

Edmonson County Water District

Financial Statements

December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 22, 2017, 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 22, 2017

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, 2016. This information presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Operating revenues for year ending December 31, 2016 were \$3,045,728 or an increase of 0.51%. This increase was due to an increase in sales due to a cold winter causing customers to leave their water running and a warmer dryer than normal fall leading to more usage for agricultural purposes. Interest income, and other income sources were also increased.

Operating expenses for the year ending December 31, 2016 were \$2,924,744 or an increase of 1.71%. 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, 2016 were \$34,582,307 or an increase of 1.53% while total liabilities were \$13,352,478 or a decrease of 3.8%.

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, 2016 and 2015 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 Position
 December 31, 2016 and 2015

	2016	2015
Assets:		
Total Current Assets	\$ 1,096,600	\$ 1,103,479
Net Capital Assets	\$ 29,208,949	\$ 28,786,796
Other Assets	\$ 4,276,758	\$ 4,163,364
Total Assets	\$ 34,582,307	\$ 34,053,639
Liabilities:		
Total Current Liabilities	\$ 905,814	\$ 946,908
Total Long-Term Liabilities	\$ 12,446,664	\$ 12,912,864
Total Liabilities	\$ 13,352,478	\$ 13,859,772
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 16,296,085	\$ 15,423,076
Restricted	\$ 3,864,004	\$ 3,786,845
Unrestricted	\$ 1,069,740	\$ 983,946
Total Net Assets	\$ 21,229,829	\$ 20,193,867

The Net Position for the year ending December 31, 2016 showed an increase of \$1,035,962 or approximately 5% from the previous year. This increase was due to an increase in capital assets and unrestricted assets.

Edmonson County Water District
 Summary of Changes in Net Position
 December 31, 2016 and 2015

	2016	2015
Total Operating Revenues	\$ 3,045,728	\$ 3,030,223
Total Operating Expenses	\$ 2,929,744	\$ 2,880,606
Operating Income	\$ 115,984	\$ 149,617
Total Nonoperating Revenues (Expense)	\$ (340,570)	\$ (390,719)
Income(Loss) Before Capital Contributions	\$ (224,586)	\$ (241,102)
Capital Contributions	\$ 1,260,548	\$ 464,666
Change in Net Position	\$ 1,035,962	\$ 223,564
Net Position, Beginning of Year	\$ 20,193,867	\$ 19,970,303
Net Position, End of Year	\$ 21,229,829	\$ 20,193,867

Net assets increased \$1,035,962 from the previous year. This increase was due to an increase in capital contributions and change in net assets from the previous year.

The largest portion 77% 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 1% increase from the prior year.

Restricted net assets 18% 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, 2016 were \$29,208,949, which was a net increase of \$422,153 or 2% due to construction projects being completed in 2016 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, 2016, the District had \$12,895,400 bonds outstanding. The District incurred \$426,921 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$448,200 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
Statements of Net Position
December 31, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 877,409	883,035
Accounts Receivable	99,039	93,433
Inventory	78,141	88,940
Prepaid Expenses	42,011	38,071
Total Current Assets	1,096,600	1,103,479
Non-current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,488,738	3,415,144
Cash - Membership Fund	412,754	376,519
Cash - Bond and Interest Redemption Fund	375,266	371,701
Total Restricted Assets	4,276,758	4,163,364
Capital Assets		
Utility Plant in Service	45,306,998	43,925,760
Accumulated Depreciation and Amortization	(16,098,049)	(15,138,964)
Net Capital Assets	29,208,949	28,786,796
Total Non-current Assets	33,485,707	32,950,160
Total Assets	\$ 34,582,307	\$ 34,053,639

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Concluded
December 31, 2016 and 2015

