

**Edmonson County Water District**

**Financial Statements**

**December 31, 2022 and 2021**



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## INDEPENDENT AUDITOR'S REPORT

Edmonson County Water District  
Brownsville, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of Edmonson County Water District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Edmonson County Water District's basic financial statements as listed in the table of contents.

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 Edmonson County Water District, as of December 31, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Edmonson County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Edmonson County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Edmonson County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Edmonson County Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–6 and 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edmonson County Water District's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 supplementary 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 January 19, 2023, on our consideration of 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 solely 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 the effectiveness of the Edmonson County Water District's 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 Edmonson County Water District's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
January 19, 2023

**EDMONSON COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2022 and 2021**

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, 2022. 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, 2022 were \$4,091,597 or an increase of 11.3%. This increase was due to an increase in water rates as well as an increase in demand as a result of dryer weather. There was also an increase in interest income due to an increase in interest rates.

Operating expenses for the year ending December 31, 2022 were \$3,709,773 or a increase of 19.65%. Expenses were up due to an increase in salaries, materials and supplies, and purchased power.

Total assets and deferred outflows of resources for the year ending December 31, 2022 were \$31,938,716 or a decrease of 0.01% while total liabilities were \$11,883,038 or a decrease of 4.6%.

**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, 2022 and 2021 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, 2022 and 2021**

Edmonson County Water District  
Summary of Net Position  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS:</b>		
Total current assets	\$ 1,694,249	\$ 1,758,495
Total restricted assets	5,422,065	5,506,115
Net capital assets	<u>24,313,426</u>	<u>24,402,346</u>
Total Assets	<u>\$ 31,429,740</u>	<u>\$ 31,666,956</u>
 <b>Deferred Outflows Of Resources:</b>		
Deferred Outflows of Resources, net	<u>\$ 508,976</u>	<u>\$ 548,649</u>
 <b>LIABILITIES:</b>		
Total current liabilities	\$ 132,932	\$ 127,735
Total liabilities payable from restricted assets	902,677	961,164
Total long-term liabilities	<u>10,847,429</u>	<u>11,367,748</u>
Total Liabilities	<u>\$ 11,883,038</u>	<u>\$ 12,456,647</u>
 <b>NET POSITION:</b>		
Invested in capital assets, net of related debt	\$ 13,284,053	\$ 12,792,500
Restricted	4,701,332	4,787,049
Unrestricted	<u>2,070,293</u>	<u>2,179,409</u>
Total Net Position	<u>\$ 20,055,678</u>	<u>\$ 19,758,958</u>

The Net Position for the year ending December 31, 2022 showed an increase of \$296,720 or approximately 1.5% from the previous year.

Edmonson County Water District  
Summary of Changes in Net Position  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Total operating revenues	\$ 4,091,597	\$ 3,675,936
Total operating expenses	<u>3,709,773</u>	<u>3,100,501</u>
Operating income	<u>381,824</u>	<u>575,435</u>
Total non-operating revenue (expenses)	<u>(211,804)</u>	<u>(62,082)</u>
Income (loss) before capital contributions	<u>170,020</u>	<u>513,353</u>
Total capital contributions and donated assets	<u>126,700</u>	<u>126,351</u>
Increase (decrease) in Net Position	296,720	639,704
Net Position, beginning of year, restated	<u>19,758,958</u>	<u>19,119,254</u>
Net Position, end of year	<u>\$ 20,055,678</u>	<u>\$ 19,758,958</u>



**EDMONSON COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2022 and 2021**

The largest portion (66%) 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 3.35% increase from the prior year.

Restricted Net Position (24%) represent resources that are subject to external restrictions on how they may be used.

The balance (10%) 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, 2022 were \$24,313,426, which was a net decrease of \$88,920 or .36%.

#### 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 an overbudget of materials and supplies in anticipation of purchasing a large number of meters that were not available for purchase prior to the end of the year.

#### DEBT ADMINISTRATION

At December 31, 2022, the District had \$10,927,000 bonds outstanding plus unamortized bond premium of \$102,373 for a total liability of \$11,029,372. The District incurred approximately \$322,000 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$571,600 for the year.

#### REQUEST FOR INFORMATION

This analysis is designed to provide a general overview of the Edmonson County Water District's finances and to demonstrate the Edmonson County Water District's accountability for the funds it receives whether from water sales or construction proceeds. If you have any questions about this report or need any additional information, please contact the Edmonson County Water District at P. O. Box 208, Brownsville, Kentucky, 42210 or by telephone at (270) 597-2165.

