

Edmonson County Water District

Financial Statements

December 31, 2017 and 2016

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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 Edmonson County Water District, as of and for the years ended December 31, 2017 and 2016, 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 Edmonson County Water District, as of December 31, 2017 and 2016, 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 20, 2018, 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 20, 2018

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2017 and 2016**

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, 2017. 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, 2017 were \$3,078,861 or an increase of 1.09%. This increase was due to an increase in sales during the summer months for agricultural irrigation. There was also an increase in interest income due to an increase in interest rates.

Operating expenses for the year ending December 31, 2017 were \$2,966,233 or an increase of 1.25%. Expenses were up due to an increase in salaries, contractual services and depreciation expense.

Total assets for the year ending December 31, 2017 were \$33,985,570 or a decrease of 1.73% while total liabilities were \$12,867,870 or a decrease of 3.63%.

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, 2017 and 2016 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, 2017 and 2016**

Edmonson County Water District
Summary of Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
Total current assets	\$ 1,176,137	\$ 1,096,600
Total restricted assets	4,439,493	4,276,758
Net capital assets	<u>28,369,940</u>	<u>29,208,949</u>
Total Assets	<u>\$ 33,985,570</u>	<u>\$ 34,582,307</u>
LIABILITIES:		
Total current liabilities	\$ 97,080	\$ 112,527
Total liabilities payable from restricted assets	805,701	791,587
Total long-term liabilities	<u>11,965,089</u>	<u>12,448,364</u>
Total Liabilities	<u>\$ 12,867,870</u>	<u>\$ 13,352,478</u>
NET POSITION:		
Invested in capital assets, net of related debt	15,924,051	16,296,085
Restricted	4,439,493	4,276,758
Unrestricted	<u>754,156</u>	<u>656,986</u>
Total Net Position	<u>\$ 21,117,700</u>	<u>\$ 21,229,829</u>

The Net Position for the year ending December 31, 2017 showed a decrease of \$112,129 or approximately 0.53% from the previous year.

Edmonson County Water District
Summary of Changes in Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Total operating revenues	\$ 3,078,861	\$ 3,045,728
Total operating expenses	<u>2,966,233</u>	<u>2,929,744</u>
Operating income	<u>112,628</u>	<u>115,984</u>
Total non-operating revenue (expenses)	<u>(320,807)</u>	<u>(340,570)</u>
Income (loss) before capital contributions	<u>(208,179)</u>	<u>(224,586)</u>
Total capital contributions	<u>96,050</u>	<u>1,260,548</u>
Increase (decrease) in Net Position	<u>(112,129)</u>	<u>1,035,962</u>
Net Position, beginning of year	<u>21,229,829</u>	<u>20,193,867</u>
Net Position, end of year	<u>\$ 21,117,700</u>	<u>\$ 21,229,829</u>

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2017 and 2016**

The largest portion (75%) 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 a 2% decrease from the prior year.

Restricted Net Position (21%) represent resources that are subject to external restrictions on how they may be used.

The balance (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, 2017 were \$28,369,940, which was a net decrease of \$839,009 or 3% due to no new construction projects being completed and more depreciation expense than purchases of fixed assets.

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. 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, 2017, the District had \$12,430,900 bonds outstanding plus unamortized bond premium of \$14,989 for a total liability of \$12,445,889. The District incurred \$407,618 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$464,500 for the year. The Water District did not incur any additional long- term debt for projects in 2017 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, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 940,694	877,409
Accounts Receivable	112,887	99,039
Inventory	82,287	78,141
Prepaid Expenses	<u>40,269</u>	<u>42,011</u>
Total Current Assets	<u>1,176,137</u>	<u>1,096,600</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,613,791	3,488,738
Cash - Membership Fund	431,772	412,754
Cash - Bond and Interest Redemption Fund	<u>393,930</u>	<u>375,266</u>
Total Restricted Assets	<u>4,439,493</u>	<u>4,276,758</u>
Capital Assets		
Utility Plant in Service	45,444,141	45,306,998
Accumulated Depreciation and Amortization	<u>(17,074,201)</u>	<u>(16,098,049)</u>
Net Capital Assets	<u>28,369,940</u>	<u>29,208,949</u>
Total Non-Current Assets	<u>32,809,433</u>	<u>33,485,707</u>
 Total Assets	 <u>\$ 33,985,570</u>	 <u>\$ 34,582,307</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Concluded
December 31, 2017 and 2016