Liabilities	<u>2016</u>	<u>2015</u>
Current Liabilities		
Accounts Payable	\$ 20,640	\$ 20,732
Compensated Absences	82,282	134,253
Accrued Liabilities	<u>9,605</u>	<u>14,473</u>
Total Current Liabilities	<u>112,527</u>	<u>169,458</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	466,200	450,856
Customer Deposits	251,925	247,475
Accrued Interest	<u>75,162</u>	<u>79,119</u>
Total Liabilities Payable from Restricted Assets	<u>793,287</u>	<u>777,450</u>
Long-term Liabilities		
Long-term debt, less current maturities (net)		
Total Long-term Liabilities	<u>12,446,664</u>	<u>12,912,864</u>
Total Liabilities	<u>13,352,478</u>	<u>13,859,772</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	16,296,085	15,423,076
Restricted for Equipment Replacement	3,488,738	3,415,144
Restricted for Debt Retirement	375,266	371,701
Unrestricted	<u>1,069,740</u>	<u>983,946</u>
Total Net Position	<u>\$ 21,229,829</u>	<u>\$ 20,193,867</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Water Sales	\$ 2,904,477	\$ 2,897,789
Sewer Sales	36,164	29,350
Consumers' Forfeited Discounts	60,416	60,337
Service Fees	44,671	42,747
Total operating revenues	<u>3,045,728</u>	<u>3,030,223</u>
Operating expenses:		
Water Treatment	657,126	644,303
Transmission and Distribution	546,277	553,632
Customer Accounts	293,453	277,772
General and Administrative	391,279	385,492
Depreciation	959,084	939,135
Taxes Other than Income	82,525	80,272
Total operating expenses	<u>2,929,744</u>	<u>2,880,606</u>
Operating income	<u>115,984</u>	<u>149,617</u>
Non-operating revenue (expenses):		
Interest Income	41,446	35,950
Interest Expense	(419,378)	(441,419)
Gain (loss) on Disposal of Assets	-	(6,252)
Miscellaneous Income	37,319	30,993
Miscellaneous Expenses	(2,614)	(12,822)
Amortization	2,657	2,831
Total non-operating revenue (expenses)	<u>(340,570)</u>	<u>(390,719)</u>
Income/(loss) before capital contributions	<u>(224,586)</u>	<u>(241,102)</u>
Capital contributions		
Capital Contributions	1,190,000	-
Tap Fees	65,150	64,697
Grants	5,398	399,969
Total capital contributions	<u>1,260,548</u>	<u>464,666</u>
Increase in net position	1,035,962	223,564
Net position:		
Beginning of year	<u>20,193,867</u>	<u>19,970,303</u>
End of year	<u>\$ 21,229,829</u>	<u>\$ 20,193,867</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 3,040,122	\$ 3,040,145
Cash payments to suppliers for goods and services	(834,014)	(975,499)
Cash payments to employees for services	<u>(1,182,267)</u>	<u>(1,127,666)</u>
Net cash provided (used) by operating activities	<u>1,023,841</u>	<u>936,980</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(448,200)	(1,050,698)
Proceeds from long-term debt	-	741,319
Interest paid on long-term debt	(423,335)	(450,603)
Additions to capital assets	(1,381,237)	(589,913)
Capital contributions and other revenue	<u>1,295,253</u>	<u>482,837</u>
Net cash provided (used) in financing activities	<u>(957,519)</u>	<u>(867,058)</u>
Cash flows from investing activities:		
Interest income	<u>41,446</u>	<u>35,950</u>
Net cash provided by (used) in investing activities	<u>41,446</u>	<u>35,950</u>
Net increase (decrease) in cash and cash equivalents	107,768	105,872
Cash and cash equivalents, beginning of year	<u>5,046,399</u>	<u>4,940,527</u>
Cash and cash equivalents, end of year	<u>\$ 5,154,167</u>	<u>\$ 5,046,399</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 115,984	\$ 149,617
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Gain) loss on disposal of assets	-	6,252
Depreciation and amortization	959,085	941,966
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,606)	9,922
(Increase) decrease in inventory	10,799	(1,528)
(Increase) decrease in prepaid expenses	(3,940)	3,360
Increase (decrease) in accounts payable	(92)	(135,562)
Increase (decrease) in compensated absences	(51,971)	(35,089)
Increase (decrease) in customer deposits	4,450	3,700
Increase (decrease) in accrued expenses	<u>(4,868)</u>	<u>(5,658)</u>
Net cash provided (used) by operating activities	<u>\$ 1,023,841</u>	<u>\$ 936,980</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

