

**Edmonson County Water District**

**Financial Statements**

**December 31, 2015 and 2014**

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## 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 years ended December 31, 2015 and 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 Edmonson County Water District, as of December 31, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 21 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, are 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 17, 2016, on our consideration of the 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 the Edmonson County Water District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants  
Glasgow, Kentucky

February 17, 2016

## 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, 2015. This information presented in conjunction with the audited financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

Operating revenues for the year ending December 31, 2015 were \$3,030,223 or an increase of 3.5% from the previous year. This increase was due to 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 revenues did not increase at the same percentage as the rate increase due to decrease in sales.

Because of a cooler wetter summer, operating expenses for the year ending December 31, 2015 were \$2,880,606 or an increase of 2.50%. Expenses were up due to increase in salaries and employee benefits and due to an increase in the cost of materials and supplies due to inflation.

Total assets for the year ending December 31, 2015 were \$34,053,639 or a decrease of .78% while total liabilities were \$13,859,772 or a decrease of 3.4%.

### 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, 2015 and 2014 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, 2015 and 2014

	2015	2014
<b>Assets:</b>		
Total Current Assets	\$ 1,103,479	\$ 1,015,794
Net Capital Assests	\$ 28,786,796	\$ 29,148,522
Restricted Assets	\$ 4,163,364	\$ 4,156,931
<b>Total Assets</b>	<b>\$ 34,053,639</b>	<b>\$ 34,321,247</b>
<b>Liabilities:</b>		
Total Current Liabilities	\$ 946,908	\$ 1,109,645
Total Long-Term Liabilities	\$ 12,912,864	\$ 13,241,299
<b>Total Liabilities</b>	<b>\$ 13,859,772</b>	<b>\$ 14,350,944</b>
<b>Net Position:</b>		
Invested in Capital Assets, Net of Related Debt	\$ 15,423,076	\$ 15,495,543
Restricted	\$ 3,786,845	\$ 3,781,561
Unrestricted	\$ 983,946	\$ 693,199
<b>Total Net Position</b>	<b>\$ 20,193,867</b>	<b>\$ 19,970,303</b>

The Net Position for the year ending December 31, 2015 showed an increase of \$223,564 or approximately 1.10% from the previous year. This increase was due to a decrease in total liabilities.

Edmonson County Water District  
 Summary of Changes in Net Position  
 December 31, 2015 and 2014

	2015	2014
Total Operating Revenues	\$ 3,030,223	\$ 2,928,537
Total Operating Expenses	\$ 2,880,606	\$ 2,809,838
Operating Income	\$ 149,617	\$ 118,699
Total Nonoperating Revenues (Expense)	\$ (390,719)	\$ (358,620)
Income(Loss) Before Capital Contributions	\$ (241,102)	\$ (239,921)
Capital Contributions	\$ 464,666	\$ 949,249
Change in Net Position	\$ 223,564	\$ 709,328
Net Position, Beginning of Year	\$ 19,970,303	\$ 19,260,975
Net Position, End of Year	<b>\$ 20,193,867</b>	<b>\$ 19,970,303</b>

Net position increased \$223,564 from the previous year. This increase was due to an increase in capital contributions and increase revenues from the previous year.

The largest portion 76% 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 2% decrease from the prior year.

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

The balance 5% 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, 2015 were \$28,786,796, which was a net increase of \$361,726 or 1% due to construction projects being completed in 2015 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, 2015, the District had \$13,363,720 bonds outstanding. The District incurred \$441,449 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$1,050,698 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**  
**Statements of Net Position**  
**December 31, 2015 and 2014**

<b>Assets</b>	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>		
Cash	\$ 883,035	783,596
Accounts Receivable	93,433	103,355
Inventory	88,940	87,412
Prepaid Expenses	38,071	41,431
Total Current Assets	1,103,479	1,015,794
<b>Non-current Assets</b>		
Restricted Assets		
Cash - Depreciation Fund	3,415,144	3,401,803
Cash - Membership Fund	376,519	375,370
Cash - Bond and Interest Redemption Fund	371,701	376,888
Cash - Capital Projects Fund	-	2,870
Total Restricted Assets	4,163,364	4,156,931
Capital Assets		
Utility Plant in Service	43,925,760	41,082,973
Construction in Progress	-	2,290,743
Accumulated Depreciation and Amortization	(15,138,964)	(14,225,194)
Net Capital Assets	28,786,796	29,148,522
Total Non-current Assets	32,950,160	33,305,453
Total Assets	\$ 34,053,639	\$ 34,321,247