Liabilities	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts Payable	\$ 18,798	\$ 20,640
Compensated Absences	66,835	82,282
Accrued Liabilities	<u>11,447</u>	<u>9,605</u>
Total Current Liabilities	<u>97,080</u>	<u>112,527</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	480,800	464,500
Customer Deposits	256,150	251,925
Accrued Interest	<u>68,751</u>	<u>75,162</u>
Total Liabilities Payable from Restricted Assets	<u>805,701</u>	<u>791,587</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	<u>11,965,089</u>	<u>12,448,364</u>
Total Long-Term Liabilities	<u>11,965,089</u>	<u>12,448,364</u>
 Total Liabilities	 <u>12,867,870</u>	 <u>13,352,478</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	15,924,051	16,296,085
Restricted for Equipment Replacement	3,613,791	3,488,738
Restricted for Membership Deposits	431,772	412,754
Restricted for Debt Retirement	393,930	375,266
Unrestricted	<u>754,156</u>	<u>656,986</u>
 Total Net Position	 <u>\$ 21,117,700</u>	 <u>\$ 21,229,829</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Water Sales	\$ 2,930,647	\$ 2,904,477
Sewer Sales	41,372	36,164
Consumers' Forfeited Discounts	62,906	60,416
Service Fees	<u>43,936</u>	<u>44,671</u>
Total operating revenues	<u>3,078,861</u>	<u>3,045,728</u>
Operating expenses:		
Water Treatment	602,375	657,126
Transmission and Distribution	610,908	546,277
Customer Accounts	277,055	293,453
General and Administrative	419,358	391,279
Depreciation	976,152	959,084
Taxes Other than Income	<u>80,385</u>	<u>82,525</u>
Total operating expenses	<u>2,966,233</u>	<u>2,929,744</u>
Operating income	<u>112,628</u>	<u>115,984</u>
Non-operating revenue (expenses):		
Interest Income	43,820	41,446
Interest Expense	(407,618)	(419,378)
Miscellaneous Income	42,822	37,319
Miscellaneous Expenses	(2,306)	(2,614)
Amortization	<u>2,475</u>	<u>2,657</u>
Total non-operating revenue (expenses)	<u>(320,807)</u>	<u>(340,570)</u>
Income (loss) before capital contributions	<u>(208,179)</u>	<u>(224,586)</u>
Capital contributions		
Capital Contributions	-	1,190,000
Tap Fees	<u>96,050</u>	<u>70,548</u>
Total capital contributions	<u>96,050</u>	<u>1,260,548</u>
Increase (decrease) in net position	(112,129)	1,035,962
Net position:		
Beginning of year	<u>21,229,829</u>	<u>20,193,867</u>
End of year	<u>\$ 21,117,700</u>	<u>\$ 21,229,829</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 3,065,013	\$ 3,040,122
Cash payments to suppliers for goods and services	(881,952)	(834,014)
Cash payments to employees for services	(1,121,755)	(1,182,267)
Net cash provided (used) by operating activities	<u>1,061,306</u>	<u>1,023,841</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(464,500)	(448,200)
Interest paid on long-term debt	(414,029)	(423,335)
Additions to capital assets	(137,143)	(1,381,237)
Capital contributions and other revenue	136,566	1,295,253
Net cash provided (used) in financing activities	<u>(879,106)</u>	<u>(957,519)</u>
Cash flows from investing activities:		
Interest income	<u>43,820</u>	<u>41,446</u>
Net cash provided by (used) in investing activities	<u>43,820</u>	<u>41,446</u>
Net increase (decrease) in cash and cash equivalents	226,020	107,768
Cash and cash equivalents, beginning of year	<u>5,154,167</u>	<u>5,046,399</u>
Cash and cash equivalents, end of year	<u>\$ 5,380,187</u>	<u>\$ 5,154,167</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 112,628	\$ 115,984
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	976,152	959,085
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(13,848)	(5,606)
(Increase) decrease in inventory	(4,146)	10,799
(Increase) decrease in prepaid expenses	1,742	(3,940)
Increase (decrease) in accounts payable	(1,842)	(92)
Increase (decrease) in compensated absences	(15,447)	(51,971)
Increase (decrease) in customer deposits	4,225	4,450
Increase (decrease) in accrued expenses	1,842	(4,868)
Net cash provided (used) by operating activities	<u>\$ 1,061,306</u>	<u>\$ 1,023,841</u>