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, 2016 and 2015

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, 2016. 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 years ending December 31, 2016 and 2015 was \$959,084 and \$939,135, 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, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, the District complied with this requirement.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 2 – Capital Assets

Capital asset activity for the year ended December 31, 2016 and 2015, was as follows:

	For the Year Ended December 31, 2016			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 362,975	\$ -	\$ -	\$ 362,975
Construction In Progress	-	-	-	-
Total Non-Depreciable Capital Assets	<u>362,975</u>	<u>-</u>	<u>-</u>	<u>362,975</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,505,188	16,902	-	4,522,090
Lake, River, and Other Intakes	746,435	-	-	746,435
Supply Mains	226,954	1,277	-	228,231
Collections Sewers Force/Gravity	3,008,971	1,190,000	-	4,198,971
Pumping Equipment	1,667,017	13,069	-	1,680,086
Water Treatment Equipment	1,726,885	7,091	-	1,733,976
Franchise	10,262	-	-	10,262
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission and Distribution Mains	19,972,108	341	-	19,972,449
Services	1,241,072	25,473	-	1,266,545
Meters and Installations	2,845,070	42,511	-	2,887,581
Other Plant	111,888	12,332	-	124,220
Furniture and Equipment	321,213	14,694	-	335,907
Transportation Equipment	320,684	49,803	-	370,487
Communication Equipment	443,211	-	-	443,211
Power Operated Equipment	358,495	7,745	-	366,240
Total Depreciable Capital Assets	<u>43,562,785</u>	<u>1,381,238</u>	<u>-</u>	<u>44,944,023</u>
Less: Accumulated Depreciation and Amortization	<u>15,138,964</u>	<u>959,085</u>	<u>-</u>	<u>16,098,049</u>
Total Net Capital Assets	<u>\$ 28,786,796</u>			<u>\$ 29,208,949</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 2 – Capital Assets, Concluded

	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	2,653,718	359,983	(2,650,726)	362,975
 <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	40,719,998	2,884,999	(42,212)	43,562,785
Less: Accumulated Depreciation and Amortization	14,225,194	939,135	(25,365)	15,138,964
Total Net Capital Assets	\$ 29,148,522			\$ 28,786,796

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</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.	\$ 2,923,000	\$ 3,002,500
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.	221,700	226,800
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.	362,500	370,500
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.	1,080,000	1,097,000
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.	466,000	474,000
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.	1,382,000	1,403,000
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.	523,000	533,000
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.	642,500	654,500

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

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>	1,615,000	1,730,000
<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>	405,000	460,000
<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>	2,535,000	2,640,000
<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>	495,000	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>	158,000	160,000
<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>	86,700	88,300
<p>Total debt</p>	<u>\$ 12,895,400</u>	<u>\$ 13,343,600</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

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>
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	522,300	372,354	894,654
2022-2026	2,581,800	1,603,159	4,184,959
2027-2031	2,481,900	1,150,775	3,632,675
2032-2036	2,102,700	719,074	2,821,774
2037-2041	1,743,700	370,071	2,113,771
2042-2046	1,107,600	136,238	1,243,838
2047-2051	347,500	15,215	362,715
2052-2054	50,500	597	51,097
	<u>\$ 12,895,400</u>	<u>\$ 5,976,737</u>	<u>\$ 18,872,137</u>

Long-term debt activities for the year ended December 31, 2016 and 2015 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 \$17,464 and \$20,120, respectively, for the years ended December 31, 2016 and 2015.

