

Edmonson County Water District

Financial Statements

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Edmonson County Water District
Brownsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Edmonson County Water District, as of and for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, 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 10, 2021, 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 10, 2021

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2020 and 2019**

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, 2020. 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, 2020 were \$3,336,808 or an increase of 4.81%. This increase was due to an increase in water sales rates. There was also an increase in interest income due to an increase in interest rates.

Operating expenses for the year ending December 31, 2020 were \$2,963,578 or a decrease of .96%. Expenses were down due to a decrease in salaries, contractual services and depreciation expense.

Total assets and deferred outflows of resources for the year ending December 31, 2020 were \$33,613,125 or an increase of 4.28% due to increase for Edmonson/ Hart Project while total liabilities were \$13,037,240 or an increase of 5.45% mainly related to issuance of bonds.

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, 2020 and 2019 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, 2020 and 2019**

Edmonson County Water District
Summary of Net Position
December 31, 2020 and 2019

	<u>2020</u>	Restated <u>2019</u>
ASSETS:		
Total current assets	\$ 1,504,650	\$ 1,221,315
Total restricted assets	5,210,614	5,003,965
Net capital assets	<u>26,308,471</u>	<u>26,038,675</u>
Total Assets	<u>\$ 33,023,735</u>	<u>\$ 32,263,955</u>
 Deferred Outflows Of Resources:		
Deferred Outflows of Resources, net	<u>\$ 589,390</u>	<u>\$ -</u>
 LIABILITIES:		
Total current liabilities	\$ 150,494	\$ 145,815
Total liabilities payable from restricted assets	918,849	845,040
Total long-term liabilities	<u>11,967,897</u>	<u>11,372,912</u>
Total Liabilities	<u>\$ 13,037,240</u>	<u>\$ 12,363,767</u>
 NET POSITION:		
Invested in capital assets, net of related debt	\$ 14,140,961	\$ 14,480,286
Restricted	4,491,378	4,344,402
Unrestricted	<u>1,943,546</u>	<u>1,075,500</u>
Total Net Position	<u>\$ 20,575,885</u>	<u>\$ 19,900,188</u>

The Net Position for the year ending December 31, 2020 showed an increase of \$675,697 or approximately 3.56% from the previous year.

Edmonson County Water District
Summary of Changes in Net Position
December 31, 2020 and 2019

	<u>2020</u>	Restated <u>2019</u>
Total operating revenues	\$ 3,336,808	\$ 3,183,729
Total operating expenses	<u>2,963,578</u>	<u>2,994,481</u>
Operating income	<u>373,230</u>	<u>189,248</u>
Total non-operating revenue (expenses)	<u>209,842</u>	<u>(268,187)</u>
Income (loss) before capital contributions	<u>583,072</u>	<u>(78,939)</u>
Total capital contributions and donated assets	<u>92,625</u>	<u>96,191</u>
Increase (decrease) in Net Position	675,697	17,252
Net Position, beginning of year, restated	<u>19,900,188</u>	<u>19,882,936</u>
Net Position, end of year	<u>\$ 20,575,885</u>	<u>\$ 19,900,188</u>

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2020 and 2019**

The largest portion (70%) 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 0.75% decrease from the prior year.

Restricted Net Position (22%) represent resources that are subject to external restrictions on how they may be used.

The balance (8%) 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, 2020 were \$26,308,471, which was a net increase of \$269,796 or 1.91% due to no new construction projects being completed.

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. 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, 2020, the District had \$12,046,600 bonds outstanding plus unamortized bond premium of \$120,910 for a total liability of \$12,167,510. The District incurred \$360,189 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$4,695,307 for the year. The district refinanced \$3,325,000 of bonds and issued new bonds in the amount of \$1,032,000 in 2020.

