

Edmonson County Water District

Financial Statements

December 31, 2019 and 2018

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 6
Statements of Net Position	7 - 8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 21
Supplemental Information	
Statement of Revenues, Expenses and Change in Net Position – Budget and Actual	22
Statements of Net Position – Water	23 – 24
Statements of Revenues, Expenses and Changes in Net Position – Water	25
Statements of Operating Expenses – Water	26
Statements of Net Position – Sewer	27 – 28
Statements of Revenues, Expenses and Changes in Net Position – Sewer	29
Schedule of The District's Share of the Net OPEB Liability	30
Schedule of The District's OPEB Contributions	31
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 <i>Government Auditing Standards</i>	32 – 33



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ■ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ■ L. Joe Rutledge, CPA ■ Ryan A. Mosier, CPA ■ Jenna B. Glass, CPA ■ Van Shepard, CPA

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, 2019 and 2018, 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, 2019 and 2018, and the respective changes in financial position, and, 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 on pages 4–6 and net OPEB liability and contribution information on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying supplemental information is the responsibility of management and was derived from and relates 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, 2020, 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, 2020

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2019 and 2018**

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, 2019. 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, 2019 were \$3,183,729 or an increase of 1.84%. 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, 2019 were \$2,994,481 or a decrease of 2.00%. Expenses were down due to an decrease in salaries, contractual services and depreciation expense.

Total assets for the year ending December 31, 2019 were \$32,263,955 or a decrease of 1.07% while total liabilities were \$12,268,473 or a decrease of 3.61%.

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, 2019 and 2018 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, 2019 and 2018**

Edmonson County Water District
Summary of Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
Total current assets	\$ 1,574,340	\$ 1,552,388
Total restricted assets	4,650,940	4,542,735
Net capital assets	<u>26,038,675</u>	<u>26,516,288</u>
Total Assets	<u>\$ 32,263,955</u>	<u>\$ 32,611,411</u>
LIABILITIES:		
Total current liabilities	\$ 145,815	\$ 120,054
Total liabilities payable from restricted assets	843,132	825,726
Total long-term liabilities	<u>11,279,526</u>	<u>11,782,695</u>
Total Liabilities	<u>\$ 12,268,473</u>	<u>\$ 12,728,475</u>
NET POSITION:		
Invested in capital assets, net of related debt	\$ 14,575,580	\$ 14,553,492
Restricted	4,322,308	3,835,659
Unrestricted	<u>1,097,594</u>	<u>1,114,835</u>
Total Net Position	<u>\$ 19,995,482</u>	<u>\$ 19,503,986</u>

The Net Position for the year ending December 31, 2019 showed an increase of \$112,546 or approximately 0.57% from the previous year.

Edmonson County Water District
Summary of Changes in Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total operating revenues	\$ 3,183,729	\$ 3,126,126
Total operating expenses	<u>2,994,481</u>	<u>3,055,631</u>
Operating income	<u>189,248</u>	<u>70,495</u>
Total non-operating revenue (expenses)	<u>(268,187)</u>	<u>(317,744)</u>
Income (loss) before capital contributions	<u>(78,939)</u>	<u>(247,249)</u>
Total capital contributions and donated assets	<u>191,485</u>	<u>(1,033,228)</u>
Increase (decrease) in Net Position	112,546	(1,280,477)
Net Position, beginning of year	<u>19,882,936</u>	<u>21,163,413</u>
Net Position, end of year	<u>\$ 19,995,482</u>	<u>\$ 19,882,936</u>

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2019 and 2018**

The largest portion (72.9%) 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 0.15% increase from the prior year.

Restricted Net Position (19.7%) represent resources that are subject to external restrictions on how they may be used.

