

Edmonson County Water District

Financial Statements

December 31, 2018 and 2017

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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 the business-type activities of the Edmonson County Water District, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Edmonson County Water District, as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 6 and 9 to the financial statements, in 2018, the District adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 and OPEB liability and contribution information on pages 31 and 32 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 was 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 16, 2019, 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 16, 2019

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2018 and 2017**

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, 2018. This information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Operating revenues for the year ending December 31, 2018 were \$3,126,126 or an increase of 1.54%. This increase was due to an increase in water sales. There was also an increase in interest income due to an increase in interest rates.

Operating expenses for the year ending December 31, 2018 were \$3,055,631 or an increase of 3.71%. Expenses were up due to an increase in salaries, contractual services and depreciation expense.

Total assets for the year ending December 31, 2018 were \$32,611,411 or a decrease of 5.11% while total liabilities were \$12,728,475 or a decrease of 3.60%.

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, 2018 and 2017 and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Each years' revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Edmonson County Water District's operations over the past two years.

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2018 and 2017**

Edmonson County Water District
Summary of Net Position
December 31, 2018 and 2017

The Net Position for the year ending December 31, 2018 showed a decrease of \$1,280,477 or approximately 6.05% from the previous year.

Edmonson County Water District
Summary of Changes in Net Position
December 31, 2018 and 2017

	<u>2018</u>	Restated <u>2017</u>
Total operating revenues	\$ 3,126,126	\$ 3,078,861
Total operating expenses	<u>3,055,631</u>	<u>2,946,401</u>
Operating income	<u>70,495</u>	<u>132,460</u>
Total non-operating revenue (expenses)	<u>(317,744)</u>	<u>(318,886)</u>
Income (loss) before capital contributions	<u>(247,249)</u>	<u>(186,426)</u>
Total capital contributions and donated assets	<u>(1,033,228)</u>	<u>96,050</u>
Increase (decrease) in Net Position	<u>(1,280,477)</u>	<u>(90,376)</u>
Net Position, beginning of year, restated	<u>21,163,413</u>	<u>21,253,789</u>
Net Position, end of year	<u>\$ 19,882,936</u>	<u>\$ 21,163,413</u>

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2018 and 2017**

The largest portion (73.2%) 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 an 8.61% decrease from the prior year.

Restricted Net Position (21.4%) represent resources that are subject to external restrictions on how they may be used.

The balance (5.4%) 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, 2018 were \$26,516,288, which was a net decrease of \$1,853,652 or 6.53% due to no new construction projects being completed and the District donating \$1,190,000 in assets to Caveland Environmental Authority.

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. The District did emend the operating budget for the year 2018. Variations between the budget and actual results were due to a high turnover in employees in different departments and positions which resulted in a reduction of benefits for retirement. There was a decrease in chemical expense due to not having to use as many chemicals in the treatment process.

DEBT ADMINISTRATION

At December 31, 2018, the District had \$11,950,100 bonds outstanding plus unamortized bond premium of \$12,696 for a total liability of \$11,962,796. The District incurred \$397,312 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$480,800 for the year. The Water District did not incur any additional long- term debt for projects in 2018 and did not have any significant changes in fixed assets or changes in credit.

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, 2018 and 2017

Assets	<u>2018</u>	Restated <u>2017</u>
Current Assets		
Cash	\$ 1,333,468	\$ 1,321,751
Accounts Receivable	99,022	112,888
Inventory	79,174	82,287
Prepaid Expenses	40,724	40,269
Total Current Assets	1,552,388	1,557,195
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,739,141	3,613,791
Cash - Membership Fund	404,534	431,772
Cash - Bond and Interest Redemption Fund	399,060	393,930
Total Restricted Assets	4,542,735	4,439,493
Capital Assets		
Utility Plant in Service	44,427,734	45,444,141
Accumulated Depreciation and Amortization	(17,911,446)	(17,074,201)
Net Capital Assets	26,516,288	28,369,940
Total Non-Current Assets	31,059,023	32,809,433
Total Assets	\$ 32,611,411	\$ 34,366,628

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Concluded
December 31, 2018 and 2017