	For the Year Ended December 31, 2016				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
RD Series 2001 A	\$ 3,002,500	\$ -	\$ (79,500)	\$ 2,923,000	\$ 82,500
RD Series 2001 B	226,800	-	(5,100)	221,700	5,300
RD Series 2003	370,500	-	(8,000)	362,500	8,000
RD Series 2007 A	1,097,000	-	(17,000)	1,080,000	18,000
RD Series 2007 B	474,000	-	(8,000)	466,000	8,000
RD Series 2009	1,403,000	-	(21,000)	1,382,000	22,000
RD Series 2010	533,000	-	(10,000)	523,000	10,000
RD Series 2010 B	654,500	-	(12,000)	642,500	12,500
KRWFC 2008 C	460,000	-	(55,000)	405,000	60,000
KRWFC 2012 D	2,640,000	-	(105,000)	2,535,000	105,000
RD Seres 2013 A	504,000	-	(9,000)	495,000	9,000
RD Series 2013 B	160,000	-	(2,000)	158,000	2,500
KRWFC 2013 B	1,730,000	-	(115,000)	1,615,000	120,000
RD Series 2005	88,300	-	(1,600)	86,700	1,700
	<u>\$ 13,343,600</u>	<u>\$ -</u>	<u>\$ (448,200)</u>	<u>\$ 12,895,400</u>	<u>\$ 464,500</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 3 – Long-Term Debt, Concluded

	For the Year Ended December 31, 2015				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
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>

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, 2016 and 2015, respectively and does not expect to incur a liability.

Note 4 – Cash and Investments

The carrying amount of the District's cash deposits was \$5,154,167 and \$5,046,399 for the year ending December 31, 2016 and 2015, respectively and the bank balances, were \$5,153,766 and \$5,068,897. 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 \$3,377,000 and \$3,327,000 for 2016 and 2015 that matured annually. Interest rates range from 0.75% - 0.80%. All of the District's deposits were either insured by FDIC or by collateral pledged by 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, 2016 and 2015 employer contributions were \$66,983 and \$61,795, respectively and employee contributions were \$19,900 and \$19,220. Covered payroll was approximately \$837,000 and \$773,000 for the years ended December 31, 2016 and 2015, respectively.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

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, 2016 and 2015 were \$13,716 and \$9,072. 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 22, 2017, the date which the financial statements were available to be issued.

Supplemental Information

EDMONSON COUNTY WATER DISTRICT
Statement of Revenues, Expenses and
Change in Net Position – Budget and Actual
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Water Sales	\$ 2,932,163	\$ 2,904,477	\$ (27,686)
Sewer Sales	33,577	36,164	2,587
Consumers' Forfeited Discounts	61,297	60,416	(881)
Service Fees	<u>41,816</u>	<u>44,671</u>	<u>2,855</u>
Total operating revenues	<u>3,068,853</u>	<u>3,045,728</u>	<u>(23,125)</u>
Operating expenses:			
Salaries	909,228	897,541	11,687
Employee Benefits	264,367	291,839	(27,472)
Purchased Power	244,015	228,029	15,986
Chemicals	91,575	80,696	10,879
Materials and supplies	170,980	116,813	54,167
Depreciation	907,500	959,084	(51,584)
Transportation	44,600	36,998	7,602
Taxes Other Than Income	82,803	82,525	278
Contractual Services	162,550	115,428	47,122
Avertising	1,000	904	96
Miscellaneous	49,000	44,237	4,763
Insurance	66,651	67,175	(524)
Bad Debts	<u>15,330</u>	<u>8,475</u>	<u>6,855</u>
Total operating expenses	<u>3,009,599</u>	<u>2,929,744</u>	<u>79,855</u>
Operating income	<u>59,254</u>	<u>115,984</u>	<u>56,730</u>
Non-operating revenue (expenses):			
Interest Income	35,532	41,446	5,914
Interest Expense	(447,892)	(419,378)	28,514
Miscellaneous Income	24,000	37,319	13,319
Miscellaneous Expenses	-	(2,614)	(2,614)
Amortization	<u>(3,500)</u>	<u>2,657</u>	<u>6,157</u>
Total non-operating revenue (expenses)	<u>(391,860)</u>	<u>(340,570)</u>	<u>51,290</u>
Income/(loss) before capital contributions	<u>(332,606)</u>	<u>(224,586)</u>	<u>108,020</u>
Capital contributions			
Capital Contributions	-	1,190,000	1,190,000
Tap Fees	59,500	65,150	5,650
Grants	<u>-</u>	<u>5,398</u>	<u>5,398</u>
Total capital contributions	<u>59,500</u>	<u>1,260,548</u>	<u>11,048</u>
Increase in net position	(273,106)	1,035,962	119,068
Net position:			
Beginning of year	<u>20,193,867</u>	<u>20,193,867</u>	<u>-</u>
End of year	<u>\$ 19,920,761</u>	<u>\$ 21,229,829</u>	<u>\$ -</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position - Water
December 31, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 721,881	\$ 739,015
Accounts Receivable	98,395	93,122
Inventory	78,141	88,940
Prepaid Expenses	40,661	37,721
Total Current Assets	939,078	958,798
Non-current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,482,683	3,409,140
Cash - Membership Fund	412,754	376,519
Cash - Bond and Interest Redemption Fund	375,140	371,686
Total Restricted Assets	4,270,577	4,157,345
Capital Assets		
Utility Plant in Service	40,780,584	40,589,346
Accumulated Depreciation and Amortization	(15,634,910)	(14,770,865)
Net Capital Assets	25,145,674	25,818,481
Total Non-current Assets	29,416,251	29,975,826
Total Assets	\$ 30,355,329	\$ 30,934,624