The balance (7.4%) 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, 2019 were \$26,038,675, which was a net decrease of \$477,613 or 1.80% 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 2019. 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, 2019, the District had \$11,452,500 bonds outstanding plus unamortized bond premium of \$1,595 for a total liability of \$11,463 ,095. The District incurred \$381,107 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$497,600 for the year. The Water District did not incur any additional long- term debt for projects in 2019 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, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 1,354,207	\$ 1,333,468
Accounts Receivable	88,610	99,022
Inventory	88,627	79,174
Prepaid Expenses	<u>42,896</u>	<u>40,724</u>
Total Current Assets	<u>1,574,340</u>	<u>1,552,388</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,766,210	3,739,141
Cash - Membership Fund	465,931	404,534
Cash - Bond and Interest Redemption Fund	<u>418,799</u>	<u>399,060</u>
Total Restricted Assets	<u>4,650,940</u>	<u>4,542,735</u>
Capital Assets		
Utility Plant in Service	44,806,575	44,427,734
Construction in Progress	112,794	-
Accumulated Depreciation and Amortization	<u>(18,880,694)</u>	<u>(17,911,446)</u>
Net Capital Assets	<u>26,038,675</u>	<u>26,516,288</u>
Total Non-Current Assets	<u>30,689,615</u>	<u>31,059,023</u>
 Total Assets	 <u>\$ 32,263,955</u>	 <u>\$ 32,611,411</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Concluded
December 31, 2019 and 2018

Liabilities	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts Payable	\$ 31,730	\$ 20,217
Compensated Absences	111,964	96,844
Accrued Liabilities	<u>2,121</u>	<u>2,993</u>
Total Current Liabilities	<u>145,815</u>	<u>120,054</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	514,500	497,600
Customer Deposits	266,200	261,125
Accrued Interest	<u>62,432</u>	<u>67,001</u>
Total Liabilities Payable from Restricted Assets	<u>843,132</u>	<u>825,726</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	10,948,595	11,465,196
Retiree Health Payable	<u>330,931</u>	<u>317,499</u>
Total Long-Term Liabilities	<u>11,279,526</u>	<u>11,782,695</u>
 Total Liabilities	 <u>12,268,473</u>	 <u>12,728,475</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	14,575,580	14,553,492
Restricted for Equipment Replacement	3,766,210	3,739,141
Restricted for Membership Deposits	199,731	143,409
Restricted for Debt Retirement	356,367	332,059
Unrestricted	<u>1,097,594</u>	<u>1,114,835</u>
 Total Net Position	 <u>\$ 19,995,482</u>	 <u>\$ 19,882,936</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Water Sales	\$ 3,039,890	\$ 2,986,280
Sewer Sales	21,455	37,711
Consumers' Forfeited Discounts	56,738	60,337
Service Fees	<u>65,646</u>	<u>41,798</u>
Total operating revenues	<u>3,183,729</u>	<u>3,126,126</u>
Operating expenses:		
Water Treatment	655,416	723,642
Transmission and Distribution	608,802	609,596
Customer Accounts	277,138	276,943
General and Administrative	405,146	394,172
Depreciation	969,248	972,454
Taxes Other than Income	<u>78,731</u>	<u>78,824</u>
Total operating expenses	<u>2,994,481</u>	<u>3,055,631</u>
Operating income	<u>189,248</u>	<u>70,495</u>
Non-operating revenue (expenses):		
Interest Income	97,047	56,196
Interest Expense	(381,107)	(397,312)
Miscellaneous Income	15,069	28,664
Miscellaneous Expenses	(1,297)	(7,584)
Amortization	<u>2,101</u>	<u>2,292</u>
Total non-operating revenue (expenses)	<u>(268,187)</u>	<u>(317,744)</u>
Income (loss) before capital contributions	<u>(78,939)</u>	<u>(247,249)</u>
Capital contributions and donations		
Donated assets	-	(1,121,114)
Tap Fees	<u>191,485</u>	<u>87,886</u>
Total capital contributions	<u>191,485</u>	<u>(1,033,228)</u>
Increase (decrease) in net position	112,546	(1,280,477)
Net position:		
Beginning of year	<u>19,882,936</u>	<u>21,163,413</u>
End of year	<u>\$ 19,995,482</u>	<u>\$ 19,882,936</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 3,194,141	\$ 3,139,992
Cash payments to suppliers for goods and services	(907,665)	(967,588)
Cash payments to employees for services	<u>(1,082,824)</u>	<u>(1,105,120)</u>
Net cash provided (used) by operating activities	<u>1,203,652</u>	<u>1,067,284</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(497,600)	(478,508)
Interest paid on long-term debt	(387,777)	(399,062)
Additions to capital assets	(491,635)	(250,913)
Capital contributions and other revenue	<u>205,257</u>	<u>119,962</u>
Net cash provided (used) in financing activities	<u>(1,171,755)</u>	<u>(1,008,521)</u>
Cash flows from investing activities:		
Interest income	<u>97,047</u>	<u>56,196</u>
Net cash provided by (used) in investing activities	<u>97,047</u>	<u>56,196</u>
Net increase (decrease) in cash and cash equivalents	128,944	114,959
Cash and cash equivalents, beginning of year	<u>5,876,203</u>	<u>5,761,244</u>
Cash and cash equivalents, end of year	<u>\$ 6,005,147</u>	<u>\$ 5,876,203</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 189,248	\$ 70,495
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	971,349	970,162
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	10,412	13,866
(Increase) decrease in inventory	(9,453)	3,113
(Increase) decrease in prepaid expenses	(2,172)	(455)
Increase (decrease) in accounts payable	11,513	1,419
Increase (decrease) in compensated absences	15,120	14,270
Increase (decrease) in customer deposits	5,075	4,975
Increase (decrease) in retiree health payable	13,432	(2,107)
Increase (decrease) in accrued expenses	<u>(872)</u>	<u>(8,454)</u>
Net cash provided (used) by operating activities	<u>\$ 1,203,652</u>	<u>\$ 1,067,284</u>