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, 2020 and 2019

Assets	<u>2020</u>	Restated <u>2019</u>
Current Assets		
Cash	\$ 1,018,384	\$ 1,001,182
Accounts Receivable	120,829	88,610
Inventory	322,890	88,627
Prepaid Expenses	42,547	42,896
Total Current Assets	<u>1,504,650</u>	<u>1,221,315</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,793,261	3,766,210
Cash - Membership Fund	414,284	465,931
Cash - Retiree Health	353,889	353,025
Cash - Bond and Interest Redemption Fund	649,180	418,799
Total Restricted Assets	<u>5,210,614</u>	<u>5,003,965</u>
Capital Assets		
Utility Plant in Service	46,087,860	44,806,575
Construction in Progress	-	112,794
Accumulated Depreciation and Amortization	(19,779,389)	(18,880,694)
Net Capital Assets	<u>26,308,471</u>	<u>26,038,675</u>
Total Non-Current Assets	<u>31,519,085</u>	<u>31,042,640</u>
Total Assets	<u>\$ 33,023,735</u>	<u>\$ 32,263,955</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources, net	<u>\$ 589,390</u>	<u>\$ -</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Concluded
December 31, 2020 and 2019

Liabilities	<u>2020</u>	Restated <u>2019</u>
Current Liabilities		
Accounts Payable	\$ 14,188	\$ 31,730
Compensated Absences	121,994	111,964
Accrued Liabilities	<u>14,312</u>	<u>2,121</u>
Total Current Liabilities	<u>150,494</u>	<u>145,815</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	537,472	516,408
Customer Deposits	273,325	266,200
Accrued Interest	<u>108,052</u>	<u>62,432</u>
Total Liabilities Payable from Restricted Assets	<u>918,849</u>	<u>845,040</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	11,630,038	11,041,981
Retiree Health Payable	<u>337,859</u>	<u>330,931</u>
Total Long-Term Liabilities	<u>11,967,897</u>	<u>11,372,912</u>
 Total Liabilities	 <u>13,037,240</u>	 <u>12,363,767</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	14,140,961	14,480,286
Restricted for Equipment Replacement	3,793,261	3,766,210
Restricted for Membership Deposits	140,959	199,731
Restricted for Debt Retirement	541,128	356,367
Restricted for Health Trust	16,030	22,094
Unrestricted	<u>1,943,546</u>	<u>1,075,500</u>
 Total Net Position	 <u>\$ 20,575,885</u>	 <u>\$ 19,900,188</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	Restated <u>2019</u>
Operating revenues:		
Water Sales	\$ 3,272,599	\$ 3,039,890
Sewer Sales	16,393	21,455
Consumers' Forfeited Discounts	9,175	56,738
Service Fees	38,641	65,646
Total operating revenues	3,336,808	3,183,729
Operating expenses:		
Water Treatment	564,370	655,416
Transmission and Distribution	669,310	608,802
Customer Accounts	282,443	277,138
General and Administrative	382,368	405,146
Depreciation	985,931	969,248
Taxes Other than Income	79,156	78,731
Total operating expenses	2,963,578	2,994,481
Operating income	373,230	189,248
Non-operating revenue (expenses):		
Interest Income	103,365	97,047
Interest Expense	(360,189)	(381,107)
Savings on bond refinance	631,135	-
Miscellaneous Income	3,293	15,069
Miscellaneous Expenses	(12,987)	(1,297)
Bond issuance cost	(122,886)	-
Amortization	(31,889)	2,101
Total non-operating revenue (expenses)	209,842	(268,187)
Income (loss) before capital contributions	583,072	(78,939)
Capital contributions and donations		
Tap Fees	92,625	96,191
Total capital contributions	92,625	96,191
Increase (decrease) in net position	675,697	17,252
Net position:		
Beginning of year, restated	19,900,188	19,882,936
End of year	\$ 20,575,885	\$ 19,900,188