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2022 and 2021**

<b>Assets</b>	<u>2022</u>	Restated <u>2021</u>
<b>Current Assets</b>		
Cash	\$ 978,567	\$ 975,146
Accounts receivable	114,494	120,787
Inventory	562,996	627,098
Prepaid expenses	38,192	35,464
Total Current Assets	1,694,249	1,758,495
<b>Non-Current Assets</b>		
Restricted Assets		
Cash - Depreciation fund	3,794,949	3,896,033
Cash - Membership fund	773,570	685,890
Cash - Retiree health	352,346	356,561
Cash - Bond and interest redemption fund	501,200	567,631
Total Restricted Assets	5,422,065	5,506,115
Capital Assets		
Utility plant in service	45,046,223	44,699,560
Construction in Progress	66,710	47,250
Accumulated depreciation and amortization	(20,799,507)	(20,344,464)
Net Capital Assets	24,313,426	24,402,346
Total Non-Current Assets	29,735,491	29,908,461
Total Assets	\$ 31,429,740	\$ 31,666,956
<b>Deferred Outflows of Resources</b>		
Deferred Outflows of Resources, net	\$ 508,976	\$ 548,649

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Concluded**  
**December 31, 2022 and 2021**

<b>Liabilities</b>	<u>2022</u>	Restated <u>2021</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 12,125	\$ 25,511
Compensated absences	109,174	92,754
Accrued liabilities	<u>11,633</u>	<u>9,470</u>
Total Current Liabilities	<u>132,932</u>	<u>127,735</u>
<b>Liabilities Payable from Restricted Assets</b>		
Current maturities of long-term debt (net)	524,258	580,667
Customer deposits	284,900	279,425
Accrued interest	<u>93,519</u>	<u>101,072</u>
Total Liabilities Payable from Restricted Assets	<u>902,677</u>	<u>961,164</u>
<b>Long-Term Liabilities</b>		
Long-term debt, less current maturities (net)	10,505,115	11,029,179
Retiree health payable	<u>342,314</u>	<u>338,569</u>
Total Long-Term Liabilities	<u>10,847,429</u>	<u>11,367,748</u>
 Total Liabilities	 <u>11,883,038</u>	 <u>12,456,647</u>
<b>Net Position</b>		
<b>Net Position</b>		
Invested in capital assets, net of related debt	13,284,053	12,792,500
Restricted for equipment replacement	3,794,949	3,896,033
Restricted for membership deposits	488,670	406,465
Restricted for debt retirement	407,681	466,559
Restricted for health trust	10,032	17,992
Unrestricted	<u>2,070,293</u>	<u>2,179,409</u>
 <b>Total Net Position</b>	 <u>\$ 20,055,678</u>	 <u>\$ 19,758,958</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>Restated 2021</u>
<b>Operating revenues:</b>		
Water sales	\$ 3,986,719	\$ 3,539,555
Sewer sales	18,639	17,288
Consumers' forfeited discounts	55,913	49,194
Service fees	<u>30,326</u>	<u>69,899</u>
Total operating revenues	<u>4,091,597</u>	<u>3,675,936</u>
<b>Operating expenses:</b>		
Water treatment	892,495	629,072
Transmission and distribution	1,072,517	808,733
Customer accounts	353,014	294,031
General and administrative	408,301	381,812
Depreciation	878,334	892,150
Taxes other than income	<u>105,112</u>	<u>94,703</u>
Total operating expenses	<u>3,709,773</u>	<u>3,100,501</u>
Operating income	<u>381,824</u>	<u>575,435</u>
<b>Non-operating revenue (expenses):</b>		
Interest income	87,548	81,730
Interest expense	(321,700)	(342,480)
Grant revenue	8,210	305,250
Gain (loss) on disposal of fixed assets	15,000	(50,327)
Miscellaneous income	41,761	3,232
Miscellaneous expenses	(11,823)	(28,411)
Amortization	<u>(30,800)</u>	<u>(31,076)</u>
Total non-operating revenue (expenses)	<u>(211,804)</u>	<u>(62,082)</u>
Income (loss) before capital contributions	<u>170,020</u>	<u>513,353</u>
<b>Capital contributions and donations</b>		
Tap fees	<u>126,700</u>	<u>126,351</u>
Total capital contributions	<u>126,700</u>	<u>126,351</u>
Increase (decrease) in net position	296,720	639,704
<b>Net position:</b>		
Beginning of year, restated	<u>19,758,958</u>	<u>19,119,254</u>
End of year	<u>\$ 20,055,678</u>	<u>\$ 19,758,958</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 4,097,890	\$ 3,675,978
Cash payments to suppliers for goods and services	(1,255,750)	(1,124,148)
Cash payments to employees for services	(1,499,898)	(1,315,876)
Net cash provided (used) by operating activities	<u>1,342,242</u>	<u>1,235,954</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal paid on long-term debt	(571,600)	(548,000)
Interest paid on long-term debt	(329,253)	(349,460)
Grant revenue	8,210	305,250
Additions to capital assets	(800,108)	(594,622)
Proceeds from sale of capital assets	25,693	20,239
Capital contributions and other revenue	156,638	101,172
Net cash provided (used) in financing activities	<u>(1,510,420)</u>	<u>(1,065,421)</u>
<b>Cash flows from investing activities:</b>		
Interest income	<u>87,548</u>	<u>81,730</u>
Net cash provided by (used) in investing activities	<u>87,548</u>	<u>81,730</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(80,630)	252,263
Cash and cash equivalents, beginning of year	<u>6,481,261</u>	<u>6,228,998</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 6,400,631</u>	<u>\$ 6,481,261</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 381,824	\$ 549,248
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Gain) loss on disposal of assets	-	50,327
Depreciation and amortization	878,334	949,413
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	6,293	42
(Increase) decrease in inventory	64,102	(304,208)
(Increase) decrease in prepaid expenses	(2,728)	7,083
Increase (decrease) in accounts payable	(13,386)	11,321
Increase (decrease) in compensated absences	16,420	(29,240)
Increase (decrease) in customer deposits	5,475	6,100
Increase (decrease) in retiree health payable	3,745	710
Increase (decrease) in accrued expenses	2,163	(4,842)
Net cash provided (used) by operating activities	<u>\$ 1,342,242</u>	<u>\$ 1,235,954</u>