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Concluded**  
**December 31, 2015 and 2014**

<b>Liabilities</b>	<u>2015</u>	<u>2014</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 20,732	\$ 156,294
Compensated Absences	134,253	169,342
Accrued Liabilities	14,473	20,131
Total Current Liabilities	<u>169,458</u>	<u>345,767</u>
<b>Liabilities Payable from Restricted Assets</b>		
Current Maturities of Long-Term Debt (net)	450,856	434,631
Customer Deposits	247,475	243,775
Accrued Interest	79,119	85,472
Total Liabilities Payable from Restricted Assets	<u>777,450</u>	<u>763,878</u>
<b>Long-term Liabilities</b>		
Long-term debt, less current maturities (net)		
Total Long-term Liabilities	<u>12,912,864</u>	<u>13,241,299</u>
Total Liabilities	<u>13,859,772</u>	<u>14,350,944</u>
<b>Net Position</b>		
<b>Net Position</b>		
Invested in Capital Assets, net of Related Debt	15,423,076	15,495,543
Restricted for Equipment Replacement	3,415,144	3,401,803
Restricted for Debt Retirement	371,701	376,888
Restricted - Other	-	2,870
Unrestricted	983,946	693,199
Total Net Position	<u>\$ 20,193,867</u>	<u>\$ 19,970,303</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>		
Water Sales	\$ 2,897,789	\$ 2,805,685
Sewer Sales	29,350	19,472
Consumers' Forfeited Discounts	60,337	60,571
Service Fees	42,747	42,809
Total operating revenues	<u>3,030,223</u>	<u>2,928,537</u>
<b>Operating expenses:</b>		
Water Treatment	644,303	645,232
Transmission and Distribution	553,632	506,536
Customer Accounts	277,772	249,643
General and Administrative	385,492	404,862
Depreciation	939,135	928,300
Taxes Other than Income	80,272	75,265
Total operating expenses	<u>2,880,606</u>	<u>2,809,838</u>
Operating income	<u>149,617</u>	<u>118,699</u>
<b>Non-operating revenue (expenses):</b>		
Interest Income	35,950	33,392
Interest Expense	(441,419)	(431,893)
Gain (loss) on Disposal of Assets	(6,252)	6,796
Miscellaneous Income	30,993	37,737
Miscellaneous Expenses	(12,822)	(7,657)
Amortization	2,831	3,005
Total non-operating revenue (expenses)	<u>(390,719)</u>	<u>(358,620)</u>
Income/(loss) before capital contributions	<u>(241,102)</u>	<u>(239,921)</u>
<b>Capital contributions</b>		
Tap Fees	64,697	60,863
Grants	399,969	888,386
Total capital contributions	<u>464,666</u>	<u>949,249</u>
Increase in net position	223,564	709,328
<b>Net position:</b>		
Beginning of year	19,970,303	19,260,975
End of year	<u>\$ 20,193,867</u>	<u>\$ 19,970,303</u>

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

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 3,040,145	\$ 2,963,228
Cash payments to suppliers for goods and services	(975,499)	(883,335)
Cash payments to employees for services	<u>(1,127,666)</u>	<u>(1,060,433)</u>
Net cash provided (used) by operating activities	<u>936,980</u>	<u>1,019,460</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal paid on long-term debt	(1,050,698)	(528,200)
Proceeds from long-term debt	741,319	541,579
Interest paid on long-term debt	(450,603)	(347,405)
Additions to capital assets	(589,913)	(1,510,958)
Proceeds from sale of capital assets	-	8,520
Capital contributions and other revenue	<u>482,837</u>	<u>979,329</u>
Net cash provided (used) in financing activities	<u>(867,058)</u>	<u>(857,135)</u>
<b>Cash flows from investing activities:</b>		
Interest income	<u>35,950</u>	<u>33,392</u>
Net cash provided by (used) in investing activities	<u>35,950</u>	<u>33,392</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	105,872	195,717
Cash and cash equivalents, beginning of year	<u>4,940,527</u>	<u>4,744,810</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 5,046,399</u>	<u>\$ 4,940,527</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 149,617	\$ 118,699
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Gain) loss on disposal of assets	6,252	(6,796)
Depreciation and amortization	941,966	931,305
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	9,922	34,691
(Increase) decrease in inventory	(1,528)	(2,039)
(Increase) decrease in prepaid expenses	3,360	(5,699)
Increase (decrease) in accounts payable	(135,562)	(18,100)
Increase (decrease) in compensated absences	(35,089)	2,251
Increase (decrease) in customer deposits	3,700	1,700
Increase (decrease) in accrued expenses	<u>(5,658)</u>	<u>(36,552)</u>
Net cash provided (used) by operating activities	<u>\$ 936,980</u>	<u>\$ 1,019,460</u>