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

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016

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, 2017. 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, 2017 and 2016 was \$976,152 and \$959,085, 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, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, the District complied with this requirement.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

Note 2 – Capital Assets

Capital asset activity for the year ended December 31, 2017 and 2016, was as follows:

	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, 2017 and 2016

Note 2 – Capital Assets, Concluded

	For the Year Ended December 31, 2016			Ending Balance
	Beginning Balance	Additions	Deletions	
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 362,975	\$ -	\$ -	\$ 362,975
Construction In Progress	-	-	-	-
Total Non-Depreciable Capital Assets	362,975	-	-	362,975
 <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	43,562,785	1,381,238	-	44,944,023
Less: Accumulated Depreciation and Amortization	15,138,964	959,085	-	16,098,049
Total Net Capital Assets	<u>\$ 28,786,796</u>			<u>\$ 29,208,949</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</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.	\$ 2,840,500	\$ 2,923,000
Series 2001 B Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$276,000; due in annual installments on January 1 ranging from \$2,900 to \$14,700 through January 2041; interest rate of 4.5% due semi-annually on January 1 and July 1.	216,400	221,700
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.	354,500	362,500
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.	1,062,000	1,080,000
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.	458,000	466,000
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.	1,360,000	1,382,000
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.	513,000	523,000

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

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>	630,000	642,500
<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>	1,495,000	1,615,000
<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>	345,000	405,000
<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>	2,430,000	2,535,000
<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>	486,000	495,000
<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>	155,500	158,000
<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>	85,000	86,700
<p>Total debt</p>	<u>\$ 12,430,900</u>	<u>\$ 12,895,400</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

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>
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	542,200	355,169	897,369
2023-2017	2,592,400	1,515,777	4,108,177
2028-2032	2,411,500	1,060,966	3,472,466
2033-2037	1,980,900	641,108	2,622,008
2038-2042	1,589,800	313,420	1,903,220
2043-2047	1,049,900	98,646	1,148,546
2048-2052	224,000	10,043	234,043
2053-2054	25,000	-	25,000
	<u>\$ 12,430,900</u>	<u>\$ 5,542,248</u>	<u>\$ 17,973,148</u>

Long-term debt activities for the year ended December 31, 2017 and 2016 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 \$14,989 and \$17,464, respectively, for the years ended December 31, 2017 and 2016. No interest was capitalized during 2017 or 2016; interest incurred and charged to expense for the year ended December 31, 2017 and 2016 totaled \$407,618 and \$419,378, respectively.

	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>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

Note 3 – Long-Term Debt, Concluded

	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 Series 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
	\$ 13,343,600	\$ -	\$ (448,200)	\$ 12,895,400	\$ 464,500

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, 2017 and 2016, respectively and does not expect to incur a liability.