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

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018

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, 2019. 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, 2019 and 2018 was \$969,248 and \$972,454, 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, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, the District complied with this requirement.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

Note 2 – Capital Assets

Capital asset activity for the year ended December 31, 2019 and 2018, was as follows:

	For the Year Ended December 31, 2019			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 370,167	\$ 255	\$ -	\$ 370,422
Construction In Progress	-	112,794	-	112,794
Total Non-Depreciable Capital Assets	<u>370,167</u>	<u>113,049</u>	<u>-</u>	<u>483,216</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,558,272	4,418	-	4,562,690
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	1,686,257	7,015	-	1,693,272
Water Treatment Equipment	1,738,603	15,929	-	1,754,532
Franchise	10,262	-	-	10,262
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission and Distribution Mains	18,785,229	149,185	-	18,934,414
Services	1,328,946	34,537	-	1,363,483
Meters and Installations	3,022,805	93,632	-	3,116,437
Other Plant	139,564	25,955	-	165,519
Furniture and Equipment	349,014	24,613	-	373,627
Transportation Equipment	400,969	-	-	400,969
Communication Equipment	476,551	23,302	-	499,853
Power Operated Equipment	324,991	-	-	324,991
Total Depreciable Capital Assets	<u>44,057,567</u>	<u>378,586</u>	<u>-</u>	<u>44,436,153</u>
Less: Accumulated Depreciation and Amortization	<u>17,911,446</u>	<u>969,248</u>	<u>-</u>	<u>18,880,694</u>
Total Net Capital Assets	<u>\$ 26,516,288</u>			<u>\$ 26,038,675</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

Note 2 – Capital Assets, Concluded

	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	365,592	4,575	-	370,167
 <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	45,078,549	246,338	(1,267,320)	44,057,567
Less: Accumulated Depreciation and Amortization	17,074,201	972,454	(135,209)	17,911,446
Total Net Capital Assets	\$ 28,369,940			\$26,516,288

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</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.	\$ 2,668,000	\$ 2,755,500
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.	205,000	210,800
Series 2003 Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$442,000; due in annual installments on January 1 ranging from \$4,500 to \$23,000 through January 2042; interest rate of 4.375% due semi-annually on January 1 and July 1.	337,000	346,000
Series 2007 A Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$1,200,000; due in annual installments on January 1 ranging from \$13,000 to \$63,000 through January 2047; interest rate of 4.375% due semi-annually on January 1 and July 1.	1,023,000	1,043,000
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.	441,000	450,000
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.	1,313,000	1,337,000
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.	492,000	502,500