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

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2015 and 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, 2015 and 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, 2015. 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, 2015 and 2014 was \$939,135 and \$928,300, respectively.

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, 2015 and 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, 2015 and 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, 2015 and 2014, the District complied with this requirement.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**Note 2 – Capital Assets**

Capital asset activity for the year ended December 31, 2015 and 2014, was as follows:

	For the Year Ended December 31, 2015			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 362,975	\$ -	\$ -	\$ 362,975
Construction In Progress	2,290,743	359,983	(2,650,726)	-
Total Non-Depreciable Capital Assets	<u>2,653,718</u>	<u>359,983</u>	<u>(2,650,726)</u>	<u>362,975</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,470,688	34,500	-	4,505,188
Lake, River, and Other Intakes	746,435	-	-	746,435
Supply Mains	226,954	-	-	226,954
Collections Sewers Force/Gravity	1,372,242	1,636,729	-	3,008,971
Pumping Equipment	1,667,017	-	-	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	19,116,432	855,676	-	19,972,108
Services	1,218,787	22,285	-	1,241,072
Meters and Installations	2,799,968	45,102	-	2,845,070
Other Plant	103,796	8,092	-	111,888
Furniture and Equipment	320,893	42,532	(42,212)	321,213
Transportation Equipment	292,650	28,034	-	320,684
Communication Equipment	238,511	204,700	-	443,211
Power Operated Equipment	351,146	7,349	-	358,495
Total Depreciable Capital Assets	<u>40,719,998</u>	<u>2,884,999</u>	<u>(42,212)</u>	<u>43,562,785</u>
Less: Accumulated Depreciation and Amortization	<u>14,225,194</u>	<u>939,135</u>	<u>(25,365)</u>	<u>15,138,964</u>
Total Net Capital Assets	<u>\$ 29,148,522</u>			<u>\$ 28,786,796</u>



**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**Note 2 – Capital Assets, Concluded**

	For the Year Ended December 31, 2014			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 362,958	\$ 17	\$ -	\$ 362,975
Construction In Progress	1,571,437	1,403,541	(684,235)	2,290,743
Total Non-Depreciable Capital Assets	1,934,395	1,403,558	(684,235)	2,653,718
 <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	353,646	-	(2,500)	351,146
Total Depreciable Capital Assets	40,079,373	795,427	(154,802)	40,719,998
Less: Accumulated Depreciation and Amortization	13,449,971	928,300	(153,077)	14,225,194
Total Net Capital Assets	<b>\$ 28,563,797</b>			<b>\$ 29,148,522</b>

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**Note 3 – Long-Term Debt**

Long-term debt consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
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.	\$ 3,002,500	\$ 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.	226,800	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.	370,500	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.	1,097,000	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.	474,000	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.	1,403,000	1,423,000
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.	533,000	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.	654,500	666,500

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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