Note 4 – Cash and Investments

The carrying amount of the District's cash deposits was \$5,380,187 and \$5,154,167 for the year ending December 31, 2017 and 2016, respectively and the bank balances, were \$5,468,612 and \$5,153,766. 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 \$3,478,000 and \$3,377,000 for 2017 and 2016 that matured annually. Interest rates at December 31, 2017 were 0.90% while December 31, 2016 rates ranged 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 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, 2017 and 2016 employer contributions were \$57,186 and \$66,983, respectively and employee contributions were \$18,731 and \$19,900. Covered payroll was approximately \$715,369 and \$837,000 for the years ended December 31, 2017 and 2016, respectively.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016 were \$0 and \$13,716. 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 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 7- Subsequent Events

Management has evaluated subsequent events through February 20, 2018, the date which the financial statements were available to be issued. The District is in continuing negotiations with another sewer provider to possibly transfer a portion of the District's sewer system located south of the Green River. Negotiations are ongoing and have to be approved by the Kentucky Public Service Commission and the Edmonson County Fiscal Court.

Supplemental Information

EDMONSON COUNTY WATER DISTRICT
Statement of Revenues, Expenses and
Change in Net Position – Budget and Actual
For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Water Sales	\$ 2,928,722	\$ 2,930,647	\$ 1,925
Sewer Sales	35,500	41,372	5,872
Consumers' Forfeited Discounts	59,413	62,906	3,493
Service Fees	<u>46,062</u>	<u>43,936</u>	<u>(2,126)</u>
Total operating revenues	<u>3,069,697</u>	<u>3,078,861</u>	<u>9,164</u>
Operating expenses:			
Salaries	912,156	915,858	(3,702)
Employee Benefits	292,077	234,688	57,389
Purchased Power	240,900	236,175	4,725
Chemicals	96,691	73,239	23,452
Materials and Supplies	175,220	121,081	54,139
Depreciation	970,000	976,152	(6,152)
Transportation	43,100	43,802	(702)
Taxes Other Than Income	82,023	80,385	1,638
Contractual Services	134,700	146,931	(12,231)
Advertising	1,000	2,372	(1,372)
Miscellaneous	59,900	45,404	14,496
Insurance	72,000	81,934	(9,934)
Bad Debts	<u>12,000</u>	<u>8,212</u>	<u>3,788</u>
Total operating expenses	<u>3,091,767</u>	<u>2,966,233</u>	<u>125,534</u>
Operating income	<u>(22,070)</u>	<u>112,628</u>	<u>134,698</u>
Non-operating revenue (expenses):			
Interest Income	40,651	43,820	3,169
Interest Expense	(434,476)	(407,618)	26,858
Gain (loss) on Disposal of Assets	4,000	-	(4,000)
Miscellaneous Income	32,000	38,273	6,273
Miscellaneous Expenses	-	2,243	2,243
Amortization	<u>(3,000)</u>	<u>2,475</u>	<u>5,475</u>
Total non-operating revenue (expenses)	<u>(360,825)</u>	<u>(320,807)</u>	<u>40,018</u>
Income (loss) before capital contributions	<u>(382,895)</u>	<u>(208,179)</u>	<u>174,716</u>
Capital contributions			
Tap Fees	63,000	85,994	22,994
Grants	<u>-</u>	<u>10,056</u>	<u>10,056</u>
Total capital contributions	<u>63,000</u>	<u>96,050</u>	<u>33,050</u>
Increase (decrease) in net position	(319,895)	(112,129)	207,766
Net position:			
Beginning of year	<u>21,229,829</u>	<u>21,229,829</u>	<u>-</u>
End of year	<u>\$ 20,909,934</u>	<u>\$ 21,117,700</u>	<u>\$ 207,766</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position - Water
December 31, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 775,112	\$ 721,881
Accounts Receivable	112,415	98,395
Inventory	82,287	78,141
Prepaid Expenses	<u>38,919</u>	<u>40,661</u>
Total Current Assets	<u>1,008,733</u>	<u>939,078</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,607,684	3,482,683
Cash - Membership Fund	431,772	412,754
Cash - Bond and Interest Redemption Fund	<u>386,610</u>	<u>375,140</u>
Total Restricted Assets	<u>4,426,066</u>	<u>4,270,577</u>
Capital Assets		
Utility Plant in Service	40,917,727	40,780,584
Accumulated Depreciation and Amortization	<u>(16,512,054)</u>	<u>(15,634,910)</u>
Net Capital Assets	<u>24,405,673</u>	<u>25,145,674</u>
Total Non-Current Assets	<u>28,831,739</u>	<u>29,416,251</u>
 Total Assets	 <u>\$ 29,840,472</u>	 <u>\$ 30,355,329</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Water, Concluded
December 31, 2017 and 2016