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

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>	604,000	617,000
<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>	1,250,000	1,375,000
<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>	215,000	280,000
<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>	2,205,000	2,320,000
<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>	467,500	477,000
<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>	150,500	153,000
<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>	81,500	83,300
<p>Total debt</p>	<u>\$ 11,452,500</u>	<u>\$ 11,950,100</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

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>
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	503,400	320,891	824,291
2025-2029	2,614,900	1,333,879	3,948,779
2030-2034	2,298,700	886,130	3,184,830
2035-2039	1,843,400	500,228	2,343,628
2040-2044	1,267,600	216,331	1,483,931
2045-2049	761,500	42,068	803,568
2050-2054	100,000	3,585	103,585
	<u>\$ 11,452,500</u>	<u>\$ 4,716,530</u>	<u>\$ 16,169,030</u>

Long-term debt activities for the year ended December 31, 2019 and 2018 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 \$10,595 and \$12,696, respectively, for the years ended December 31, 2019 and 2018. No interest was capitalized during 2019 or 2018; interest incurred and charged to expense for the year ended December 31, 2019 and 2018 totaled \$381,107 and \$397,312, respectively.

	For the Year Ended December 31, 2019				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
RD Series 2001 A	\$ 2,755,500	\$ -	\$ (87,500)	\$ 2,668,000	\$ 90,500
RD Series 2001 B	210,800	-	(5,800)	205,000	6,100
RD Series 2003	346,000	-	(9,000)	337,000	9,500
RD Series 2007 A	1,043,000	-	(20,000)	1,023,000	21,000
RD Series 2007 B	450,000	-	(9,000)	441,000	9,000
RD Series 2009	1,337,000	-	(24,000)	1,313,000	25,000
RD Series 2010	502,500	-	(10,500)	492,000	11,000
RD Series 2010 B	617,000	-	(13,000)	604,000	13,500
KRWFC 2008 C	280,000	-	(65,000)	215,000	70,000
KRWFC 2012 D	2,320,000	-	(115,000)	2,205,000	120,000
RD Series 2013 A	477,000	-	(9,500)	467,500	9,500
RD Series 2013 B	153,000	-	(2,500)	150,500	2,500
KRWFC 2013 B	1,375,000	-	(125,000)	1,250,000	125,000
RD Series 2005	83,300	-	(1,800)	81,500	1,900
	<u>\$ 11,950,100</u>	<u>\$ -</u>	<u>\$ (497,600)</u>	<u>\$ 11,452,500</u>	<u>\$ 514,500</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

Note 3 – Long-Term Debt, Concluded

	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
	\$ 12,430,900	\$ -	\$ (480,800)	\$ 11,950,100	\$ 497,600

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, 2019 and 2018, respectively and does not expect to incur a liability.

Note 4 – Cash and Investments

The carrying amount of the District's cash deposits was \$6,005,147 and \$5,876,203 for the years ending December 31, 2019 and 2018, respectively and the bank balances, were \$6,027,630 and \$6,258,959. 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 \$3,577,000 and \$3,576,000 for 2019 and 2018 that matured annually. Interest rates at December 31, 2019 ranged from 1.25-1.75% while December 31, 2018 rates ranged from 0.90%-1.25%. 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, 2019 and 2018 employer contributions were \$63,568 and \$51,606, respectively and employee contributions were \$24,989 and \$17,809. Covered payroll was approximately \$795,900 and \$645,090 for the years ended December 31, 2019 and 2018, respectively.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019.

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. Contributions for the year ended December 31, 2019 and 2018 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 following table shows the funded status of the Net OPEB liability:

Net OPEB liability	<u>12/31/2019</u>	<u>12/31/2018</u>
Benefit obligation at end of year	\$ 330,931	\$ 317,499
Fair value of plan assets at end of year	<u>353,025</u>	<u>365,503</u>
Over/(under) funded status at end of year	<u>\$ 22,094</u>	<u>\$ 48,004</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2019 and 2018

Note 6 – Other Postemployment Benefits (OPEB), Concluded

As of December 31, 2019, the District reported a total net OPEB liability of \$330,931 and \$317,499 at December 31, 2018. The District recognized \$13,432 and \$17,167 in OPEB expense as of December 31, 2019 and 2018, 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 for the years ended 2019 and 2018:

Change in Net OPEB liability	<u>12/31/2019</u>	<u>12/31/2018</u>
Net OPEB liability at beginning of year	\$ 317,499	\$ 319,606
Plan expense	30,131	25,596
District payments	(16,699)	(18,200)
Forfeited benefits	-	(9,503)
Net OPEB liability at end of year	<u>\$ 330,931</u>	<u>\$ 317,499</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, 2019, 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.