EDMONSON COUNTY WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>Restated 2019</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 3,304,589	\$ 3,194,141
Cash payments to suppliers for goods and services	(1,073,996)	(907,665)
Cash payments to employees for services	<u>(1,108,979)</u>	<u>(1,082,824)</u>
Net cash provided (used) by operating activities	<u>1,121,614</u>	<u>1,203,652</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(4,695,307)	(497,600)
Proceeds from long-term debt	5,304,430	95,294
Interest paid on long-term debt	(314,569)	(387,777)
Additions to capital assets	(1,255,727)	(491,635)
Bond issuance costs	(122,886)	-
Capital contributions and other revenue	<u>82,931</u>	<u>109,963</u>
Net cash provided (used) in financing activities	<u>(1,001,128)</u>	<u>(1,171,755)</u>
Cash flows from investing activities:		
Interest income	<u>103,365</u>	<u>97,047</u>
Net cash provided by (used) in investing activities	<u>103,365</u>	<u>97,047</u>
Net increase (decrease) in cash and cash equivalents	223,851	128,944
Cash and cash equivalents, beginning of year	<u>6,005,147</u>	<u>5,876,203</u>
Cash and cash equivalents, end of year	<u>\$ 6,228,998</u>	<u>\$ 6,005,147</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 373,230	\$ 189,248
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	995,787	971,349
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(32,219)	10,412
(Increase) decrease in inventory	(234,263)	(9,453)
(Increase) decrease in prepaid expenses	349	(2,172)
Increase (decrease) in accounts payable	(17,544)	11,513
Increase (decrease) in compensated absences	10,030	15,120
Increase (decrease) in customer deposits	7,125	5,075
Increase (decrease) in retiree health payable	6,928	13,432
Increase (decrease) in accrued expenses	<u>12,191</u>	<u>(872)</u>
Net cash provided (used) by operating activities	<u>\$ 1,121,614</u>	<u>\$ 1,203,652</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019

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, 2020. 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, 2020 and 2019 was \$985,931 and \$969,248, 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, 2020 and 2019

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, 2020 and 2019, the District had complied with this requirement.

Inventory

Inventory is valued at lower of cost or net realizable value 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, 2020 and 2019, the District complied with this requirement.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

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

Risks and Uncertainties

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. Consequently, governments have encouraged self-isolation to curtail the spread. Many industries are experiencing disruptions and the District's operations could be adversely affected, but the impact is not known at this point. Accordingly, management believes that a material impact on the District's financial position and results of future operations is reasonably possible.

Note 2 – Capital Assets

Capital asset activity for the year ended December 31, 2020 and 2019, was as follows:

	For the Year Ended December 31, 2020			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 370,422	\$ 11,303	\$ -	\$ 381,725
Construction In Progress	112,794	912,855	(1,025,649)	-
Total Non-Depreciable Capital Assets	<u>483,216</u>	<u>924,158</u>	<u>(1,025,649)</u>	<u>381,725</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,562,690	24,980	-	4,587,670
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	1,693,272	189,161	-	1,882,433
Water Treatment Equipment	1,754,532	10,306	-	1,764,838
Franchise	10,262	-	-	10,262
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission and Distribution Mains	18,934,414	741,356	-	19,675,770
Services	1,363,483	69,700	-	1,433,183
Meters and Installations	3,116,437	149,268	(87,236)	3,178,469
Other Plant	165,519	54,469	-	219,988
Furniture and Equipment	373,627	10,466	-	384,093
Transportation Equipment	400,969	68,012	-	468,981
Communication Equipment	499,853	-	-	499,853
Power Operated Equipment	324,991	39,500	-	364,491
Total Depreciable Capital Assets	<u>44,436,153</u>	<u>1,357,218</u>	<u>(87,236)</u>	<u>45,706,135</u>
Less: Accumulated Depreciation and Amortization	<u>18,880,694</u>	<u>985,931</u>	<u>(87,236)</u>	<u>19,779,389</u>
Total Net Capital Assets	<u>\$ 26,038,675</u>			<u>\$ 26,308,471</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 – Capital Assets, Concluded

	For the Year Ended December 31, 2019			Ending Balance
	Beginning Balance	Additions	Deletions	
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 370,167	\$ 255	\$ -	\$ 370,422
	<u>-</u>	<u>112,794</u>	<u>-</u>	<u>112,794</u>
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, 2020 and 2019