Liabilities	<u>2018</u>	Restated <u>2017</u>
Current Liabilities		
Accounts Payable	\$ 20,217	\$ 18,798
Compensated Absences	96,844	82,574
Accrued Liabilities	2,993	11,447
Total Current Liabilities	120,054	112,819
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	497,600	480,800
Customer Deposits	261,125	256,150
Accrued Interest	67,001	68,751
Total Liabilities Payable from Restricted Assets	825,726	805,701
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	11,465,196	11,965,089
Retiree Health Payable	317,499	319,606
Total Long-Term Liabilities	11,782,695	12,284,695
Total Liabilities	12,728,475	13,203,215
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	14,553,492	15,924,051
Restricted for Equipment Replacement	3,739,141	3,613,791
Restricted for Membership Deposits	143,409	431,772
Restricted for Debt Retirement	332,059	393,930
Unrestricted	1,480,338	1,180,926
Total Net Position	\$ 19,882,936	\$ 21,163,413

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
Operating revenues:		
Water Sales	\$ 2,986,280	\$ 2,930,647
Sewer Sales	37,711	41,372
Consumers' Forfeited Discounts	60,337	62,906
Service Fees	<u>41,798</u>	<u>43,936</u>
Total operating revenues	<u>3,126,126</u>	<u>3,078,861</u>
Operating expenses:		
Water Treatment	723,642	602,375
Transmission and Distribution	609,596	591,076
Customer Accounts	276,943	277,055
General and Administrative	394,172	419,358
Depreciation	972,454	976,152
Taxes Other than Income	<u>78,824</u>	<u>80,385</u>
Total operating expenses	<u>3,055,631</u>	<u>2,946,401</u>
Operating income	<u>70,495</u>	<u>132,460</u>
Non-operating revenue (expenses):		
Interest Income	56,196	45,741
Interest Expense	(397,312)	(407,618)
Miscellaneous Income	28,664	42,822
Miscellaneous Expenses	(7,584)	(2,306)
Amortization	<u>2,292</u>	<u>2,475</u>
Total non-operating revenue (expenses)	<u>(317,744)</u>	<u>(318,886)</u>
Income (loss) before capital contributions	<u>(247,249)</u>	<u>(186,426)</u>
Capital contributions and donations		
Donated assets	(1,121,114)	-
Tap Fees	<u>87,886</u>	<u>96,050</u>
Total capital contributions	<u>(1,033,228)</u>	<u>96,050</u>
Increase (decrease) in net position	(1,280,477)	(90,376)
Net position:		
Beginning of year, restated	<u>21,163,413</u>	<u>21,253,789</u>
End of year	<u>\$ 19,882,936</u>	<u>\$ 21,163,413</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, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 3,139,992	\$ 3,065,013
Cash payments to suppliers for goods and services	(967,588)	(881,952)
Cash payments to employees for services	<u>(1,105,120)</u>	<u>(1,128,373)</u>
Net cash provided (used) by operating activities	<u>1,067,284</u>	<u>1,054,688</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(478,508)	(464,500)
Interest paid on long-term debt	(399,062)	(414,029)
Additions to capital assets	(250,913)	(137,143)
Capital contributions and other revenue	<u>119,962</u>	<u>136,566</u>
Net cash provided (used) in financing activities	<u>(1,008,521)</u>	<u>(879,106)</u>
Cash flows from investing activities:		
Interest income	<u>56,196</u>	<u>45,741</u>
Net cash provided by (used) in investing activities	<u>56,196</u>	<u>45,741</u>
Net increase (decrease) in cash and cash equivalents	114,959	221,323
Cash and cash equivalents, beginning of year	<u>5,761,244</u>	<u>5,539,921</u>
Cash and cash equivalents, end of year	<u>\$ 5,876,203</u>	<u>\$ 5,761,244</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 70,495	\$ 132,460
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	970,162	976,152
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	13,866	(13,848)
(Increase) decrease in inventory	3,113	(4,146)
(Increase) decrease in prepaid expenses	(455)	1,742
Increase (decrease) in accounts payable	1,419	(1,842)
Increase (decrease) in compensated absences	14,270	(29,650)
Increase (decrease) in customer deposits	4,975	4,225
Increase (decrease) in retiree health payable	(2,107)	(12,247)
Increase (decrease) in accrued expenses	<u>(8,454)</u>	<u>1,842</u>
Net cash provided (used) by operating activities	<u>\$ 1,067,284</u>	<u>\$ 1,054,688</u>