<p>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.</p>	1,730,000	1,845,000
<p>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.</p>	460,000	520,000
<p>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.</p>	2,640,000	2,740,000
<p>Series 2013 A Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$504,000; due in annual installments on January 1 ranging from \$9,000 to \$17,500 through January 2054; interest rate of 2.125% due semi-annually on January 1 and July 1.</p>	504,000	-
<p>Series 2013 B Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$160,000; due in annual installments on January 1 ranging from \$2,000 to \$7,500 through January 2054; interest rate of 3.00% due semi-annually on January 1 and July 1.</p>	160,000	-
<p>KIA Inerim Financing Water Revenue Bonds issued through the Kentucky Infrastructure Authority in the amoujnt 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.</p>	-	541,579
<p>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.</p>	88,300	89,800
<p>Total debt</p>	<u>\$ 13,343,600</u>	<u>\$ 13,652,979</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2015 and 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>
2016	\$ 448,200	\$ 448,585	\$ 896,785
2017	464,500	434,489	898,989
2018	480,800	420,624	901,424
2019	497,600	405,094	902,694
2020	514,500	349,047	863,547
2021-2025	2,567,800	1,682,708	4,250,508
2026-2030	2,551,300	1,241,750	3,793,050
2031-2035	2,201,600	800,766	3,002,366
2036-2040	1,889,200	432,754	2,321,954
2041-2045	1,092,600	176,504	1,269,104
2046-2050	560,000	24,604	584,604
2051-2054	75,500	1,797	77,297
	<u>\$ 13,343,600</u>	<u>\$ 6,418,722</u>	<u>\$ 19,762,322</u>

Long-term debt activities for the year ended December 31, 2015 and 2014 are as follows:

Long-term debt on the Statement of Net Position is shown net of unamortized premiums on bonds payable in the amount of \$20,120 and \$22,951, respectively, for the years ended December 31, 2015 and 2014.

	For the Year Ended December 31, 2015				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Debt Payments and Reductions</u>	<u>Ending Balance</u>	<u>Amount due within One Year</u>
RD Series 2001 A	\$ 3,080,000	\$ -	\$ (77,500)	\$ 3,002,500	\$ 79,500
RD Series 2001 B	231,600	-	(4,800)	226,800	5,100
RD Series 2003	378,000	-	(7,500)	370,500	8,000
RD Series 2007 A	1,114,000	-	(17,000)	1,097,000	17,000
RD Series 2007 B	481,000	-	(7,000)	474,000	8,000
RD Series 2009	1,423,000	-	(20,000)	1,403,000	21,000
RD Series 2010	542,500	-	(9,500)	533,000	10,000
RD Series 2010 B	666,500	-	(12,000)	654,500	12,000
KRWFC 2008 C	520,000	-	(60,000)	460,000	55,000
KRWFC 2012 D	2,740,000	-	(100,000)	2,640,000	105,000
KRWFC Interim Financing	541,579	77,319	(618,898)	-	-
RD Series 2013 A	-	504,000	-	504,000	9,000
RD Series 2013 B	-	160,000	-	160,000	2,000
KRWFC 2013 B	1,845,000	-	(115,000)	1,730,000	115,000
RD Series 2005	89,800	-	(1,500)	88,300	1,600
	<u>\$ 13,652,979</u>	<u>\$ 741,319</u>	<u>\$ (1,050,698)</u>	<u>\$ 13,343,600</u>	<u>\$ 448,200</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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

	For the Year Ended December 31, 2014				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount Due within One Year
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
	<b>\$ 13,639,600</b>	<b>\$ 541,579</b>	<b>\$ (528,200)</b>	<b>\$ 13,652,979</b>	<b>\$ 431,800</b>

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, 2015 and 2014, respectively and does not expect to incur a liability.

**Note 4 – Cash and Investments**

The carrying amount of the District's cash deposits was \$5,046,399 and \$4,940,527 for the year ending December 31, 2015 and 2014, respectively and the bank balances, were \$5,068,897 and \$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 2015 and 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, 2015 and 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) and the Nationwide Retirement Solutions 401(a) Deferred Compensation Plans. The District contributes 8% of covered payroll to the 401(a) plan and each employee contributes up to 25% of their wages to the 401(k) plan. For the years ended December 31, 2015 and 2014 employer contributions were \$61,795 and \$61,172, respectively and employee contributions were \$19,220 and \$21,895. Covered payroll was approximately \$773,000 and \$770,000 for the years ended December 31, 2015 and 2014, respectively.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**Note 5 – Pension Plan, Concluded**

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, 2015 and 2014 were \$9,072 and \$19,440. These amounts are included in the operating expenses on the statement of revenues, expenses, and changes in net position.