Liabilities	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts Payable	\$ 15,877	\$ 19,491
Compensated Absences	66,835	82,282
Accrued Liabilities	<u>11,447</u>	<u>9,605</u>
Total Current Liabilities	<u>94,159</u>	<u>111,378</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	479,100	462,800
Customer Deposits	256,150	251,925
Accrued Interest	<u>68,751</u>	<u>75,162</u>
Total Liabilities Payable from Restricted Assets	<u>804,001</u>	<u>789,887</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	<u>11,881,789</u>	<u>12,363,364</u>
Total Long-Term Liabilities	<u>11,881,789</u>	<u>12,363,364</u>
 Total Liabilities	 <u>12,779,949</u>	 <u>13,264,629</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	12,044,784	12,319,510
Restricted for Equipment Replacement	3,607,684	3,482,683
Restricted for Membership Deposits	431,772	412,754
Restricted for Debt Retirement	317,859	299,978
Unrestricted	<u>658,424</u>	<u>575,775</u>
 Total Net Position	 <u>\$ 17,060,523</u>	 <u>\$ 17,090,700</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and
Changes in Net Position - Water
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Water Sales	\$ 2,930,647	\$ 2,904,477
Consumers' Forfeited Discounts	62,521	60,021
Service Fees	43,936	44,671
Total operating revenues	<u>3,037,104</u>	<u>3,009,169</u>
Operating expenses:		
Water Treatment	602,375	657,126
Transmission and Distribution	583,730	523,860
Customer Accounts	277,055	293,453
General and Administrative	419,358	391,279
Depreciation	877,144	864,043
Taxes Other than Income	79,763	81,961
Total operating expenses	<u>2,839,425</u>	<u>2,811,722</u>
Operating income	<u>197,679</u>	<u>197,447</u>
Non-operating revenue (expenses):		
Interest Income	42,543	40,301
Interest Expense	(403,933)	(415,625)
Miscellaneous Income	42,822	37,319
Miscellaneous Expenses	2,243	(1,174)
Amortization	2,475	2,657
Total non-operating revenue (expenses)	<u>(313,850)</u>	<u>(336,522)</u>
Income (loss) before capital contributions	<u>(116,171)</u>	<u>(139,075)</u>
Capital contributions		
Tap Fees	<u>85,994</u>	<u>65,150</u>
Total capital contributions	<u>85,994</u>	<u>65,150</u>
Increase (decrease) in net position	(30,177)	(73,925)
Net position:		
Beginning of year	<u>17,090,700</u>	<u>17,164,625</u>
End of year	<u>\$ 17,060,523</u>	<u>\$ 17,090,700</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Operating Expenses- Water
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Water Treatment		
Salaries	\$ 282,258	\$ 297,016
Employee Benefits	49,402	74,311
Purchased Power	136,400	143,188
Chemicals	73,239	80,696
Materials and Supplies	17,140	17,071
Contractual Services	32,268	36,089
Transportation	5,464	5,028
Miscellaneous	6,204	3,727
	<u>\$ 602,375</u>	<u>\$ 657,126</u>
Transmission and Distribution		
Salaries	\$ 269,095	\$ 255,900
Employee Benefits	90,001	93,995
Purchased Power	89,501	75,903
Materials and Supplies	38,566	37,575
Contractual Services	56,120	26,088
Transportation	37,321	30,418
Miscellaneous	3,126	3,981
	<u>\$ 583,730</u>	<u>\$ 523,860</u>
Customer Accounts		
Salaries	\$ 147,338	\$ 145,895
Employee Benefits	51,047	64,449
Materials and Supplies	48,453	48,705
Bad Debts	8,212	8,475
Miscellaneous	22,005	25,929
	<u>\$ 277,055</u>	<u>\$ 293,453</u>
Administrative and General		
Salaries	\$ 195,596	\$ 180,710
Employee Benefits	44,238	59,084
Purchased Power	4,667	4,541
Materials and Supplies	16,922	13,462
Contractual Services	58,543	53,251
Transportation	1,017	1,552
Insurance	81,934	67,175
Advertising	2,372	904
Miscellaneous	14,069	10,600
	<u>\$ 419,358</u>	<u>\$ 391,279</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer
December 31, 2017 and 2016