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

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**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, 2022 and 2021**

**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, 2022. 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, 2022 and 2021 was \$878,334 and \$892,150, respectively.

The estimated useful lives of capital assets are as follows:

Utility plant	25-62.5 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, 2022 and 2021**

**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, 2022 and 2021, 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, 2022 and 2021, the District complied with this requirement.



**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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

New Accounting Principle

For 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency information of the government's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**Note 2 – Capital Assets**

Capital asset activity for the year ended December 31, 2022 and 2021, was as follows:

	For the Year Ended December 31, 2022			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 381,742	\$ 10,000	\$ -	\$ 391,742
Construction In Progress	47,250	19,460	-	66,710
Total Non-Depreciable Capital Assets	<u>428,992</u>	<u>29,460</u>	<u>-</u>	<u>458,452</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,662,014	-	-	4,662,014
Lake, River, and Other Intakes	751,570	-	-	751,570
Supply Mains	228,231	28,967	-	257,198
Collections Sewers Force/Gravity	1,372,243	-	-	1,372,243
Pumping Equipment	2,016,983	-	-	2,016,983
Water Treatment Equipment	1,768,422	-	-	1,768,422
Franchise	10,262	-	-	10,262
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission and Distribution Mains	20,908,701	-	-	20,908,701
Services	1,473,510	57,029	-	1,530,539
Meters and Installations	3,087,125	426,304	(364,485)	3,148,944
Other Plant	206,339	1,116	-	207,455
Furniture and Equipment	578,297	33,164	-	611,461
Transportation Equipment	418,521	134,268	-	552,789
Communication Equipment	445,859	-	-	445,859
Power Operated Equipment	332,409	89,800	(69,500)	352,709
Total Depreciable Capital Assets	<u>44,317,818</u>	<u>770,648</u>	<u>(433,985)</u>	<u>44,654,481</u>
Less: Accumulated Depreciation and Amortization	<u>20,344,464</u>	<u>878,334</u>	<u>(423,291)</u>	<u>20,799,507</u>
Total Net Capital Assets, restated	<u>\$ 24,402,346</u>			<u>\$ 24,313,426</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 2 – Capital Assets, Concluded**