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</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.	\$ 2,577,500	\$ 2,668,000
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.	-	205,000
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
Series 2020 C Water Revenue Bonds issued through the Kentucky Rural Water Finance Corporation in the amount of \$3,325,000; due in annual installments on January 1 ranging from \$40,000 to \$150,000 through January 2048; interest rates ranging from 2.20% to 5.2% due semi-annually on January 1 and July 1.	3,325,000	-
Series 2019 Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$1,032,000; due in annual installments on January 1 ranging from \$20,000 to \$31,000 through January 2060; interest rate of 1.50% due semi-annually on January 1 and July 1.	1,032,000	-
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
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
Kentucky Rural Water Financing Corporation interim loan in the amount of \$1,032,000, originating December 2019, maturing January 2060 with interest rate of 1.50% due semi annually on January a and July a . The money is being used interim financing for an expansion project and is expected to be refinanced by USDA Rural Development Bonds. As of June 30, 2019 the district had drawn \$95,294 on the interim financing.	-	95,294

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

Note 3 – Long-Term Debt, Continued

	<u>2020</u>	<u>2019</u>
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
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.	481,000	492,000
Series 2010 B Water Revenue Bonds issued through the Rural Development of the USDA in the amount of \$700,000; due in annual installments on January 1 ranging from \$11,000 to \$28,000 through January 2050; interest rate of 2.25% due semi-annually on January 1 and July 1.	590,500	604,000
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.	1,125,000	1,250,000
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.	145,000	215,000
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.	2,085,000	2,205,000
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.	458,000	467,500
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.	148,000	150,500
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.	79,600	81,500
Total debt	<u>\$ 12,046,600</u>	<u>\$ 11,547,794</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

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>
2021	\$ 528,000	\$ 344,403	\$ 872,403
2022	571,600	333,742	905,342
2023	515,600	313,914	829,514
2024	530,700	296,503	827,203
2025	550,800	278,083	828,883
2026-2030	2,735,100	1,090,756	3,825,856
2031-2035	2,349,200	678,838	3,028,038
2036-2040	1,968,000	374,630	2,342,630
2041-2045	1,135,600	183,221	1,318,821
2046-2050	765,500	60,927	826,427
2051-2055	231,500	20,101	251,601
2056-2060	165,000	6,146	171,146
	<u>\$ 12,046,600</u>	<u>\$ 3,981,264</u>	<u>\$ 16,027,864</u>

Interest was capitalized in the amount of \$22,167 during 2020 and \$0 for 2019; interest incurred and charged to expense for the year ended December 31, 2020 and 2019 totaled \$360,189 and \$381,107, respectively.

Long-term debt activities for the year ended December 31, 2020 and 2019 are as follows:

	For the Year Ended December 31, 2020				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
RD Series 2001 A	\$ 2,668,000	\$ -	\$ (90,500)	\$ 2,577,500	\$ 93,500
RD Series 2001 B	205,000	-	(205,000)	-	-
RD Series 2003	337,000	-	(337,000)	-	-
RD Series 2007 A	1,023,000	-	(1,023,000)	-	-
RD Series 2007 B	441,000	-	(441,000)	-	-
RD Series 2009	1,313,000	-	(1,313,000)	-	-
RD Series 2010	492,000	-	(11,000)	481,000	11,500
RD Series 2010 B	604,000	-	(13,500)	590,500	14,000
KRWFC 2008 C	215,000	-	(70,000)	145,000	70,000
KRWFC 2012 D	2,205,000	-	(120,000)	2,085,000	120,000
RD Series 2013 A	467,500	-	(9,500)	458,000	9,500
RD Series 2013 B	150,500	-	(2,500)	148,000	2,500
KRWFC 2013 B	1,250,000	-	(125,000)	1,125,000	125,000
KRW Interim Financing	95,294	837,113	(932,407)	-	-
KRWFC 2020 C	-	3,325,000	-	3,325,000	80,000
RD Series 2019	-	1,032,000	-	1,032,000	-
RD Series 2005	81,500	-	(1,900)	79,600	2,000
	<u>11,547,794</u>	<u>5,194,113</u>	<u>(4,695,307)</u>	<u>12,046,600</u>	<u>528,000</u>
Bond premiums/discounts	10,595	120,171	(9,856)	120,910	9,472
Total bonds, net with premium	<u>\$ 11,558,389</u>	<u>\$ 5,314,284</u>	<u>\$ (4,705,163)</u>	<u>\$ 12,167,510</u>	<u>\$ 537,472</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