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

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017

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 does 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, 2018. 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, 2018 and 2017 was \$972,454 and \$976,152, 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, 2018 and 2017

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

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, 2018 and 2017, 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, 2018 and 2017, the District complied with this requirement.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

Note 2 – Capital Assets

Capital asset activity for the year ended December 31, 2018 and 2017, was as follows:

	For the Year Ended December 31, 2018			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 365,592	\$ 4,575	\$ -	\$ 370,167
Total Non-Depreciable Capital Assets	<u>365,592</u>	<u>4,575</u>	<u>-</u>	<u>370,167</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,533,622	24,650	-	4,558,272
Lake, River, and Other Intakes	751,570	-	-	751,570
Supply Mains	228,231	-	-	228,231
Collections Sewers Force/Gravity	4,198,971	-	-	4,198,971
Pumping Equipment	1,680,086	6,171	-	1,686,257
Water Treatment Equipment	1,736,329	2,274	-	1,738,603
Franchise	10,262	-	-	10,262
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission and Distribution Mains	19,974,451	778	(1,190,000)	18,785,229
Services	1,297,702	31,244	-	1,328,946
Meters and Installations	2,946,208	76,597	-	3,022,805
Other Plant	134,833	4,731	-	139,564
Furniture and Equipment	349,014	-	-	349,014
Transportation Equipment	370,487	66,553	(36,071)	400,969
Communication Equipment	443,211	33,340	-	476,551
Power Operated Equipment	366,240	-	(41,249)	324,991
Total Depreciable Capital Assets	<u>45,078,549</u>	<u>246,338</u>	<u>(1,267,320)</u>	<u>44,057,567</u>
Less: Accumulated Depreciation and Amortization	<u>17,074,201</u>	<u>972,454</u>	<u>(135,209)</u>	<u>17,911,446</u>
Total Net Capital Assets	<u>\$ 28,369,940</u>			<u>\$ 26,516,288</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

Note 2 – Capital Assets, Concluded

	For the Year Ended December 31, 2017			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 362,975	\$ 2,617	\$ -	\$ 365,592
Construction In Progress	-	-	-	-
Total Non-Depreciable Capital Assets	<u>362,975</u>	<u>2,617</u>	<u>-</u>	<u>365,592</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,522,090	11,532	-	4,533,622
Lake, River, and Other Intakes	746,435	5,135	-	751,570
Supply Mains	228,231	-	-	228,231
Collections Sewers Force/Gravity	4,198,971	-	-	4,198,971
Pumping Equipment	1,680,086	-	-	1,680,086
Water Treatment Equipment	1,733,976	2,353	-	1,736,329
Franchise	10,262	-	-	10,262
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission and Distribution Mains	19,972,449	2,002	-	19,974,451
Services	1,266,545	31,157	-	1,297,702
Meters and Installations	2,887,581	58,627	-	2,946,208
Other Plant	124,220	10,613	-	134,833
Furniture and Equipment	335,907	13,107	-	349,014
Transportation Equipment	370,487	-	-	370,487
Communication Equipment	443,211	-	-	443,211
Power Operated Equipment	366,240	-	-	366,240
Total Depreciable Capital Assets	<u>44,944,023</u>	<u>134,526</u>	<u>-</u>	<u>45,078,549</u>
Less: Accumulated Depreciation and Amortization	<u>16,098,049</u>	<u>976,152</u>	<u>-</u>	<u>17,074,201</u>
Total Net Capital Assets	<u>\$ 29,208,949</u>			<u>\$ 28,369,940</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</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.	\$ 2,755,500	\$ 2,840,500
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.	210,800	216,400
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.	346,000	354,500
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.	1,043,000	1,062,000
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.	450,000	458,000
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.	1,337,000	1,360,000
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.	502,500	513,000