Assets		
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 165,582	\$ 155,528
Accounts Receivable	472	644
Prepaid Expenses	1,350	1,350
Total Current Assets	<u>167,404</u>	<u>157,522</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	6,107	6,055
Cash - Bond and interest redemption Fund	7,320	126
Total Restricted Assets	<u>13,427</u>	<u>6,181</u>
Capital Assets		
Utility Plant in Service	4,526,414	4,526,414
Accumulated Depreciation and Amortization	<u>(562,147)</u>	<u>(463,139)</u>
Net Capital Assets	<u>3,964,267</u>	<u>4,063,275</u>
Total Non-Current Assets	<u>3,977,694</u>	<u>4,069,456</u>
Total Assets	<u>\$ 4,145,098</u>	<u>\$ 4,226,978</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer, Concluded
December 31, 2017 and 2016

Liabilities	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts Payable	\$ 2,921	\$ 1,149
Total Current Liabilities	<u>2,921</u>	<u>1,149</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	1,700	1,700
Total Liabilities Payable from Restricted Assets	<u>1,700</u>	<u>1,700</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	83,300	85,000
Total Long-Term Liabilities	<u>83,300</u>	<u>85,000</u>
Total Liabilities	<u>87,921</u>	<u>87,849</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	3,879,267	3,976,575
Restricted for Equipment Replacement	6,107	6,055
Restricted for Debt Retirement	7,320	126
Unrestricted	164,483	156,373
Total Net Position	<u>\$ 4,057,177</u>	<u>\$ 4,139,129</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position - Sewer
For the Year Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Sewer Sales	\$ 41,372	\$ 36,164
Consumers' Forfeited Discounts	<u>385</u>	<u>395</u>
Total operating revenues	<u>41,757</u>	<u>36,559</u>
Operating expenses:		
Labor	21,571	18,020
Purchased Power	5,607	4,397
Taxes Other than Income	622	564
Depreciation	<u>99,008</u>	<u>95,041</u>
Total operating expenses	<u>126,808</u>	<u>118,022</u>
Operating income	<u>(85,051)</u>	<u>(81,463)</u>
Non-operating revenue (expenses):		
Interest Income	1,277	1,145
Interest Expense	(3,685)	(3,753)
Miscellaneous Expenses	<u>(4,549)</u>	<u>(1,440)</u>
Total non-operating revenue (expenses)	<u>(6,957)</u>	<u>(4,048)</u>
Income (loss) before capital contributions	<u>(92,008)</u>	<u>(85,511)</u>
Capital contributions		
Capital Contributions	-	1,190,000
Tap Fees	<u>10,056</u>	<u>5,398</u>
Total capital contributions	<u>10,056</u>	<u>1,195,398</u>
Increase (decrease) in net position	(81,952)	1,109,887
Net position:		
Beginning of year	<u>4,139,129</u>	<u>3,029,242</u>
End of year	<u>\$ 4,057,177</u>	<u>\$ 4,139,129</u>



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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, 2017 and 2016, 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 20, 2018.

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 20, 2018

