

Edmonson County Water District

Financial Statements

December 31, 2023 and 2022

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ R. Brent Billingsley, CPA ▪ Ryan A. Mosier, CPA

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Jenna B. Glass, CPA ▪ Jordan T. Constant, CPA ▪ Lane S. Norris, CPA

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, 2023, 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, 2023, 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 on pages 4–6 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 February 10, 2024, 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
February 10, 2024

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2023 and 2022**

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, 2023. 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, 2023 were \$4,140,883 or an increase of 1.2%. This increase was due to an increase in demand as a result of dryer weather.

Operating expenses for the year ending December 31, 2023 were \$4,101,736 or a increase of 10.57%. 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, 2023 were \$31,613,067 or a decrease 8.49% while total liabilities were \$11,405,077 or a decrease of 4.02%.

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, 2023 and 2022 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, 2023 and 2022**

Edmonson County Water District
Summary of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Total current assets	\$ 1,478,641	\$ 2,059,619
Total restricted assets	4,853,033	5,056,695
Net capital assets	<u>24,810,961</u>	<u>24,313,426</u>
Total Assets	<u>\$ 31,142,635</u>	<u>\$ 31,429,740</u>
 Deferred Outflows Of Resources:		
Deferred Outflows of Resources, net	<u>\$ 470,432</u>	<u>\$ 508,976</u>
 LIABILITIES:		
Total current liabilities	\$ 170,040	\$ 132,932
Total liabilities payable from restricted assets	927,295	902,677
Total long-term liabilities	<u>10,307,742</u>	<u>10,847,429</u>
Total Liabilities	<u>\$ 11,405,077</u>	<u>\$ 11,883,038</u>
 NET POSITION:		
Invested in capital assets, net of related debt	\$ 14,305,847	\$ 13,284,053
Restricted	4,123,110	4,335,962
Unrestricted	<u>1,779,033</u>	<u>2,435,663</u>
Total Net Position	<u>\$ 20,207,990</u>	<u>\$ 20,055,678</u>

The Net Position for the year ending December 31, 2023 showed an increase of \$152,132 or approximately .75% from the previous year.

Edmonson County Water District
Summary of Changes in Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Total operating revenues	\$ 4,140,883	\$ 4,091,597
Total operating expenses	<u>4,101,736</u>	<u>3,709,773</u>
Operating income	<u>39,147</u>	<u>381,824</u>
Total non-operating revenue (expenses)	<u>(126,799)</u>	<u>(211,804)</u>
Income (loss) before capital contributions	<u>(87,652)</u>	<u>170,020</u>
Total capital contributions and donated assets	<u>239,964</u>	<u>126,700</u>
Increase (decrease) in Net Position	152,312	296,720
Net Position, beginning of year	<u>20,055,678</u>	<u>19,758,958</u>
Net Position, end of year	<u>\$ 20,207,990</u>	<u>\$ 20,055,678</u>

**EDMONSON COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2023 and 2022**

The largest portion (71%) 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 7.69% increase from the prior year.

Restricted Net Position (20%) represent resources that are subject to external restrictions on how they may be used.

The balance (9%) 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, 2023 were \$24,810,961, which was a net increase of \$497,535 or 2.05%.

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, 2023, the District had \$10,411,000 bonds outstanding plus unamortized bond premium of \$93,715 for a total liability of \$10,505,114. The District incurred approximately \$309,000 in interest expense associated with long term debt. Principal payments on bonds and loans amounted to \$515,600 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, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 744,337	\$ 1,343,937
Accounts receivable	159,921	114,494
Inventory	531,741	562,996
Prepaid expenses	42,184	38,192
Total Current Assets	<u>1,478,641</u>	<u>2,059,619</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation fund	3,568,386	3,794,949
Cash - Membership fund	418,688	408,200
Cash - Retiree health	354,064	352,346
Cash - Bond and interest redemption fund	511,895	501,200
Total Restricted Assets	<u>4,853,033</u>	<u>5,056,695</u>
Capital Assets		
Utility plant in service	46,018,130	45,046,223
Construction in Progress	159,899	66,710
Accumulated depreciation and amortization	<u>(21,367,068)</u>	<u>(20,799,507)</u>
Net Capital Assets	<u>24,810,961</u>	<u>24,313,426</u>
Total Non-Current Assets	<u>29,663,994</u>	<u>29,370,121</u>
Total Assets	<u>\$ 31,142,635</u>	<u>\$ 31,429,740</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources, net	<u>\$ 470,432</u>	<u>\$ 508,976</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Concluded
December 31, 2023 and 2022