Note 3 – Long-Term Debt, Concluded

	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
KRW Interim Financing	-	95,294	-	95,294	-
RD Series 2005	83,300	-	(1,800)	81,500	1,900
	11,950,100	95,294	(497,600)	11,547,794	514,500
Bond Premiums/discounts	12,696	-	(2,101)	10,595	1,908
Total bonds, net with premium	\$ 11,962,796	\$ 95,294	\$ (499,701)	\$ 11,558,389	\$ 516,408

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, 2020 and 2019, respectively and does not expect to incur a liability.

Note 4 – Cash and Investments

The carrying amount of the District's cash deposits was \$6,228,998 and \$6,005,147 for the years ending December 31, 2020 and 2019, respectively and the bank balances, were \$6,316,161 and \$6,027,630. 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 \$3,577,000 for 2020 and 2019 that matured annually. Interest rates at December 31, 2020 ranged from .90%-1.66% while December 31, 2019 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, 2020 and 2019 employer contributions were \$65,952 and \$63,568, respectively and employee contributions were \$27,450 and \$24,989. Covered payroll was approximately \$823,115 and \$795,900 for the years ended December 31, 2020 and 2019, respectively.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020.

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. Employee contributions for the year ended December 31, 2020 and 2019 were \$0 and \$0. Employer contributions were \$14,364 and \$0 for the year ended December 31, 2020 and 2019.

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>12/31/2020</u>	<u>12/31/2019</u>
Benefit obligation at end of year	\$ 337,859	\$ 330,931
Fair value of plan assets at end of year	<u>353,889</u>	<u>353,025</u>
Over/(under) funded status at end of year	<u>\$ 16,030</u>	<u>\$ 22,094</u>

As of December 31, 2020, the District reported a total net OPEB liability of \$337,859 and \$330,931 at December 31, 2020 and 2019, respectively. The District recognized \$13,432 and \$17,167 in OPEB expense as of December 31, 2020 and 2019, 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 2020 and 2019:

Change in Net OPEB liability	<u>12/31/2020</u>	<u>12/31/2019</u>
Net OPEB liability at beginning of year	\$ 330,931	\$ 317,499
Service Cost	23,328	30,131
Payments to employees	(16,400)	(16,699)
Net OPEB liability at end of year	<u>\$ 337,859</u>	<u>\$ 330,931</u>
Plan Assets Beginning of year	\$ 353,025	\$ 365,503
Employer Contributions	14,364	-
Payments to employees	(16,400)	(16,699)
Asset Income	2,900	4,221
Plan assets end of year	<u>\$ 353,889</u>	<u>\$ 353,025</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

Note 6 – Other Postemployment Benefits (OPEB), Concluded

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, 2020, the District has three inactive employees receiving 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 items that qualify for reporting in this category in the amount of \$589,390 for savings on bonds. This amount net of amortization in the amount of \$45,175.

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 10, 2021, the date which the financial statements were available to be issued.

Note 9 – Reclassifications

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

Note 10 – Restatement

Proprietary net position at the beginning of the year has been adjusted for a correction of an error related to liabilities. The changes had the following effect on proprietary net position:

	2020	
	Government wide	Water Fund
Net Position as previously stated on January 1, 2020	\$ 19,995,482	\$ 17,196,531
Liabilities	(95,294)	(95,294)
Net position as restated	\$ 19,900,188	\$ 17,101,237