	For the Year Ended December 31, 2021			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 381,742	\$ -	\$ -	\$ 381,742
Construction In Progress	-	47,250	-	47,250
Total Non-Depreciable Capital Assets	<u>381,742</u>	<u>47,250</u>	<u>-</u>	<u>428,992</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,587,669	74,345	-	4,662,014
Lake, River, and Other Intakes	751,570	-	-	751,570
Supply Mains	228,231	-	-	228,231
Collections Sewers Force/Gravity	1,372,243	-	-	1,372,243
Pumping Equipment	1,882,433	134,550	-	2,016,983
Water Treatment Equipment	1,764,838	3,584	-	1,768,422
Franchise	10,262	-	-	10,262
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission and Distribution Mains	20,865,770	42,931	-	20,908,701
Services	1,433,182	40,328	-	1,473,510
Meters and Installations	3,052,679	107,243	(72,797)	3,087,125
Other Plant	206,339	-	-	206,339
Furniture and Equipment	530,249	48,374	(326)	578,297
Transportation Equipment	493,596	-	(75,075)	418,521
Communication Equipment	499,852	19,342	(73,335)	445,859
Power Operated Equipment	333,209	-	(800)	332,409
Total Depreciable Capital Assets	<u>44,069,454</u>	<u>470,697</u>	<u>(222,333)</u>	<u>44,317,818</u>
Less: Accumulated Depreciation and Amortization	<u>19,599,356</u>	<u>892,150</u>	<u>(147,042)</u>	<u>20,344,464</u>
Total Net Capital Assets, restated	<u>\$ 24,851,840</u>			<u>\$ 24,402,346</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 3 – Long-Term Debt**

Long-term debt consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</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.	\$ 2,387,500	\$ 2,484,000
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.	3,160,000	3,245,000
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.	992,000	1,012,000
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.	458,000	469,500
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.	562,500	576,500
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.	870,000	1,000,000
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.	-	75,000
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.	1,840,000	1,965,000

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 3 – Long-Term Debt, Continued**

	<u>2022</u>	<u>2021</u>
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.	438,500	448,500
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.	143,000	145,500
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.	<u>75,500</u>	<u>77,600</u>
Total debt	<u>\$ 10,927,000</u>	<u>\$ 11,498,600</u>

Principal and interest maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 515,600	\$ 313,614	\$ 829,214
2024	531,700	296,196	827,896
2025	550,800	277,768	828,568
2026	571,400	258,160	829,560
2027	590,500	237,851	828,351
2028-2032	2,591,800	910,559	3,502,359
2033-2037	2,103,600	540,555	2,644,155
2038-2042	1,678,700	280,552	1,959,252
2043-2047	1,123,900	127,277	1,251,177
2048-2052	415,000	33,499	448,499
2053-2057	189,000	11,104	200,104
2058-2062	<u>65,000</u>	<u>954</u>	<u>65,954</u>
	<u>\$ 10,927,000</u>	<u>\$ 3,288,089</u>	<u>\$ 14,215,089</u>

Interest was capitalized in the amount of \$0 during 2022 and \$0 for 2021; interest incurred and charged to expense for the year ended December 31, 2022 and 2021 totaled \$321,700 and \$342,480, respectively.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 3 – Long-Term Debt, Concluded**

Long-term debt activities for the year ended December 31, 2022 and 2021 are as follows:

	For the Year Ended December 31, 2022				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
RD Series 2001 A	\$ 2,484,000	\$ -	\$ (96,500)	\$ 2,387,500	\$ 99,500
RD Series 2010	469,500	-	(11,500)	458,000	12,000
RD Series 2010 B	576,500	-	(14,000)	562,500	14,500
KRWFC 2008 C	75,000	-	(75,000)	-	-
KRWFC 2012 D	1,965,000	-	(125,000)	1,840,000	130,000
RD Series 2013 A	448,500	-	(10,000)	438,500	10,000
RD Series 2013 B	145,500	-	(2,500)	143,000	2,500
KRWFC 2013 B	1,000,000	-	(130,000)	870,000	135,000
KRWFC 2020 C	3,245,000	-	(85,000)	3,160,000	90,000
RD Series 2019	1,012,000	-	(20,000)	992,000	20,000
RD Series 2005	77,600	-	(2,100)	75,500	2,100
	<u>11,498,600</u>	<u>-</u>	<u>(571,600)</u>	<u>10,927,000</u>	<u>515,600</u>
Bond premiums/discounts	111,246	-	(8,873)	102,373	8,658
Total bonds, net with premium	<u>\$ 11,609,846</u>	<u>\$ -</u>	<u>\$ (580,473)</u>	<u>\$ 11,029,373</u>	<u>\$ 524,258</u>