Liabilities	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 45,236	\$ 12,125
Compensated absences	111,490	109,174
Accrued liabilities	13,314	11,633
Total Current Liabilities	<u>170,040</u>	<u>132,932</u>
Liabilities Payable from Restricted Assets		
Current maturities of long-term debt (net)	549,443	524,258
Customer deposits	290,675	284,900
Accrued interest	87,177	93,519
Total Liabilities Payable from Restricted Assets	<u>927,295</u>	<u>902,677</u>
Long-Term Liabilities		
Long-term debt, less current maturities (net)	9,955,671	10,505,115
Retiree health payable	352,071	342,314
Total Long-Term Liabilities	<u>10,307,742</u>	<u>10,847,429</u>
Total Liabilities	<u>11,405,077</u>	<u>11,883,038</u>
Net Position		
Net Position		
Invested in capital assets, net of related debt	14,305,847	13,284,053
Restricted for equipment replacement	3,568,386	3,794,949
Restricted for membership deposits	128,013	123,300
Restricted for debt retirement	424,718	407,681
Restricted for health trust	1,993	10,032
Unrestricted	1,779,033	2,435,663
Total Net Position	<u>\$ 20,207,990</u>	<u>\$ 20,055,678</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water sales	\$ 4,037,037	\$ 3,986,719
Sewer sales	28,590	18,639
Consumers' forfeited discounts	59,640	55,913
Service fees	15,616	30,326
Total operating revenues	<u>4,140,883</u>	<u>4,091,597</u>
Operating expenses:		
Water treatment	977,658	892,495
Transmission and distribution	1,244,187	1,072,517
Customer accounts	373,032	353,014
General and administrative	495,450	408,301
Depreciation	893,193	878,334
Taxes other than income	118,216	105,112
Total operating expenses	<u>4,101,736</u>	<u>3,709,773</u>
Operating income	<u>39,147</u>	<u>381,824</u>
Non-operating revenue (expenses):		
Interest income	180,531	87,548
Interest expense	(309,164)	(321,700)
Grant revenue	76,594	8,210
Gain (loss) on disposal of fixed assets	-	15,000
Miscellaneous income	34,724	41,761
Miscellaneous expenses	(79,599)	(11,823)
Amortization	(29,885)	(30,800)
Total non-operating revenue (expenses)	<u>(126,799)</u>	<u>(211,804)</u>
Income (loss) before capital contributions	<u>(87,652)</u>	<u>170,020</u>
Capital contributions and donations		
Tap fees	<u>239,964</u>	<u>126,700</u>
Total capital contributions	<u>239,964</u>	<u>126,700</u>
Increase (decrease) in net position	152,312	296,720
Net position:		
Beginning of year	<u>20,055,678</u>	<u>19,758,958</u>
End of year	<u>\$ 20,207,990</u>	<u>\$ 20,055,678</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 4,094,998	\$ 4,097,890
Cash payments to suppliers for goods and services	(1,388,114)	(1,255,750)
Cash payments to employees for services	(1,740,526)	(1,499,898)
Net cash provided (used) by operating activities	<u>966,358</u>	<u>1,342,242</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(515,600)	(571,600)
Interest paid on long-term debt	(315,506)	(329,253)
Grant proceeds received	46,455	8,210
Cash paid for capital assets	(1,360,589)	(800,108)
Proceeds from sale of capital assets	-	25,693
Capital contributions and other revenue	195,089	156,638
Net cash provided (used) in financing activities	<u>(1,950,151)</u>	<u>(1,510,420)</u>
Cash flows from investing activities:		
Interest income	<u>180,531</u>	<u>87,548</u>
Net cash provided by (used) in investing activities	<u>180,531</u>	<u>87,548</u>
Net increase (decrease) in cash and cash equivalents	(803,262)	(80,630)
Cash and cash equivalents, beginning of year	<u>6,400,632</u>	<u>6,481,262</u>
Cash and cash equivalents, end of year	<u>\$ 5,597,370</u>	<u>\$ 6,400,632</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 39,147	\$ 381,824
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	893,193	878,334
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(45,885)	6,293
(Increase) decrease in inventory	31,255	64,102
(Increase) decrease in prepaid expenses	(3,992)	(2,728)
Increase (decrease) in accounts payable	33,111	(13,386)
Increase (decrease) in compensated absences	2,316	16,420
Increase (decrease) in customer deposits	5,775	5,475
Increase (decrease) in retiree health payable	9,757	3,745
Increase (decrease) in accrued expenses	1,681	2,163
Net cash provided (used) by operating activities	<u>\$ 966,358</u>	<u>\$ 1,342,242</u>