Supplemental Information

EDMONSON COUNTY WATER DISTRICT
Statement of Revenues, Expenses and
Change in Net Position – Budget and Actual
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Water Sales	\$ 3,255,390	\$ 3,255,390	\$ 3,272,599	\$ 17,209
Sewer Sales	19,220	19,220	16,393	(2,827)
Consumers' Forfeited Discounts	52,336	52,336	9,175	(43,161)
Service Fees	<u>42,293</u>	<u>42,293</u>	<u>38,641</u>	<u>(3,652)</u>
Total operating revenues	<u>3,369,239</u>	<u>3,369,239</u>	<u>3,336,808</u>	<u>(32,431)</u>
Operating expenses:				
Salaries	945,411	945,411	936,194	9,217
Employee Benefits	262,189	262,189	245,804	16,385
Purchased Power	246,458	246,458	228,901	17,557
Chemicals	82,084	82,084	71,686	10,398
Materials and Supplies	186,180	186,180	122,406	63,774
Depreciation	1,006,500	1,006,500	985,931	20,569
Transportation	47,345	47,345	37,802	9,543
Taxes Other Than Income	88,075	88,075	79,156	8,919
Contractual Services	171,650	171,650	138,184	33,466
Advertising	1,800	1,800	1,681	119
Miscellaneous	37,405	37,405	44,794	(7,389)
Insurance	73,800	73,800	54,916	18,884
Bad Debts	<u>12,050</u>	<u>12,050</u>	<u>16,123</u>	<u>(4,073)</u>
Total operating expenses	<u>3,160,947</u>	<u>3,160,947</u>	<u>2,963,578</u>	<u>197,369</u>
Operating income	<u>208,292</u>	<u>208,292</u>	<u>373,230</u>	<u>164,938</u>
Non-operating revenue (expenses):				
Interest Income	82,450	82,450	103,365	20,915
Interest Expense	(387,706)	(387,706)	(360,189)	27,517
Savings on bond refinance	-	-	631,135	631,135
Grant Proceeds	258,000	258,000	-	(258,000)
Bond issuance Costs	-	-	(122,886)	(122,886)
Miscellaneous Income	9,222	9,222	3,293	(5,929)
Miscellaneous Expenses	-	-	(12,987)	(12,987)
Amortization	<u>-</u>	<u>-</u>	<u>(31,889)</u>	<u>(31,889)</u>
Total non-operating revenue (expenses)	<u>(38,034)</u>	<u>(38,034)</u>	<u>209,842</u>	<u>247,876</u>
Income (loss) before capital contributions	<u>170,258</u>	<u>170,258</u>	<u>583,072</u>	<u>412,814</u>
Capital contributions				
Tap Fees	<u>72,275</u>	<u>72,275</u>	<u>92,625</u>	<u>20,350</u>
Total capital contributions	<u>72,275</u>	<u>72,275</u>	<u>92,625</u>	<u>20,350</u>
Increase (decrease) in net position	242,533	242,533	675,697	433,164
Net position:				
Beginning of year, restated	<u>19,900,188</u>	<u>19,900,188</u>	<u>19,900,188</u>	<u>-</u>
End of year	<u>\$ 20,142,721</u>	<u>\$ 20,142,721</u>	<u>\$ 20,575,885</u>	<u>\$ 433,164</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position - Water
December 31, 2020 and 2019

Assets	<u>2020</u>	<u>Restated 2019</u>
Current Assets		
Cash	\$ 835,857	\$ 819,522
Accounts Receivable	119,593	87,674
Inventory	322,890	88,627
Prepaid Expenses	<u>41,197</u>	<u>41,546</u>
Total Current Assets	<u>1,319,537</u>	<u>1,037,369</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	3,786,895	3,759,940
Cash - Membership Fund	414,284	465,931
Cash - Retiree Health	353,889	353,025
Cash - Bond and Interest Redemption Fund	<u>644,753</u>	<u>414,457</u>
Total Restricted Assets	<u>5,199,821</u>	<u>4,993,353</u>
Capital Assets		
Utility Plant in Service	42,728,720	41,448,508
Construction in Progress	-	112,794
Accumulated Depreciation and Amortization	<u>(19,031,417)</u>	<u>(18,209,748)</u>
Net Capital Assets	<u>23,697,303</u>	<u>23,351,554</u>
Total Non-Current Assets	<u>28,897,124</u>	<u>28,344,907</u>
 Total Assets	 <u>\$ 30,216,661</u>	 <u>\$ 29,382,276</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources, net	<u>\$ 589,390</u>	<u>\$ -</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Water, Concluded
December 31, 2020 and 2019