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Water, Concluded
December 31, 2016 and 2015

Liabilities	<u>2016</u>	<u>2015</u>
Current Liabilities		
Accounts Payable	\$ 19,491	\$ 19,259
Compensated Absences	82,282	134,253
Accrued Liabilities	<u>9,605</u>	<u>14,473</u>
Total Current Liabilities	<u>111,378</u>	<u>167,985</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	464,500	449,256
Customer Deposits	251,925	247,475
Accrued Interest	<u>75,162</u>	<u>79,119</u>
Total Liabilities Payable from Restricted Assets	<u>791,587</u>	<u>775,850</u>
Long-term Liabilities		
Long-term debt, less current maturities (net)	<u>12,361,664</u>	<u>12,826,164</u>
Total Long-term Liabilities	<u>12,361,664</u>	<u>12,826,164</u>
Total Liabilities	<u>13,264,629</u>	<u>13,769,999</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	12,319,510	12,543,061
Restricted for Equipment Replacement	3,482,683	3,409,140
Restricted for Debt Retirement	299,978	292,567
Unrestricted	<u>988,529</u>	<u>919,857</u>
Total Net Position	<u>\$ 17,090,700</u>	<u>\$ 17,164,625</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and
Changes in Net Position - Water
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Water Sales	\$ 2,904,477	\$ 2,897,789
Consumers' Forfeited Discounts	60,021	59,918
Service Fees	44,671	42,747
Total operating revenues	3,009,169	3,000,454
Operating expenses:		
Water Treatment	657,126	644,303
Transmission and Distribution	523,860	535,889
Customer Accounts	293,453	277,772
General and Administrative	391,279	385,492
Depreciation	864,043	881,928
Taxes Other than Income	81,961	79,325
Total operating expenses	2,811,722	2,804,709
Operating income	197,447	195,745
Non-operating revenue (expenses):		
Interest Income	40,301	35,087
Interest Expense	(415,625)	(437,602)
Gain (loss) on Disposal of Assets	-	(6,252)
Miscellaneous Income	37,319	30,993
Miscellaneous Expenses	(1,174)	(6,905)
Amortization	2,657	2,831
Total non-operating revenue (expenses)	(336,522)	(381,848)
Income/(loss) before capital contributions	(139,075)	(186,103)
Capital contributions		
Tap Fees	65,150	64,697
Grants	-	286,000
Total capital contributions	65,150	350,697
Increase in net position	(73,925)	164,594
Net position:		
Beginning of year	17,164,625	17,000,031
End of year	\$ 17,090,700	\$ 17,164,625

EDMONSON COUNTY WATER DISTRICT
Statements of Operating Expenses- Water
For the Years Ended December 31, 2016 and 2015