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, 2020, the date which the financial statements were available to be issued. The District is set to receive \$258,000 grant and \$1,032,000 bond issuance for the expansion of its water treatment plant. The District implemented a water rate increase effective for usage after November 7, 2019.

Supplemental Information

EDMONSON COUNTY WATER DISTRICT
Statement of Revenues, Expenses and
Change in Net Position – Budget and Actual
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Water Sales	\$ 3,033,714	\$ 3,033,714	\$ 3,039,890	\$ 6,176
Sewer Sales	21,500	21,500	21,455	(45)
Consumers' Forfeited Discounts	52,600	52,600	56,738	4,138
Service Fees	41,500	41,500	65,646	24,146
Total operating revenues	<u>3,149,314</u>	<u>3,149,314</u>	<u>3,183,729</u>	<u>34,415</u>
Operating expenses:				
Salaries	930,454	930,454	922,764	7,690
Employee Benefits	247,029	247,029	256,866	(9,837)
Purchased Power	243,324	243,324	239,383	3,941
Chemicals	83,712	83,712	60,353	23,359
Materials and Supplies	192,245	192,245	139,177	53,068
Depreciation	1,000,000	1,000,000	969,248	30,752
Transportation	47,045	47,045	56,397	(9,352)
Taxes Other Than Income	87,072	87,072	78,731	8,341
Contractual Services	180,950	180,950	155,463	25,487
Advertising	1,800	1,800	2,834	(1,034)
Miscellaneous	35,900	35,900	38,107	(2,207)
Insurance	74,800	74,800	64,945	9,855
Bad Debts	12,000	12,000	10,213	1,787
Total operating expenses	<u>3,136,331</u>	<u>3,136,331</u>	<u>2,994,481</u>	<u>141,850</u>
Operating income	<u>12,983</u>	<u>12,983</u>	<u>189,248</u>	<u>176,265</u>
Non-operating revenue (expenses):				
Interest Income	48,513	48,513	97,047	48,534
Interest Expense	(403,872)	(403,872)	(381,107)	22,765
Grant Proceeds	258,000	258,000	-	(258,000)
Miscellaneous Income	4,078	4,078	15,069	10,991
Miscellaneous Expenses	-	-	(1,297)	(1,297)
Amortization	-	-	2,101	2,101
Total non-operating revenue (expenses)	<u>(93,281)</u>	<u>(93,281)</u>	<u>(268,187)</u>	<u>(174,906)</u>
Income (loss) before capital contributions	<u>(80,298)</u>	<u>(80,298)</u>	<u>(78,939)</u>	<u>1,359</u>
Capital contributions				
Tap Fees	70,900	70,900	194,519	123,619
Total capital contributions	<u>70,900</u>	<u>70,900</u>	<u>191,485</u>	<u>120,585</u>
Increase (decrease) in net position	(9,398)	(9,398)	112,546	121,944
Net position:				
Beginning of year	19,882,936	19,882,936	19,882,936	-
End of year	<u>\$ 19,873,538</u>	<u>\$ 19,873,538</u>	<u>\$ 19,995,482</u>	<u>\$ 121,944</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position - Water
December 31, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 1,172,547	\$ 1,158,682
Accounts Receivable	87,674	97,822
Inventory	88,627	79,174
Prepaid Expenses	<u>41,546</u>	<u>39,374</u>
Total Current Assets	<u>1,390,394</u>	<u>1,375,052</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,759,940	3,732,979
Cash - Membership Fund	465,931	404,534
Cash - Bond and Interest Redemption Fund	<u>414,457</u>	<u>394,884</u>
Total Restricted Assets	<u>4,640,328</u>	<u>4,532,397</u>
Capital Assets		
Utility Plant in Service	41,448,508	41,072,860
Construction in Progress	112,794	-
Accumulated Depreciation and Amortization	<u>(18,209,748)</u>	<u>(17,317,574)</u>
Net Capital Assets	<u>23,351,554</u>	<u>23,755,286</u>
Total Non-Current Assets	<u>27,991,882</u>	<u>28,287,683</u>
 Total Assets	 <u>\$ 29,382,276</u>	 <u>\$ 29,662,735</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Water, Concluded
December 31, 2019 and 2018