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

Note 3 – Long-Term Debt, Continued

<p>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.</p>	617,000	630,000
<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 2.3% to 3.3% due semi-annually on January 1 and July 1.</p>	1,375,000	1,495,000
<p>Series 2008 C Water Revenue Bonds issued through the Kentucky Rural Water Finance Corporation in the amount of \$830,000; due in annual installments on January 1 ranging from \$45,000 to \$75,000 through January 2022; interest rates ranging from 2.35% to 4.175% due semi-annually on January 1 and July 1.</p>	280,000	345,000
<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>	2,320,000	2,430,000
<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>	477,000	486,000
<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>	153,000	155,500
<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>	83,300	85,000
<p>Total debt</p>	<u>\$ 11,950,100</u>	<u>\$ 12,430,900</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

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>
2019	\$ 497,600	\$ 405,094	\$ 902,694
2020	514,500	349,047	863,547
2021	522,300	372,354	894,654
2022	542,200	355,169	897,369
2023	484,000	336,848	820,848
2024-2028	2,686,100	1,427,092	4,113,192
2029-2033	2,336,700	972,728	3,309,428
2034-2038	1,850,900	568,065	2,418,965
2039-2043	1,431,300	262,113	1,693,413
2044-2048	909,000	67,163	976,163
2049-2053	175,500	5,951	181,451
	<u>\$ 11,950,100</u>	<u>\$ 5,121,624</u>	<u>\$ 17,071,724</u>

Long-term debt activities for the year ended December 31, 2018 and 2017 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 \$12,696 and \$14,989, respectively, for the years ended December 31, 2018 and 2017. No interest was capitalized during 2018 or 2017; interest incurred and charged to expense for the year ended December 31, 2018 and 2017 totaled \$397,312 and \$407,618, respectively.

	For the Year Ended December 31, 2018				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
RD Series 2001 A	\$ 2,840,500	\$ -	\$ (85,000)	\$ 2,755,500	\$ 87,500
RD Series 2001 B	216,400	-	(5,600)	210,800	5,800
RD Series 2003	354,500	-	(8,500)	346,000	9,000
RD Series 2007 A	1,062,000	-	(19,000)	1,043,000	20,000
RD Series 2007 B	458,000	-	(8,000)	450,000	9,000
RD Series 2009	1,360,000	-	(23,000)	1,337,000	24,000
RD Series 2010	513,000	-	(10,500)	502,500	10,500
RD Series 2010 B	630,000	-	(13,000)	617,000	13,000
KRWFC 2008 C	345,000	-	(65,000)	280,000	65,000
KRWFC 2012 D	2,430,000	-	(110,000)	2,320,000	115,000
RD Series 2013 A	486,000	-	(9,000)	477,000	9,500
RD Series 2013 B	155,500	-	(2,500)	153,000	2,500
KRWFC 2013 B	1,495,000	-	(120,000)	1,375,000	125,000
RD Series 2005	85,000	-	(1,700)	83,300	1,800
	<u>\$ 12,430,900</u>	<u>\$ -</u>	<u>\$ (480,800)</u>	<u>\$ 11,950,100</u>	<u>\$ 497,600</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

Note 3 – Long-Term Debt, Concluded

	For the Year Ended December 31, 2017				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
RD Series 2001 A	\$ 2,923,000	\$ -	\$ (82,500)	\$ 2,840,500	\$ 85,000
RD Series 2001 B	221,700	-	(5,300)	216,400	5,600
RD Series 2003	362,500	-	(8,000)	354,500	8,500
RD Series 2007 A	1,080,000	-	(18,000)	1,062,000	19,000
RD Series 2007 B	466,000	-	(8,000)	458,000	8,000
RD Series 2009	1,382,000	-	(22,000)	1,360,000	23,000
RD Series 2010	523,000	-	(10,000)	513,000	10,500
RD Series 2010 B	642,500	-	(12,500)	630,000	13,000
KRWFC 2008 C	405,000	-	(60,000)	345,000	65,000
KRWFC 2012 D	2,535,000	-	(105,000)	2,430,000	110,000
RD Series 2013 A	495,000	-	(9,000)	486,000	9,000
RD Series 2013 B	158,000	-	(2,500)	155,500	2,500
KRWFC 2013 B	1,615,000	-	(120,000)	1,495,000	120,000
RD Series 2005	86,700	-	(1,700)	85,000	1,700
	<u>\$ 12,895,400</u>	<u>\$ -</u>	<u>\$ (464,500)</u>	<u>\$ 12,430,900</u>	<u>\$ 480,800</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, 2018 and 2017, respectively and does not expect to incur a liability.