Water Treatment			
Salaries	\$	297,016	\$ 295,726
Employee Benefits		74,311	59,518
Purchased Power		143,188	145,612
Chemicals		80,696	82,766
Materials and Supplies		17,071	18,752
Contractual Services		36,089	34,198
Transportation		5,028	4,187
Miscellaneous		3,727	3,544
		<u>657,126</u>	<u>644,303</u>
Transmission and Distribution			
Salaries		255,900	252,904
Employee Benefits		93,995	95,898
Purchased Power		75,903	89,147
Materials and Supplies		37,575	28,261
Contractual Services		26,088	34,477
Transportation		30,418	32,656
Miscellaneous		3,981	2,546
		<u>523,860</u>	<u>535,889</u>
Customer Accounts			
Salaries		145,895	140,670
Employee Benefits		64,449	52,614
Materials and Supplies		48,705	50,320
Bad Debts		8,475	11,519
Miscellaneous		25,929	22,649
		<u>293,453</u>	<u>277,772</u>
Administrative and General			
Salaries		180,710	179,996
Employee Benefits		59,084	49,163
Purchased Power		4,541	5,504
Materials and Supplies		13,462	11,809
Contractual Services		53,251	53,718
Transportation		1,552	1,982
Insurance		67,175	69,203
Advertising		904	609
Miscellaneous		10,600	13,508
		<u>391,279</u>	<u>385,492</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer
December 31, 2016 and 2015

Assets

Current Assets	<u>2016</u>	<u>2015</u>
Cash	\$ 155,528	\$ 144,020
Accounts Receivable	644	311
Prepaid Expenses	<u>1,350</u>	<u>350</u>
Total Current Assets	<u>157,522</u>	<u>144,681</u>
Non-current Assets		
Restricted Assets		
Cash - Depreciation Fund	6,055	6,004
Cash - Bond and interest redemption Fund	<u>126</u>	<u>15</u>
Total Restricted Assets	<u>6,181</u>	<u>6,019</u>
Capital Assets		
Utility Plant in Service	4,526,414	3,336,414
Accumulated Depreciation and Amortization	<u>(463,139)</u>	<u>(368,099)</u>
Net Capital Assets	<u>4,063,275</u>	<u>2,968,315</u>
Total Non-current Assets	<u>4,069,456</u>	<u>2,974,334</u>
Total Assets	<u>\$ 4,226,978</u>	<u>\$ 3,119,015</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer, Concluded
December 31, 2016 and 2015

Liabilities	<u>2016</u>	<u>2015</u>
Current Liabilities		
Accounts Payable	\$ 1,149	\$ 1,473
Total Current Liabilities	1,149	1,473
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	1,700	1,600
Total Liabilities Payable from Restricted Assets	1,700	1,600
Long-term Liabilities		
Long-term debt, less current maturities (net)	85,000	86,700
Total Long-term Liabilities	85,000	86,700
Total Liabilities	87,849	89,773
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	3,976,575	2,880,015
Restricted for Equipment Replacement	6,055	6,004
Restricted for Debt Retirement	126	15
Unrestricted	156,373	143,208
Total Net Position	\$ 4,139,129	\$ 3,029,242

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position - Sewer
For the Year Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Sewer Sales	\$ 36,164	\$ 29,350
Consumers' Forfeited Discounts	395	419
Total operating revenues	<u>36,559</u>	<u>29,769</u>
Operating expenses:		
Labor	18,020	15,251
Purchased Power	4,397	2,492
Taxes Other than Income	564	947
Depreciation	95,041	57,207
Total operating expenses	<u>118,022</u>	<u>75,897</u>
Operating income	<u>(81,463)</u>	<u>(46,128)</u>
Non-operating revenue (expenses):		
Interest Income	1,145	863
Interest Expense	(3,753)	(3,817)
Miscellaneous Expenses	(1,440)	(5,917)
Total non-operating revenue (expenses)	<u>(4,048)</u>	<u>(8,871)</u>
Income/(loss) before capital contributions	<u>(85,511)</u>	<u>(54,999)</u>
Capital contributions		
Capital contributions	1,190,000	-
Grants	5,398	113,969
Total capital contributions	<u>1,195,398</u>	<u>113,969</u>
Increase in net position	1,109,887	58,970
Net position:		
Beginning of year	<u>3,029,242</u>	<u>2,970,272</u>
End of year	<u>\$ 4,139,129</u>	<u>\$ 3,029,242</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, 2016 and 2015, 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 22, 2017.

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 22, 2017