Liabilities	<u>2020</u>	Restated <u>2019</u>
Current Liabilities		
Accounts Payable	\$ 12,950	\$ 30,502
Compensated Absences	121,994	111,964
Accrued Liabilities	<u>14,312</u>	<u>2,121</u>
Total Current Liabilities	<u>149,256</u>	<u>144,587</u>
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	535,472	514,508
Customer Deposits	273,325	266,200
Accrued Interest	<u>108,052</u>	<u>62,432</u>
Total Liabilities Payable from Restricted Assets	<u>916,849</u>	<u>843,140</u>
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	11,552,438	10,962,381
Retiree Health Payable	<u>337,859</u>	<u>330,931</u>
Total Long-Term Liabilities	<u>11,890,297</u>	<u>11,293,312</u>
 Total Liabilities	 <u>12,956,402</u>	 <u>12,281,039</u>
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	11,609,393	11,874,665
Restricted for Equipment Replacement	3,786,895	3,759,940
Restricted for Membership Deposits	140,959	199,731
Restricted for Debt Retirement	536,701	352,025
Restricted for Health Trust	16,030	22,094
Unrestricted	<u>1,759,671</u>	<u>892,782</u>
 Total Net Position	 <u>\$ 17,849,649</u>	 <u>\$ 17,101,237</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and
Changes in Net Position - Water
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>Restated 2019</u>
Operating revenues:		
Water Sales	\$ 3,272,599	\$ 3,039,890
Consumers' Forfeited Discounts	9,135	57,807
Service Fees	<u>38,641</u>	<u>65,646</u>
Total operating revenues	<u>3,320,375</u>	<u>3,163,343</u>
Operating expenses:		
Water Treatment	564,370	655,416
Transmission and Distribution	657,131	599,389
Customer Accounts	282,443	277,138
General and Administrative	382,368	405,146
Depreciation	908,906	892,174
Taxes Other than Income	<u>79,059</u>	<u>78,650</u>
Total operating expenses	<u>2,874,277</u>	<u>2,907,913</u>
Operating income	<u>446,098</u>	<u>255,430</u>
Non-operating revenue (expenses):		
Interest Income	100,500	93,872
Interest Expense	(356,725)	(377,567)
Bond issuance costs	(122,886)	-
Savings on bond refinancing	631,135	-
Miscellaneous Income	3,293	15,069
Miscellaneous Expenses	(13,739)	(6,022)
Amortization	<u>(31,889)</u>	<u>2,101</u>
Total non-operating revenue (expenses)	<u>209,689</u>	<u>(272,547)</u>
Income (loss) before capital contributions	<u>655,787</u>	<u>(17,117)</u>
Capital contributions		
Tap Fees	<u>92,625</u>	<u>95,627</u>
Total capital contributions	<u>92,625</u>	<u>95,627</u>
Increase (decrease) in net position	748,412	78,510
Net position:		
Beginning of year, restated	<u>17,101,237</u>	<u>17,022,727</u>
End of year	<u>\$ 17,849,649</u>	<u>\$ 17,101,237</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Operating Expenses- Water
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Water Treatment		
Salaries	\$ 229,545	\$ 310,040
Employee Benefits	48,128	47,076
Purchased Power	135,271	146,940
Chemicals	71,686	60,353
Materials and Supplies	16,483	19,435
Contractual Services	50,439	58,944
Transportation	3,165	4,721
Miscellaneous	9,653	7,907
	<u>\$ 564,370</u>	<u>\$ 655,416</u>
Transmission and Distribution		
Salaries	\$ 362,729	\$ 280,539
Employee Benefits	95,864	94,493
Purchased Power	87,663	84,484
Materials and Supplies	43,707	43,947
Contractual Services	21,430	36,314
Transportation	33,507	50,647
Miscellaneous	12,231	8,965
	<u>\$ 657,131</u>	<u>\$ 599,389</u>
Customer Accounts		
Salaries	\$ 161,202	\$ 151,626
Employee Benefits	45,751	47,043
Materials and Supplies	59,306	68,098
Bad Debts	16,123	10,213
Miscellaneous	61	158
	<u>\$ 282,443</u>	<u>\$ 277,138</u>
Administrative and General		
Salaries	\$ 171,730	\$ 173,519
Employee Benefits	56,061	68,254
Purchased Power	4,776	5,586
Materials and Supplies	2,910	7,697
Contractual Services	66,315	60,205
Transportation	1,130	1,029
Insurance	54,916	64,945
Advertising	1,681	2,834
Miscellaneous	22,849	21,077
	<u>\$ 382,368</u>	<u>\$ 405,146</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer
December 31, 2020 and 2019