Note 4 – Cash and Investments

The carrying amount of the District's cash deposits was \$5,876,203 and \$5,761,244 for the years ending December 31, 2018 and 2017, respectively and the bank balances, were \$6,258,959 and \$5,468,612. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank. The District has no formal investment policy, but currently uses only local financial institutions. The District's deposits included seven certificates of deposit totaling approximately \$3,576,000 and \$3,478,000 for 2018 and 2017 that matured annually. Interest rates at December 31, 2018 ranged from 0.90% - 1.25% while December 31, 2017 rates were 0.90%. 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 which excludes overtime wages 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, 2018 and 2017 employer contributions were \$51,606 and \$57,186, respectively and employee contributions were \$17,809 and \$18,731. Covered payroll was approximately \$645,090 and \$715,369 for the years ended December 31, 2018 and 2017, respectively.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

Note 6 – Other Postemployment Benefits (OPEB)

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. The plan is considered to be a single-employer plan, due to the District being the only participant administering the plan. 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's measurement date is as of December 31, 2018.

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, 2018 and 2017 were \$0 and \$0.

The plan does not issue separate financial reports detailing the plan's assets, deferred outflows and inflows, and liabilities nor is included in other government financials as a fiduciary fund.

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.

The following table shows the funded status of the Net OPEB liability:

Net OPEB liability	<u>12/31/2018</u>	<u>12/31/2017</u>
Benefit obligation at end of year	\$ 317,499	\$ 319,606
Fair value of plan assets at end of year	<u>365,503</u>	<u>381,057</u>
Over/(under) funded status at end of year	<u>\$ 48,004</u>	<u>\$ 61,451</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

Note 6 – Other Postemployment Benefits (OPEB), Concluded

As of December 31, 2018, the District reported a total net OPEB liability of \$317,499 and \$319,060 at December 31, 2017. The District recognized \$17,167 and \$(467) in OPEB expense as of December 31, 2018 and 2017, respectively. These amounts are included in the operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position.

The following table displays the changes in the plan's balance during the 2018 year:

Change in Net OPEB liability	<u>12/31/2018</u>	<u>12/31/2017</u>
Net OPEB liability at beginning of year	\$ 319,606	\$ 331,853
Plan expense	25,596	23,976
District payments	(18,200)	(6,739)
Forfeited benefits	<u>(9,503)</u>	<u>(29,484)</u>
Net OPEB liability at end of year	<u>\$ 317,499</u>	<u>\$ 319,606</u>

The District calculates the liability based on prorated years of service. Forfeited benefits are based on employees that the District once accounted for but are no longer employed and failed to meet plan requirements to receive benefits. As of December 31, 2018, the District has three inactive employees receiving benefits, zero inactive employees entitled to benefits, and twenty-four active employees eligible to receive benefits once they meet plan requirements. As of December 31, 2017, the District has three inactive employees receiving benefits, zero inactive employees entitled to benefits, and twenty-two active employees eligible to receive benefits once they meet plan requirements.

Note 7 – Deferred Inflows/Deferred Outflows of Resources

In addition to assets, the Statement of Net 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 Net 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 8- Subsequent Events

Management has evaluated subsequent events through February 16, 2019, the date which the financial statements were available to be issued.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2018 and 2017

Note 9- Restatement

Net position as of January 1, 2017 has been adjusted for a change in accounting principle to recognize the Net OPEB liability as required by GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. The effect of this change was a decrease of \$331,853 to beginning net position. The District was also required to recognize the Net OPEB assets. The effect of this change was an increase to beginning net position of \$385,755.

Net position as of January 1, 2017 has been restated for a correction of error. The District had not previously recorded additional accrued benefits. The effect of this change was a decrease in net position of \$29,942, and a decrease in change in net position for the year ended December 31, 2017 of \$17,911.