**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 no items that qualify for reporting in this category.

**Note 7- Subsequent Events**

Management has evaluated subsequent events through February 17, 2016, the date which the financial statements were available to be issued.

**Note 8 - Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## **Supplemental Information**

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and**  
**Change in Equity – Budget and Actual**  
**For the Year Ended December 31, 2015**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues:</b>			
Water Sales	\$ 3,027,910	\$ 2,897,789	\$ (130,121)
Sewer Sales	39,800	29,350	(10,450)
Consumers' Forfeited Discounts	61,100	60,337	(763)
Service Fees	<u>43,300</u>	<u>42,747</u>	<u>(553)</u>
Total operating revenues	<u>3,172,110</u>	<u>3,030,223</u>	<u>(141,887)</u>
<b>Operating expenses:</b>			
Salaries	854,694	884,547	(29,853)
Employee Benefits	282,450	257,193	25,257
Purchased Power	234,066	245,247	(11,181)
Chemicals	91,394	82,766	8,628
Materials and supplies	167,390	123,591	43,799
Depreciation	897,000	939,135	(42,135)
Transportation	47,080	38,825	8,255
Taxes Other Than Income	77,222	80,272	(3,050)
Contractual Services	153,426	122,393	31,033
Rental	2,580	-	2,580
Avertising	2,000	790	1,210
Miscellaneous	48,555	42,247	6,308
Insurance	65,398	52,081	13,317
Bad Debts	<u>12,500</u>	<u>11,519</u>	<u>981</u>
Total operating expenses	<u>2,935,755</u>	<u>2,880,606</u>	<u>55,149</u>
Operating income	<u>236,355</u>	<u>149,617</u>	<u>(86,738)</u>
<b>Non-operating revenue (expenses):</b>			
Interest Income	32,707	35,950	3,243
Interest Expense	(460,370)	(441,419)	18,951
Miscellaneous Income	20,267	30,993	10,726
Miscellaneous Expenses	-	(12,822)	(12,822)
Amortization	<u>(9,800)</u>	<u>2,831</u>	<u>12,631</u>
Total non-operating revenue (expenses)	<u>(417,196)</u>	<u>(390,719)</u>	<u>26,477</u>
Income/(loss) before capital contributions	<u>(180,841)</u>	<u>(241,102)</u>	<u>(60,261)</u>
<b>Capital contributions</b>			
Tap Fees	65,000	64,697	(303)
Grants	<u>398,000</u>	<u>399,969</u>	<u>1,969</u>
Total capital contributions	<u>463,000</u>	<u>464,666</u>	<u>1,666</u>
Increase in net position	282,159	223,564	(58,595)
<b>Net position:</b>			
Beginning of year	<u>19,970,303</u>	<u>19,970,303</u>	<u>-</u>
End of year	<u>\$ 20,252,462</u>	<u>\$ 20,193,867</u>	<u>\$ 58,595</u>



**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position - Water**  
**December 31, 2015 and 2014**

<b>Assets</b>	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>		
Cash	\$ 739,015	\$ 665,098
Accounts Receivable	93,122	103,038
Inventory	88,940	87,412
Prepaid Expenses	37,721	41,331
Total Current Assets	<u>958,798</u>	<u>896,879</u>
<b>Non-current Assets</b>		
Restricted Assets		
Cash - Depreciation Fund	3,409,140	3,396,689
Cash - Membership Fund	376,519	375,370
Cash - Bond and Interest Redemption Fund	371,686	376,819
Cash - Capital Projects Fund	-	2,312
Total Restricted Assets	<u>4,157,345</u>	<u>4,151,190</u>
Capital Assets		
Utility Plant in Service	40,589,346	39,439,260
Construction in Progress	-	655,804
Accumulated Depreciation and Amortization	<u>(14,770,865)</u>	<u>(13,914,302)</u>
Net Capital Assets	<u>25,818,481</u>	<u>26,180,762</u>
Total Non-current Assets	<u>29,975,826</u>	<u>30,331,952</u>
Total Assets	<u>\$ 30,934,624</u>	<u>\$ 31,228,831</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Water, Concluded**  
**December 31, 2015 and 2014**