	For the Year Ended December 31, 2021				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
RD Series 2001 A	\$ 2,577,500	\$ -	\$ (93,500)	\$ 2,484,000	\$ 96,500
RD Series 2010	481,000	-	(11,500)	469,500	11,500
RD Series 2010 B	590,500	-	(14,000)	576,500	14,000
KRWFC 2008 C	145,000	-	(70,000)	75,000	75,000
KRWFC 2012 D	2,085,000	-	(120,000)	1,965,000	125,000
RD Series 2013 A	458,000	-	(9,500)	448,500	10,000
RD Series 2013 B	148,000	-	(2,500)	145,500	2,500
KRWFC 2013 B	1,125,000	-	(125,000)	1,000,000	130,000
KRWFC 2020 C	3,325,000	-	(80,000)	3,245,000	85,000
RD Series 2019	1,032,000	-	(20,000)	1,012,000	20,000
RD Series 2005	79,600	-	(2,000)	77,600	2,100
	<u>12,046,600</u>	<u>-</u>	<u>(548,000)</u>	<u>11,498,600</u>	<u>571,600</u>
Bond Premiums/discounts	120,910	-	(9,664)	111,246	9,067
Total bonds, net with premium	<u>\$ 12,167,510</u>	<u>\$ -</u>	<u>\$ (557,664)</u>	<u>\$ 11,609,846</u>	<u>\$ 580,667</u>

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and at December 31, 2022 and 2021, respectively and does not expect to incur a liability.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 4 – Cash and Investments**

The carrying amount of the District's cash deposits was \$6,400,632 and \$6,481,261 for the years ending December 31, 2022 and 2021, respectively and the bank balances, were \$6,429,934 and \$6,507,538. 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 eight certificates of deposit totaling approximately \$3,522,000 and \$3,577,000 for 2022 and 2021 that matured annually. Interest rates at December 31, 2022 ranged from 0.90-3.65% while December 31, 2021 rates ranged from 0.85%-2.27%. 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, 2022 and 2021 employer contributions were \$81,228 and \$70,880, respectively and employee contributions were \$40,104 and \$27,450. Covered payroll was approximately \$1,017,000 and \$886,000 for the years ended December 31, 2022 and 2021, respectively.

**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, 2022.

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, 2022 and 2021 were \$0 and \$0. Employer contributions were \$0 and \$6,600 for the year ended December 31, 2022 and 2021.

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.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 6 – Other Postemployment Benefits (OPEB), Concluded**

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

Net OPEB liability	<u>12/31/2022</u>	<u>12/31/2021</u>
Benefit obligation at end of year	\$ 342,314	\$ 338,569
Fair value of plan assets at end of year	<u>352,346</u>	<u>356,561</u>
Over/(under) funded status at end of year	<u>\$ 10,032</u>	<u>\$ 17,992</u>

The District reported a total net OPEB liability of \$342,314 and \$338,569 at December 31, 2022 and 2021, respectively. The District recognized \$3,746 and \$709 in OPEB expense as of December 31, 2022 and 2021, 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 2022 and 2021:

Change in Net OPEB liability	<u>12/31/2022</u>	<u>12/31/2021</u>
Net OPEB liability at beginning of year	\$ 338,569	\$ 337,859
Service Cost	35,747	59,076
Payments to employees	(6,514)	(6,527)
Forfeited benefits	<u>(25,488)</u>	<u>(51,839)</u>
Net OPEB liability at end of year	<u>\$ 342,314</u>	<u>\$ 338,569</u>
Plan Assets Beginning of year	\$ 356,561	\$ 353,889
Employer Contributions	-	6,600
Payments to employees	(6,514)	(6,527)
Asset Income	<u>2,299</u>	<u>2,599</u>
Plan assets end of year	<u>\$ 352,346</u>	<u>\$ 356,561</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, 2022, the District has two inactive employees receiving benefits, and twenty-eight 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 \$508,976 and \$548,649 on December 31, 2022 and 2021 respectively for savings on bonds. This amount is net of amortization in the amount of \$39,673 and \$40,741 for the years ended December 31, 2022 and 2021.

**EDMONSON COUNTY WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 7 – Deferred Inflows/Deferred Outflows of Resources, Concluded**

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 January 19, 2023, the date which the financial statements were available to be issued.

**Note 9 – Restatement**

In the process of auditing the year ended December 31, 2022 financial statements, it was discovered that capital assets held by the sewer fund were overstated. The effect of the restatement for correction of an error resulted in a decrease in fixed assets and net position of the sewer fund in the amount of \$1,456,631.