These changes only affected the Water Fund. A reconciliation of the prior period beginning net position to the prior year beginning net position for the Governmental Activities is as follows:

	2017	
	Government wide	Water Fund
Net Position as previously stated on January 1, 2017	\$ 21,229,829	\$ 17,090,700
Cash	385,755	385,755
Net OPEB liability	(331,853)	(331,853)
Accrued benefits	(29,942)	(29,942)
Beginning net position on January 1, 2017	\$ 21,253,789	\$ 17,114,660

Supplemental Information

EDMONSON COUNTY WATER DISTRICT
Statement of Revenues, Expenses and
Change in Net Position – Budget and Actual
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Water Sales	\$ 2,946,443	\$ 2,946,443	\$ 2,986,280	\$ 39,837
Sewer Sales	39,000	39,000	37,711	(1,289)
Consumers' Forfeited Discounts	53,663	53,663	60,337	6,674
Service Fees	46,963	46,963	41,798	(5,165)
Total operating revenues	<u>3,086,069</u>	<u>3,086,069</u>	<u>3,126,126</u>	<u>40,057</u>
Operating expenses:				
Salaries	913,094	913,094	939,485	(26,391)
Employee Benefits	261,555	261,555	226,337	35,218
Purchased Power	242,535	242,535	237,424	5,111
Chemicals	92,482	92,482	80,084	12,398
Materials and Supplies	183,420	183,420	140,209	43,211
Depreciation	1,055,000	1,055,000	972,454	82,546
Transportation	43,350	43,350	50,963	(7,613)
Taxes Other Than Income	87,854	87,854	78,824	9,030
Contractual Services	169,533	234,633	205,779	28,854
Advertising	1,800	1,800	1,308	492
Miscellaneous	56,600	56,600	46,572	10,028
Insurance	73,200	73,200	67,162	6,038
Bad Debts	12,000	12,000	9,030	2,970
Total operating expenses	<u>3,192,423</u>	<u>3,257,523</u>	<u>3,055,631</u>	<u>201,892</u>
Operating income	<u>(106,354)</u>	<u>(171,454)</u>	<u>70,495</u>	<u>241,949</u>
Non-operating revenue (expenses):				
Interest Income	42,386	42,386	56,196	13,810
Interest Expense	(419,423)	(419,423)	(397,312)	22,111
Gain (loss) on Disposal of Assets	4,000	4,000	-	(4,000)
Miscellaneous Income	32,000	32,000	28,664	(3,336)
Miscellaneous Expenses	-	-	(7,584)	(7,584)
Amortization	-	-	2,292	2,292
Total non-operating revenue (expenses)	<u>(341,037)</u>	<u>(341,037)</u>	<u>(317,744)</u>	<u>23,293</u>
Income (loss) before capital contributions	<u>(447,391)</u>	<u>(512,491)</u>	<u>(247,249)</u>	<u>265,242</u>
Capital contributions				
Tap Fees	76,000	76,000	87,886	11,886
Donated Assets	-	-	(1,121,114)	(1,121,114)
Total capital contributions	<u>76,000</u>	<u>76,000</u>	<u>(1,033,228)</u>	<u>(1,109,228)</u>
Increase (decrease) in net position	(371,391)	(436,491)	(1,280,477)	(843,986)
Net position:				
Beginning of year, restated	21,163,413	21,163,413	21,163,413	-
End of year	<u>\$ 20,792,022</u>	<u>\$ 20,726,922</u>	<u>\$ 19,882,936</u>	<u>\$ (843,986)</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position - Water
December 31, 2018 and 2017

Assets	<u>2018</u>	<u>Restated 2017</u>
Current Assets		
Cash	\$ 1,158,682	\$ 1,156,169
Accounts Receivable	97,822	112,416
Inventory	79,174	82,287
Prepaid Expenses	39,374	38,919
Total Current Assets	<u>1,375,052</u>	<u>1,389,791</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,732,979	3,607,684
Cash - Membership Fund	404,534	431,772
Cash - Bond and Interest Redemption Fund	394,884	386,610
Total Restricted Assets	<u>4,532,397</u>	<u>4,426,066</u>
Capital Assets		
Utility Plant in Service	41,072,860	40,917,727
Accumulated Depreciation and Amortization	<u>(17,317,574)</u>	<u>(16,512,054)</u>
Net Capital Assets	<u>23,755,286</u>	<u>24,405,673</u>
Total Non-Current Assets	<u>28,287,683</u>	<u>28,831,739</u>
 Total Assets	 <u>\$ 29,662,735</u>	 <u>\$ 30,221,530</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Water, Concluded
December 31, 2018 and 2017