	Assets	
Current Assets	<u>2020</u>	<u>2019</u>
Cash	\$ 182,527	\$ 181,660
Accounts Receivable	1,236	936
Prepaid Expenses	<u>1,350</u>	<u>1,350</u>
Total Current Assets	<u>185,113</u>	<u>183,946</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation Fund	6,366	6,270
Cash - Bond and interest redemption Fund	<u>4,427</u>	<u>4,342</u>
Total Restricted Assets	<u>10,793</u>	<u>10,612</u>
Capital Assets		
Utility Plant in Service	3,359,140	3,358,067
Accumulated Depreciation and Amortization	<u>(747,972)</u>	<u>(670,946)</u>
Net Capital Assets	<u>2,611,168</u>	<u>2,687,121</u>
Total Non-Current Assets	<u>2,621,961</u>	<u>2,697,733</u>
Total Assets	<u>\$ 2,807,074</u>	<u>\$ 2,881,679</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer, Concluded
December 31, 2020 and 2019

Liabilities	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts Payable	\$ 1,238	\$ 1,228
Total Current Liabilities	1,238	1,228
Liabilities Payable from Restricted Assets		
Current Maturities of Long-Term Debt (net)	2,000	1,900
Total Liabilities Payable from Restricted Assets	2,000	1,900
Long-Term Liabilities		
Long-Term Debt, less Current Maturities (net)	77,600	79,600
Total Long-Term Liabilities	77,600	79,600
Total Liabilities	80,838	82,728
Net Position		
Net Position		
Invested in Capital Assets, net of Related Debt	2,531,568	2,605,621
Restricted for Equipment Replacement	6,366	6,270
Restricted for Debt Retirement	4,427	4,342
Unrestricted	183,875	182,718
Total Net Position	\$ 2,726,236	\$ 2,798,951

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position - Sewer
For the Year Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Sewer Sales	\$ 16,393	\$ 21,455
Consumers' Forfeited Discounts	<u>40</u>	<u>(1,069)</u>
Total operating revenues	<u>16,433</u>	<u>20,386</u>
Operating expenses:		
Labor	10,988	7,040
Purchased Power	1,191	2,373
Taxes Other than Income	97	81
Depreciation	<u>77,025</u>	<u>77,074</u>
Total operating expenses	<u>89,301</u>	<u>86,568</u>
Operating income	<u>(72,868)</u>	<u>(66,182)</u>
Non-operating revenue (expenses):		
Interest Income	2,865	3,175
Interest Expense	(3,464)	(3,540)
Miscellaneous Expenses	<u>752</u>	<u>4,725</u>
Total non-operating revenue (expenses)	<u>153</u>	<u>4,360</u>
Income (loss) before capital contributions	<u>(72,715)</u>	<u>(61,822)</u>
Capital contributions and donations		
Tap Fees	<u>-</u>	<u>564</u>
Total capital contributions	<u>-</u>	<u>564</u>
Increase (decrease) in net position	(72,715)	(61,258)
Net position:		
Beginning of year	<u>2,798,951</u>	<u>2,860,209</u>
End of year	<u>\$ 2,726,236</u>	<u>\$ 2,798,951</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, 2020</u>	<u>December 31, 2019</u>
District's net OPEB liability	\$ 337,859	\$ 330,931
District's covered-employee payroll	\$ 823,115	\$ 795,900
District's share of the net OPEB liability as a percentage of its covered-employee payroll	41.05%	41.58%

** 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, 2020</u>	<u>December 31, 2019</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	\$ 823,115	\$ 795,900
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, 2020 and 2019, 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 10, 2021.

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 10, 2021