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

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

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 and sewer service to the residents of Edmonson County, Kentucky. The District is governed by a five commission Board comprised of three Edmonson County residents and two Grayson County residents, appointed by the County Judge-Executive from the respective county and approved by their respective 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, 2023 and 2022

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, 2023. 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, 2023 and 2022 was \$893,193 and \$878,334, 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, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, the District complied with this requirement.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Capital Assets

Capital asset activity for the year ended December 31, 2023 and 2022, was as follows:

	For the Year Ended December 31, 2023			
	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and Rights	\$ 391,742	\$ 409,600	\$ -	\$ 801,342
Construction In Progress	66,710	93,189	-	159,899
Total Non-Depreciable Capital Assets	<u>458,452</u>	<u>502,789</u>	<u>-</u>	<u>961,241</u>
<i>Capital Assets being depreciated</i>				
Structures and Improvements	4,662,014	21,101	-	4,683,115
Lake, River, and Other Intakes	751,570	-	-	751,570
Supply Mains	257,198	-	-	257,198
Collections Sewers Force/Gravity	1,372,243	-	-	1,372,243
Pumping Equipment	2,016,983	70,941	-	2,087,924
Water Treatment Equipment	1,768,422	9,324	-	1,777,746
Franchise	10,262	-	-	10,262
Distribution Reservoirs	6,057,332	-	-	6,057,332
Transmission and Distribution Mains	20,908,701	-	-	20,908,701
Services	1,530,539	56,275	-	1,586,814
Meters and Installations	3,148,944	586,845	(325,633)	3,410,156
Other Plant	207,455	1,053	-	208,508
Furniture and Equipment	611,461	31,961	-	643,422
Transportation Equipment	552,789	110,440	-	663,229
Communication Equipment	445,859	-	-	445,859
Power Operated Equipment	352,709	-	-	352,709
Total Depreciable Capital Assets	<u>44,654,481</u>	<u>887,940</u>	<u>(325,633)</u>	<u>45,216,788</u>
Less: Accumulated Depreciation and Amortization	<u>20,799,507</u>	<u>893,193</u>	<u>(325,632)</u>	<u>21,367,068</u>
Total Net Capital Assets	<u>\$ 24,313,426</u>			<u>\$ 24,810,961</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Capital Assets, Concluded

	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	<u>\$ 24,402,346</u>			<u>\$ 24,313,426</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</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.	\$ 2,288,000	\$ 2,387,500
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.	3,070,000	3,160,000
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.	972,000	992,000
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.	446,000	458,000
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.	548,000	562,500
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.	735,000	870,000
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.	1,710,000	1,840,000

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Long-Term Debt, Continued

	<u>2023</u>	<u>2022</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.	428,500	438,500
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.	140,500	143,000
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>73,400</u>	<u>75,500</u>
Total debt	<u>\$ 10,411,400</u>	<u>\$ 10,927,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	616,100	216,250	832,350
2028-2032	2,510,900	829,332	3,340,232
2033-2037	1,955,900	504,804	2,460,704
2038-2042	1,508,100	241,886	1,749,986
2043-2047	1,049,500	101,356	1,150,856
2048-2052	329,500	26,580	356,080
2053-2057	166,000	8,629	174,629
2058-2062	31,000	233	31,233
	<u>\$ 10,411,400</u>	<u>\$ 2,999,045</u>	<u>\$ 13,410,445</u>