	2021	
	Government wide	Sewer Fund
Net Position as previously stated on January 1, 2021	\$ 20,575,885	\$ 2,726,236
Change in Capital Assets	<u>(1,456,631)</u>	<u>(1,456,631)</u>
Net position as restated, January 1, 2021	<u>\$ 19,119,254</u>	<u>\$ 1,269,605</u>

**Note 10 – 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.



## **Supplemental Information**

**EDMONSON COUNTY WATER DISTRICT**  
**Statement of Revenues, Expenses and**  
**Change in Net Position – Budget and Actual**  
**For the Year Ended December 31, 2022**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues:</b>				
Water sales	\$ 3,735,950	\$ 3,923,057	\$ 3,986,719	\$ 63,662
Sewer sales	17,325	17,325	18,639	1,314
Consumers' forfeited discounts	44,360	44,360	55,913	11,553
Service fees	<u>7,000</u>	<u>7,000</u>	<u>30,326</u>	<u>23,326</u>
Total operating revenues	<u>3,804,635</u>	<u>3,991,742</u>	<u>4,091,597</u>	<u>99,855</u>
<b>Operating expenses:</b>				
Salaries	1,103,221	1,269,417	1,270,370	(953)
Employee benefits	277,257	285,764	283,105	2,659
Purchased power	261,293	298,835	301,366	(2,531)
Chemicals	131,092	101,674	94,440	7,234
Materials and supplies	544,445	677,602	165,814	511,788
Depreciation	992,200	992,200	878,334	113,866
Transportation	55,226	102,350	99,264	3,086
Taxes other than income	99,931	109,499	105,112	4,387
Contractual services	275,200	412,320	383,404	28,916
Advertising	2,200	3,600	3,780	(180)
Miscellaneous	48,000	52,340	49,745	2,595
Insurance	61,500	55,374	53,300	2,074
Bad debts	<u>9,550</u>	<u>9,550</u>	<u>21,739</u>	<u>(12,189)</u>
Total operating expenses	<u>3,861,115</u>	<u>4,370,525</u>	<u>3,709,773</u>	<u>660,752</u>
Operating income	<u>(56,480)</u>	<u>(378,783)</u>	<u>381,824</u>	<u>760,607</u>
<b>Non-operating revenue (expenses):</b>				
Interest income	77,250	77,250	87,548	10,298
Interest expense	(326,050)	(326,050)	(321,700)	4,350
Grant revenue	-	-	8,210	8,210
Gain (loss) on disposal of fixed assets	8,000	8,000	15,000	7,000
Miscellaneous income	11,055	11,055	41,761	30,706
Miscellaneous expenses	-	-	(11,823)	(11,823)
Amortization	<u>-</u>	<u>-</u>	<u>(30,800)</u>	<u>(30,800)</u>
Total non-operating revenue (expenses)	<u>(229,745)</u>	<u>(229,745)</u>	<u>(211,804)</u>	<u>17,941</u>
Income (loss) before capital contributions	<u>(286,225)</u>	<u>(608,528)</u>	<u>170,020</u>	<u>778,548</u>
<b>Capital contributions</b>				
Tap fees	<u>97,550</u>	<u>97,550</u>	<u>126,700</u>	<u>29,150</u>
Total capital contributions	<u>97,550</u>	<u>97,550</u>	<u>126,700</u>	<u>29,150</u>
Increase (decrease) in net position	(188,675)	(510,978)	296,720	807,698
<b>Net position:</b>				
Beginning of year, restated	<u>19,758,958</u>	<u>19,758,958</u>	<u>19,758,958</u>	<u>-</u>
End of year	<u>\$ 19,570,283</u>	<u>\$ 19,247,980</u>	<u>\$ 20,055,678</u>	<u>\$ 807,698</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position - Water**  
**December 31, 2022 and 2021**

<b>Assets</b>	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
Cash	\$ 783,574	\$ 786,695
Accounts receivable	112,881	119,718
Inventory	562,996	627,098
Prepaid expenses	36,842	34,114
Total Current Assets	1,496,293	1,567,625
<b>Non-Current Assets</b>		
Restricted Assets		
Cash - Depreciation fund	3,788,500	3,889,626
Cash - Membership fund	773,570	685,890
Cash - Retiree health	352,346	356,561
Cash - Bond and interest redemption fund	500,939	563,597
Total Restricted Assets	5,415,355	5,495,674
Capital Assets		
Utility plant in service	43,333,791	42,987,128
Construction in progress	66,710	47,250
Accumulated depreciation and amortization	(20,163,260)	(19,745,257)
Net Capital Assets	23,237,241	23,289,121
Total Non-Current Assets	28,652,596	28,784,795
Total Assets	\$ 30,148,889	\$ 30,352,420
<b>Deferred Outflows of Resources</b>		
Deferred Outflows of Resources, net	\$ 508,976	\$ 548,649