<b>Liabilities</b>	<u>2015</u>	<u>2014</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 19,259	\$ 123,950
Compensated Absences	134,253	169,342
Accrued Liabilities	<u>14,473</u>	<u>20,131</u>
<b>Total Current Liabilities</b>	<u>167,985</u>	<u>313,423</u>
<b>Liabilities Payable from Restricted Assets</b>		
Current Maturities of Long-Term Debt (net)	449,256	433,131
Customer Deposits	247,475	243,775
Accrued Interest	<u>79,119</u>	<u>85,472</u>
<b>Total Liabilities Payable from Restricted Assets</b>	<u>775,850</u>	<u>762,378</u>
<b>Long-term Liabilities</b>		
Long-term debt, less current maturities (net)	<u>12,826,164</u>	<u>13,152,999</u>
<b>Total Long-term Liabilities</b>	<u>12,826,164</u>	<u>13,152,999</u>
 <b>Total Liabilities</b>	 <u>13,769,999</u>	 <u>14,228,800</u>
<b>Net Position</b>		
<b>Net Position</b>		
Invested in Capital Assets, net of Related Debt	12,543,061	12,594,632
Restricted for Equipment Replacement	3,409,140	3,396,689
Restricted for Debt Retirement	292,567	291,347
Restricted - Other	-	2,312
Unrestricted	<u>919,857</u>	<u>715,051</u>
 <b>Total Net Position</b>	 <u>\$ 17,164,625</u>	 <u>\$ 17,000,031</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses and**  
**Changes in Net Position - Water**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>		
Water Sales	\$ 2,897,789	\$ 2,805,685
Consumers' Forfeited Discounts	59,918	60,255
Service Fees	<u>42,747</u>	<u>42,809</u>
Total operating revenues	<u>3,000,454</u>	<u>2,908,749</u>
<b>Operating expenses:</b>		
Water Treatment	644,303	645,232
Transmission and Distribution	535,889	496,765
Customer Accounts	277,772	249,555
General and Administrative	385,492	404,862
Depreciation	881,928	891,861
Taxes Other than Income	<u>79,325</u>	<u>74,971</u>
Total operating expenses	<u>2,804,709</u>	<u>2,763,246</u>
Operating income	<u>195,745</u>	<u>145,503</u>
<b>Non-operating revenue (expenses):</b>		
Interest Income	35,087	32,733
Interest Expense	(437,602)	(428,013)
Gain (loss) on Disposal of Assets	(6,252)	6,796
Miscellaneous Income	30,993	37,737
Miscellaneous Expenses	(6,905)	(7,058)
Amortization	<u>2,831</u>	<u>3,005</u>
Total non-operating revenue (expenses)	<u>(381,848)</u>	<u>(354,800)</u>
Income/(loss) before capital contributions	<u>(186,103)</u>	<u>(209,297)</u>
<b>Capital contributions</b>		
Tap Fees	64,697	60,863
Grants	<u>286,000</u>	<u>659,397</u>
Total capital contributions	<u>350,697</u>	<u>720,260</u>
Increase in net position	164,594	510,963
<b>Net position:</b>		
Beginning of year	<u>17,000,031</u>	<u>16,489,068</u>
End of year	<u>\$ 17,164,625</u>	<u>\$ 17,000,031</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Operating Expenses- Water**  
**For the Years Ended December 31, 2015 and 2014**

Water Treatment		
Salaries	\$ 295,726	\$ 283,603
Employee Benefits	59,518	62,274
Purchased Power	145,612	143,231
Chemicals	82,766	76,476
Materials and Supplies	18,752	16,705
Contractual Services	34,198	51,117
Transportation	4,187	7,536
Miscellaneous	3,544	4,290
	<u>644,303</u>	<u>645,232</u>
Transmission and Distribution		
Salaries	252,904	233,142
Employee Benefits	95,898	86,048
Purchased Power	89,147	94,808
Materials and Supplies	28,261	23,287
Contractual Services	34,477	22,508
Transportation	32,656	34,490
Miscellaneous	2,546	2,482
	<u>535,889</u>	<u>496,765</u>
Customer Accounts		
Salaries	140,670	122,614
Employee Benefits	52,614	50,019
Materials and Supplies	50,320	43,090
Bad Debts	11,519	11,539
Miscellaneous	22,649	22,293
	<u>277,772</u>	<u>249,555</u>
Administrative and General		
Salaries	179,996	216,177
Employee Benefits	49,163	56,365
Purchased Power	5,504	4,949
Materials and Supplies	11,809	12,811
Contractual Services	53,718	41,060
Transportation	1,982	3,585
Insurance	69,203	52,081
Advertising	609	790
Miscellaneous	13,508	17,044
	<u>385,492</u>	<u>404,862</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Sewer**  
**December 31, 2015 and 2014**