Liabilities	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts Payable	\$ 30,502	\$ 15,050
Compensated Absences	111,964	96,844
Accrued Liabilities	<u>2,121</u>	<u>2,993</u>
Total Current Liabilities	<u>144,587</u>	<u>114,887</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	512,600	495,800
Customer Deposits	266,200	261,125
Accrued Interest	<u>62,432</u>	<u>67,001</u>
Total Liabilities Payable from Restricted Assets	<u>841,232</u>	<u>823,926</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	10,868,995	11,383,696
Retiree Health Payable	<u>330,931</u>	<u>317,499</u>
Total Long-Term Liabilities	<u>11,199,926</u>	<u>11,701,195</u>
 Total Liabilities	 <u>12,185,745</u>	 <u>12,640,008</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	11,969,959	11,875,790
Restricted for Equipment Replacement	3,759,940	3,732,979
Restricted for Membership Deposits	199,731	143,409
Restricted for Debt Retirement	352,025	327,883
Unrestricted	<u>914,876</u>	<u>942,666</u>
 Total Net Position	 <u>\$ 17,196,531</u>	 <u>\$ 17,022,727</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and
Changes in Net Position - Water
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Water Sales	\$ 3,039,890	\$ 2,986,280
Consumers' Forfeited Discounts	57,807	59,988
Service Fees	<u>65,646</u>	<u>41,798</u>
Total operating revenues	<u>3,163,343</u>	<u>3,088,066</u>
Operating expenses:		
Water Treatment	655,416	723,642
Transmission and Distribution	599,389	585,611
Customer Accounts	277,138	276,943
General and Administrative	405,146	394,172
Depreciation	892,174	883,210
Taxes Other than Income	<u>78,650</u>	<u>78,496</u>
Total operating expenses	<u>2,907,913</u>	<u>2,942,074</u>
Operating income	<u>255,430</u>	<u>145,992</u>
Non-operating revenue (expenses):		
Interest Income	93,872	54,600
Interest Expense	(377,567)	(393,699)
Miscellaneous Income	15,069	28,664
Miscellaneous Expenses	(6,022)	(5,646)
Amortization	<u>2,101</u>	<u>2,292</u>
Total non-operating revenue (expenses)	<u>(272,547)</u>	<u>(313,789)</u>
Income (loss) before capital contributions	<u>(17,117)</u>	<u>(167,797)</u>
Capital contributions		
Tap Fees	<u>190,921</u>	<u>84,288</u>
Total capital contributions	<u>190,921</u>	<u>84,288</u>
Increase (decrease) in net position	173,804	(83,509)
Net position:		
Beginning of year	<u>17,022,727</u>	<u>17,106,236</u>
End of year	<u>\$ 17,196,531</u>	<u>\$ 17,022,727</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Operating Expenses- Water
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Water Treatment		
Salaries	\$ 310,040	\$ 317,893
Employee Benefits	47,076	47,378
Purchased Power	146,940	144,721
Chemicals	60,353	80,084
Materials and Supplies	19,435	13,789
Contractual Services	58,944	105,762
Transportation	4,721	7,172
Miscellaneous	7,907	6,843
	<u>\$ 655,416</u>	<u>\$ 723,642</u>
 Transmission and Distribution		
Salaries	\$ 280,539	\$ 279,100
Employee Benefits	94,493	82,446
Purchased Power	84,484	84,013
Materials and Supplies	43,947	69,169
Contractual Services	36,314	20,818
Transportation	50,647	42,178
Miscellaneous	8,965	7,887
	<u>\$ 599,389</u>	<u>\$ 585,611</u>
 Customer Accounts		
Salaries	\$ 151,626	\$ 150,612
Employee Benefits	47,043	47,974
Materials and Supplies	68,098	53,258
Bad Debts	10,213	9,030
Miscellaneous	158	16,069
	<u>\$ 277,138</u>	<u>\$ 276,943</u>
 Administrative and General		
Salaries	\$ 173,519	\$ 171,569
Employee Benefits	68,254	48,539
Purchased Power	5,586	5,016
Materials and Supplies	7,697	3,993
Contractual Services	60,205	79,199
Transportation	1,029	1,613
Insurance	64,945	67,162
Advertising	2,834	1,308
Miscellaneous	21,077	15,773
	<u>\$ 405,146</u>	<u>\$ 394,172</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer
December 31, 2019 and 2018