Liabilities	<u>2018</u>	Restated <u>2017</u>
Current Liabilities		
Accounts Payable	\$ 15,050	\$ 15,877
Compensated Absences	96,844	82,574
Accrued Liabilities	<u>2,993</u>	<u>11,447</u>
Total Current Liabilities	<u>114,887</u>	<u>109,898</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	495,800	479,100
Customer Deposits	261,125	256,150
Accrued Interest	<u>67,001</u>	<u>68,751</u>
Total Liabilities Payable from Restricted Assets	<u>823,926</u>	<u>804,001</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	11,383,696	11,881,789
Retiree Health Payable	<u>317,499</u>	<u>319,606</u>
Total Long-Term Liabilities	<u>11,701,195</u>	<u>12,201,395</u>
 Total Liabilities	 <u>12,640,008</u>	 <u>13,115,294</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	11,875,790	12,044,784
Restricted for Equipment Replacement	3,732,979	3,607,684
Restricted for Membership Deposits	143,409	175,622
Restricted for Debt Retirement	327,883	317,859
Unrestricted	<u>1,308,169</u>	<u>1,341,344</u>
 Total Net Position	 <u>\$ 17,022,727</u>	 <u>\$ 17,106,236</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and
Changes in Net Position - Water
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
Operating revenues:		
Water Sales	\$ 2,986,280	\$ 2,930,647
Consumers' Forfeited Discounts	59,988	62,521
Service Fees	41,798	43,936
Total operating revenues	<u>3,088,066</u>	<u>3,037,104</u>
Operating expenses:		
Water Treatment	723,642	602,375
Transmission and Distribution	585,611	563,898
Customer Accounts	276,943	277,055
General and Administrative	394,172	419,358
Depreciation	883,210	877,144
Taxes Other than Income	78,496	79,763
Total operating expenses	<u>2,942,074</u>	<u>2,819,593</u>
Operating income	<u>145,992</u>	<u>217,511</u>
Non-operating revenue (expenses):		
Interest Income	54,600	44,464
Interest Expense	(393,699)	(403,933)
Miscellaneous Income	28,664	42,822
Miscellaneous Expenses	(5,646)	2,243
Amortization	2,292	2,475
Total non-operating revenue (expenses)	<u>(313,789)</u>	<u>(311,929)</u>
Income (loss) before capital contributions	<u>(167,797)</u>	<u>(94,418)</u>
Capital contributions		
Tap Fees	84,288	85,994
Total capital contributions	<u>84,288</u>	<u>85,994</u>
Increase (decrease) in net position	(83,509)	(8,424)
Net position:		
Beginning of year, restated	<u>17,106,236</u>	<u>17,114,660</u>
End of year	<u>\$ 17,022,727</u>	<u>\$ 17,106,236</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Operating Expenses- Water
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>
Water Treatment		
Salaries	\$ 317,893	\$ 282,258
Employee Benefits	47,378	49,402
Purchased Power	144,721	136,400
Chemicals	80,084	73,239
Materials and Supplies	13,789	17,140
Contractual Services	105,762	32,268
Transportation	7,172	5,464
Miscellaneous	6,843	6,204
	<u>\$ 723,642</u>	<u>\$ 602,375</u>
Transmission and Distribution		
Salaries	\$ 279,100	\$ 254,892
Employee Benefits	82,446	84,372
Purchased Power	84,013	89,501
Materials and Supplies	69,169	38,566
Contractual Services	20,818	56,120
Transportation	42,178	37,321
Miscellaneous	7,887	3,126
	<u>\$ 585,611</u>	<u>\$ 563,898</u>
Customer Accounts		
Salaries	\$ 150,612	\$ 147,338
Employee Benefits	47,974	51,047
Materials and Supplies	53,258	48,453
Bad Debts	9,030	8,212
Miscellaneous	16,069	22,005
	<u>\$ 276,943</u>	<u>\$ 277,055</u>
Administrative and General		
Salaries	\$ 171,569	\$ 195,596
Employee Benefits	48,539	44,238
Purchased Power	5,016	4,667
Materials and Supplies	3,993	16,922
Contractual Services	79,199	58,543
Transportation	1,613	1,017
Insurance	67,162	81,934
Advertising	1,308	2,372
Miscellaneous	15,773	14,069
	<u>\$ 394,172</u>	<u>\$ 419,358</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer
December 31, 2018 and 2017