**Assets**

	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>		
Cash	\$ 144,020	\$ 118,498
Accounts Receivable	311	317
Prepaid Expenses	350	100
Total Current Assets	<u>144,681</u>	<u>118,915</u>
 <b>Non-current Assets</b>		
Restricted Assets		
Cash - Depreciation Fund	6,004	5,114
Cash - Bond and interest redemption Fund	15	69
Cash - Capital Projects Fund	-	558
Total Restricted Assets	<u>6,019</u>	<u>5,741</u>
 Capital Assets		
Utility Plant in Service	3,336,414	1,643,713
Construction in Progress	-	1,634,939
Accumulated Depreciation and Amortization	<u>(368,099)</u>	<u>(310,892)</u>
Net Capital Assets	<u>2,968,315</u>	<u>2,967,760</u>
Total Non-current Assets	<u>2,974,334</u>	<u>2,973,501</u>
 Total Assets	 <u>\$ 3,119,015</u>	 <u>\$ 3,092,416</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Sewer, Concluded**  
**December 31, 2015 and 2014**

<b>Liabilities</b>	<u>2015</u>	<u>2014</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,473	\$ 32,344
Total Current Liabilities	<u>1,473</u>	<u>32,344</u>
<b>Liabilities Payable from Restricted Assets</b>		
Current Maturities of Long-Term Debt (net)	<u>1,600</u>	<u>1,500</u>
Total Liabilities Payable from Restricted Assets	<u>1,600</u>	<u>1,500</u>
<b>Long-term Liabilities</b>		
Long-term debt, less current maturities (net)	<u>86,700</u>	<u>88,300</u>
Total Long-term Liabilities	<u>86,700</u>	<u>88,300</u>
 Total Liabilities	 <u>89,773</u>	 <u>122,144</u>
<b>Net Position</b>		
<b>Net Position</b>		
Invested in Capital Assets, net of Related Debt	2,880,015	2,877,960
Restricted for Equipment Replacement	6,004	5,114
Restricted for Debt Retirement	15	69
Restricted - Other	-	558
Unrestricted	<u>143,208</u>	<u>86,571</u>
 <b>Total Net Position</b>	 <u>\$ 3,029,242</u>	 <u>\$ 2,970,272</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position - Sewer**  
**For the Year Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>		
Sewer Sales	\$ 29,350	\$ 19,472
Consumers' Forfeited Discounts	419	316
Total operating revenues	<u>29,769</u>	<u>19,788</u>
<b>Operating expenses:</b>		
Labor	15,251	8,807
Purchased Power	2,492	914
Customer Accounts	-	88
Transportation	-	50
Taxes Other than Income	947	294
Depreciation	57,207	36,439
Total operating expenses	<u>75,897</u>	<u>46,592</u>
Operating income	<u>(46,128)</u>	<u>(26,804)</u>
<b>Non-operating revenue (expenses):</b>		
Interest Income	863	659
Interest Expense	(3,817)	(3,880)
Miscellaneous Expenses	(5,917)	(599)
Total non-operating revenue (expenses)	<u>(8,871)</u>	<u>(3,820)</u>
Income/(loss) before capital contributions	<u>(54,999)</u>	<u>(30,624)</u>
<b>Capital contributions</b>		
Grants	113,969	228,989
Total capital contributions	<u>113,969</u>	<u>228,989</u>
Increase in net position	58,970	198,365
<b>Net position:</b>		
Beginning of year - restated	2,970,272	2,771,907
End of year	<u>\$ 3,029,242</u>	<u>\$ 2,970,272</u>



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 years ended December 31, 2015 and 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 17, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 17, 2016