------------|--------------|
| Beginning of year - restated | 2,771,907    |
| End of year                  | \$ 2,970,272 |



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

Edmonson County Water District  
Brownsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Edmonson County Water District, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Edmonson County Water District's basic financial statements, and have issued our report thereon dated February 19, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edmonson County Water District's internal control. Accordingly, we 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Edmonson County 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.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

February 19, 2015