	Assets	
Current Assets	<u>2019</u>	<u>2018</u>
Cash	\$ 181,660	\$ 174,786
Accounts Receivable	936	1,200
Prepaid Expenses	<u>1,350</u>	<u>1,350</u>
Total Current Assets	<u>183,946</u>	<u>177,336</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	6,270	6,162
Cash - Bond and interest redemption Fund	<u>4,342</u>	<u>4,176</u>
Total Restricted Assets	<u>10,612</u>	<u>10,338</u>
Capital Assets		
Utility Plant in Service	3,358,067	3,354,874
Accumulated Depreciation and Amortization	<u>(670,946)</u>	<u>(593,872)</u>
Net Capital Assets	<u>2,687,121</u>	<u>2,761,002</u>
Total Non-Current Assets	<u>2,697,733</u>	<u>2,771,340</u>
Total Assets	<u>\$ 2,881,679</u>	<u>\$ 2,948,676</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer, Concluded
December 31, 2019 and 2018

Liabilities	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts Payable	\$ 1,228	\$ 5,167
Total Current Liabilities	1,228	5,167
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	1,900	1,800
Total Liabilities Payable from Restricted Assets	1,900	1,800
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	79,600	81,500
Total Long-Term Liabilities	79,600	81,500
Total Liabilities	82,728	88,467
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	2,605,621	2,677,702
Restricted for Equipment Replacement	6,270	6,162
Restricted for Debt Retirement	4,342	4,176
Unrestricted	182,718	172,169
Total Net Position	\$ 2,798,951	\$ 2,860,209

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position - Sewer
For the Year Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Sewer Sales	\$ 21,455	\$ 37,711
Consumers' Forfeited Discounts	(1,069)	349
Total operating revenues	<u>20,386</u>	<u>38,060</u>
Operating expenses:		
Labor	7,040	20,311
Purchased Power	2,373	3,674
Taxes Other than Income	81	328
Depreciation	77,074	89,244
Total operating expenses	<u>86,568</u>	<u>113,557</u>
Operating income	<u>(66,182)</u>	<u>(75,497)</u>
Non-operating revenue (expenses):		
Interest Income	3,175	1,596
Interest Expense	(3,540)	(3,613)
Miscellaneous Expenses	4,725	(1,938)
Total non-operating revenue (expenses)	<u>4,360</u>	<u>(3,955)</u>
Income (loss) before capital contributions	<u>(61,822)</u>	<u>(79,452)</u>
Capital contributions and donations		
Donated Assets	-	(1,121,114)
Tap Fees	564	3,598
Total capital contributions	<u>564</u>	<u>(1,117,516)</u>
Increase (decrease) in net position	(61,258)	(1,196,968)
Net position:		
Beginning of year	<u>2,860,209</u>	<u>4,057,177</u>
End of year	<u>\$ 2,798,951</u>	<u>\$ 2,860,209</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, 2019</u>	<u>December 31, 2018</u>
District's net OPEB liability	\$ 330,931	\$ 317,499
District's covered-employee payroll	\$ 929,225	\$ 926,312
District's share of the net OPEB liability as a percentage of its covered-employee payroll	35.61%	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, 2019</u>	<u>December 31, 2018</u>
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>
Company's covered-employee payroll	\$ 929,225	\$ 926,312
Contributions as a percentage of covered- employee payroll	0.00%	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, 2019 and 2018, 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, 2020.

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, 2020