Current Assets	<u>2018</u>	<u>2017</u>
Cash	\$ 174,786	\$ 165,582
Accounts Receivable	1,200	472
Prepaid Expenses	1,350	1,350
Total Current Assets	<u>177,336</u>	<u>167,404</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	6,162	6,107
Cash - Bond and interest redemption Fund	4,176	7,320
Total Restricted Assets	<u>10,338</u>	<u>13,427</u>
Capital Assets		
Utility Plant in Service	3,354,874	4,526,414
Accumulated Depreciation and Amortization	(593,872)	(562,147)
Net Capital Assets	<u>2,761,002</u>	<u>3,964,267</u>
Total Non-Current Assets	<u>2,771,340</u>	<u>3,977,694</u>
Total Assets	<u>\$ 2,948,676</u>	<u>\$ 4,145,098</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer, Concluded
December 31, 2018 and 2017

Liabilities	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts Payable	\$ 5,167	\$ 2,921
Total Current Liabilities	<u>5,167</u>	<u>2,921</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	1,800	1,700
Total Liabilities Payable from Restricted Assets	<u>1,800</u>	<u>1,700</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	81,500	83,300
Total Long-Term Liabilities	<u>81,500</u>	<u>83,300</u>
Total Liabilities	<u>88,467</u>	<u>87,921</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	2,677,702	3,879,267
Restricted for Equipment Replacement	6,162	6,107
Restricted for Debt Retirement	4,176	7,320
Unrestricted	<u>172,169</u>	<u>164,483</u>
Total Net Position	<u>\$ 2,860,209</u>	<u>\$ 4,057,177</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position - Sewer
For the Year Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Sewer Sales	\$ 37,711	\$ 41,372
Consumers' Forfeited Discounts	349	385
Total operating revenues	<u>38,060</u>	<u>41,757</u>
Operating expenses:		
Labor	20,311	21,571
Purchased Power	3,674	5,607
Taxes Other than Income	328	622
Depreciation	89,244	99,008
Total operating expenses	<u>113,557</u>	<u>126,808</u>
Operating income	<u>(75,497)</u>	<u>(85,051)</u>
Non-operating revenue (expenses):		
Interest Income	1,596	1,277
Interest Expense	(3,613)	(3,685)
Miscellaneous Expenses	(1,938)	(4,549)
Total non-operating revenue (expenses)	<u>(3,955)</u>	<u>(6,957)</u>
Income (loss) before capital contributions	<u>(79,452)</u>	<u>(92,008)</u>
Capital contributions and donations		
Donated Assets	(1,121,114)	-
Tap Fees	3,598	10,056
Total capital contributions	<u>(1,117,516)</u>	<u>10,056</u>
Increase (decrease) in net position	(1,196,968)	(81,952)
Net position:		
Beginning of year	4,057,177	4,139,129
End of year	<u>\$ 2,860,209</u>	<u>\$ 4,057,177</u>

EDMONSON COUNTY WATER DISTRICT
Schedule of The District's Share of the Net OPEB Liability
For the Ten Years Ended December 31

	<u>December 31, 2018</u>
District's net OPEB liability	\$ 317,499
District's covered-employee payroll	\$ 926,312
District's share of the net OPEB liability as a percentage of its covered-employee payroll	34.28%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

EDMONSON COUNTY WATER DISTRICT
Schedule of The District's OPEB Contributions
For the Ten Years Ended December 31

		<u>December 31, 2018</u>
Contractually required contribution	\$	-
Contributions in relation to the contractually required contribution		-
	\$	<u>-</u>
Company's covered-employee payroll	\$	926,312
Contributions as a percentage of covered-employee payroll		0.00%

**Schedule is intended to show information for ten years.
 Additional years will be displayed as they become available.

Notes to the Required Supplementary Information

Changes of Benefit Terms: There were no changes to plan terms of benefits.

Changes of Assumptions: The District does not use actuarial assumptions to determine the plan's liability.



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 the business-type activities of the Edmonson County Water District, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Edmonson County Water District's basic financial statements, and have issued our report thereon dated February 16, 2019.

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 the Edmonson County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 16, 2019