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Water, Concluded**  
**December 31, 2022 and 2021**

<b>Liabilities</b>	<u>2022</u>	<u>2021</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 10,428	\$ 23,768
Compensated absences	109,174	92,754
Accrued liabilities	11,633	9,470
Total Current Liabilities	131,235	125,992
<b>Liabilities Payable from Restricted Assets</b>		
Current maturities of long-term debt (net)	522,158	578,567
Customer deposits	284,900	279,425
Accrued interest	93,519	101,072
Total Liabilities Payable from Restricted Assets	900,577	959,064
<b>Long-Term Liabilities</b>		
Long-term debt, less current maturities (net)	10,431,715	10,953,679
Retiree health payable	342,314	338,569
Total Long-Term Liabilities	10,774,029	11,292,248
Total Liabilities	11,805,841	12,377,304
<b>Net Position</b>		
<b>Net Position</b>		
Invested in capital assets, net of related debt	12,283,368	11,756,875
Restricted for equipment replacement	3,788,500	3,889,626
Restricted for membership deposits	488,670	406,465
Restricted for debt retirement	407,420	462,525
Restricted for health trust	10,032	17,992
Unrestricted	1,874,034	1,990,282
Total Net Position	\$ 18,852,024	\$ 18,523,765

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses and**  
**Changes in Net Position - Water**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating revenues:</b>		
Water sales	\$ 3,986,719	\$ 3,539,555
Consumers' forfeited discounts	55,369	48,745
Service fees	30,326	69,899
Total operating revenues	<u>4,072,414</u>	<u>3,658,199</u>
<b>Operating expenses:</b>		
Water treatment	892,495	629,072
Transmission and distribution	1,059,609	796,845
Customer accounts	353,014	294,031
General and administrative	408,301	381,812
Depreciation	841,294	855,056
Taxes other than income	104,999	94,700
Total operating expenses	<u>3,659,712</u>	<u>3,051,516</u>
Operating income	<u>412,702</u>	<u>606,683</u>
<b>Non-operating revenue (expenses):</b>		
Interest income	86,061	80,453
Interest expense	(318,402)	(339,097)
Grant revenue	8,210	305,250
Gain/(loss) on disposal of fixed assets	15,000	(50,327)
Miscellaneous income	40,611	3,232
Miscellaneous expenses	(11,823)	(27,353)
Amortization	(30,800)	(31,076)
Total non-operating revenue (expenses)	<u>(211,143)</u>	<u>(58,918)</u>
Income (loss) before capital contributions	<u>201,559</u>	<u>547,765</u>
<b>Capital contributions</b>		
Tap fees	126,700	126,351
Total capital contributions	<u>126,700</u>	<u>126,351</u>
Increase (decrease) in net position	328,259	674,116
<b>Net position:</b>		
Beginning of year	<u>18,523,765</u>	<u>17,849,649</u>
End of year	<u>\$ 18,852,024</u>	<u>\$ 18,523,765</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Operating Expenses- Water**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Water Treatment</b>		
Salaries	\$ 330,679	\$ 264,869
Employee benefits	68,633	56,981
Purchased power	183,114	165,756
Chemicals	94,440	72,496
Materials and supplies	31,325	20,449
Contractual services	166,101	37,048
Transportation	6,238	3,501
Miscellaneous	11,965	7,972
	<u>\$ 892,495</u>	<u>\$ 629,072</u>
<b>Transmission and Distribution</b>		
Salaries	\$ 523,475	\$ 453,620
Employee benefits	120,176	110,373
Purchased power	111,686	102,379
Materials and supplies	68,846	48,975
Contractual services	137,281	22,802
Transportation	90,365	52,039
Miscellaneous	7,780	6,657
	<u>\$ 1,059,609</u>	<u>\$ 796,845</u>
<b>Customer Accounts</b>		
Salaries	\$ 215,450	\$ 168,791
Employee benefits	60,884	50,103
Materials and supplies	43,748	61,016
Bad debts	21,739	9,080
Miscellaneous	11,193	5,041
	<u>\$ 353,014</u>	<u>\$ 294,031</u>
<b>Administrative and General</b>		
Salaries	\$ 189,163	\$ 172,020
Employee benefits	33,412	38,035
Purchased power	5,261	5,206
Materials and supplies	21,895	12,729
Contractual services	80,022	70,683
Transportation	2,661	1,408
Insurance	53,300	54,732
Advertising	3,780	5,246
Miscellaneous	18,807	21,753
	<u>\$ 408,301</u>	<u>\$ 381,812</u>

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Sewer**  
**December 31, 2022 and 2021**

<b>Assets</b>	<u>2022</u>	Restated <u>2021</u>
<b>Current Assets</b>		
Cash	\$ 194,993	\$ 188,451
Accounts receivable	1,613	1,069
Prepaid expenses	1,350	1,350
Total Current Assets	197,956	190,870
<b>Non-Current Assets</b>		
Restricted Assets		
Cash - Depreciation fund	6,449	6,407
Cash - Bond and interest redemption fund	261	4,034
Total Restricted Assets	6,710	10,441
Capital Assets		
Utility plant in service	1,712,432	1,712,432
Accumulated depreciation and amortization	(636,247)	(599,207)
Net Capital Assets	1,076,185	1,113,225
Total Non-Current Assets	1,082,895	1,123,666
Total Assets	\$ 1,280,851	\$ 1,314,536

**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Net Position – Sewer, Concluded**  
**December 31, 2022 and 2021**

<b>Liabilities</b>	<u>2022</u>	<u>Restated 2021</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 1,697	\$ 1,743
Total Current Liabilities	<u>1,697</u>	<u>1,743</u>
<b>Liabilities Payable from Restricted Assets</b>		
Current maturities of long-term debt (net)	<u>2,100</u>	<u>2,100</u>
Total Liabilities Payable from Restricted Assets	<u>2,100</u>	<u>2,100</u>
<b>Long-Term Liabilities</b>		
Long-term debt, less current maturities (net)	<u>73,400</u>	<u>75,500</u>
Total Long-Term Liabilities	<u>73,400</u>	<u>75,500</u>
Total Liabilities	<u>77,197</u>	<u>79,343</u>
<b>Net Position</b>		
<b>Net Position</b>		
Invested in capital assets, net of related debt	1,000,685	1,035,625
Restricted for equipment replacement	6,449	6,407
Restricted for debt retirement	261	4,034
Unrestricted	<u>196,259</u>	<u>189,127</u>
Total Net Position	<u>\$ 1,203,654</u>	<u>\$ 1,235,193</u>



**EDMONSON COUNTY WATER DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position - Sewer**  
**For the Year Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>Restated 2021</u>
<b>Operating revenues:</b>		
Sewer sales	\$ 18,639	\$ 17,288
Consumers' forfeited discounts	544	449
Total operating revenues	<u>19,183</u>	<u>17,737</u>
<b>Operating expenses:</b>		
Labor	11,603	10,589
Purchased power	1,305	1,299
Taxes other than income	113	3
Depreciation	<u>37,040</u>	<u>37,094</u>
Total operating expenses	<u>50,061</u>	<u>48,985</u>
Operating income	<u>(30,878)</u>	<u>(31,248)</u>
<b>Non-operating revenue (expenses):</b>		
Interest income	1,487	1,277
Interest expense	(3,298)	(3,383)
Miscellaneous revenues (expenses)	<u>1,150</u>	<u>(1,058)</u>
Total non-operating revenue (expenses)	<u>(661)</u>	<u>(3,164)</u>
Increase (decrease) in net position	(31,539)	(34,412)
<b>Net position:</b>		
Beginning of year, restated	<u>1,235,193</u>	<u>1,269,605</u>
End of year	<u>\$ 1,203,654</u>	<u>\$ 1,235,193</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, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
District's net OPEB liability	\$ 342,314	\$ 338,569	\$ 337,859	\$ 330,931
District's covered-employee payroll	\$ 1,017,353	\$ 886,019	\$ 823,115	\$ 795,900
District's share of the net OPEB liability as a percentage of its covered-employee payroll	33.65%	38.21%	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, 2022</u>	<u>December 31, 2021</u>	<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>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Company's covered-employee payroll	 \$ 1,017,353	 \$ 886,019	 \$ 823,115	 \$ 795,900
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	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

Board of Directors

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 Edmonson County Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Edmonson County Water District's basic financial statements, and have issued our report thereon dated January 19, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Edmonson County Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edmonson County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Edmonson County Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Edmonson County Water Districts 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 financial statements. 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*

Glasgow, Kentucky  
January 19, 2023