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 3 – Long-Term Debt, Concluded

Long-term debt activities for the year ended December 31, 2023 and 2022 are as follows:

	For the Year Ended December 31, 2023				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
RD Series 2001 A	\$ 2,387,500	\$ -	\$ (99,500)	\$ 2,288,000	\$ 103,000
RD Series 2010	458,000.00	-	(12,000)	446,000	12,500
RD Series 2010 B	562,500.00	-	(14,500)	548,000	15,000
KRWFC 2012 D	1,840,000.00	-	(130,000)	1,710,000	135,000
RD Series 2013 A	438,500.00	-	(10,000)	428,500	10,500
RD Series 2013 B	143,000.00	-	(2,500)	140,500	3,000
KRWFC 2013 B	870,000.00	-	(135,000)	735,000	140,000
KRWFC 2020 C	3,160,000.00	-	(90,000)	3,070,000	100,000
RD Series 2019	992,000.00	-	(20,000)	972,000	20,000
RD Series 2005	75,500.00	-	(2,100)	73,400	2,200
	10,927,000	-	(515,600)	10,411,400	541,200
Bond premiums/discounts	102,373	-	(8,659)	93,714	8,243
Total bonds, net with premium	\$ 11,029,373	\$ -	\$ (524,259)	\$ 10,505,114	\$ 549,443

	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
	11,498,600	-	(571,600)	10,927,000	515,600
Bond premiums/discounts	111,246	-	(8,873)	102,373	8,658
Total bonds, net with premium	\$ 11,609,846	\$ -	\$ (580,473)	\$ 11,029,373	\$ 524,258

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, 2023 and 2022, respectively and does not expect to incur a liability.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

Note 4 – Cash and Investments

The carrying amount of the District's cash deposits was \$5,597,370 and \$6,400,632 for the years ending December 31, 2023 and 2022, respectively and the bank balances, were \$5,722,693 and \$6,429,934. 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 \$3,352,530 and \$3,522,000 for 2023 and 2022 that matured annually. Interest rates at December 31, 2023 ranged from 0.90-3.65% while December 31, 2022 rates ranged from 0.90-3.65%. 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, 2023 and 2022 employer contributions were \$88,572 and \$81,228, respectively and employee contributions were \$42,848 and \$40,104. Covered payroll was approximately \$1,107,156 and \$1,017,000 for the years ended December 31, 2023 and 2022, 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, 2023.

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, 2023 and 2022 were \$0 and \$0. Employer contributions were \$0 and \$6,600 for the year ended December 31, 2023 and 2022.

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, 2023 and 2022

Note 6 – Other Postemployment Benefits (OPEB), Concluded

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

Net OPEB liability	<u>12/31/2023</u>	<u>12/31/2022</u>
Benefit obligation at end of year	\$ 352,071	\$ 342,314
Fair value of plan assets at end of year	<u>354,064</u>	<u>352,346</u>
Over/(under) funded status at end of year	<u>\$ 1,993</u>	<u>\$ 10,032</u>

The District reported a total net OPEB liability of \$352,071 and \$342,314 at December 31, 2023 and 2022, respectively. The District recognized \$9,756 and \$3,746 in OPEB expense as of December 31, 2023 and 2022, 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 2023 and 2022:

Change in Net OPEB liability	<u>12/31/2023</u>	<u>12/31/2022</u>
Net OPEB liability at beginning of year	\$ 342,314	\$ 338,569
Service Cost	16,633	35,747
Payments to employees	(6,876)	(6,514)
Forfeited benefits	-	(25,488)
Net OPEB liability at end of year	<u>\$ 352,071</u>	<u>\$ 342,314</u>
Plan Assets Beginning of year	\$ 352,346	\$ 356,561
Employer Contributions	-	-
Payments to employees	(6,876)	(6,514)
Asset Income	<u>8,594</u>	<u>2,299</u>
Plan assets end of year	<u>\$ 354,064</u>	<u>\$ 352,346</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, 2023, 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 \$470,432 and \$508,976 on December 31, 2023 and 2022 respectively for savings on bonds. This amount is net of amortization in the amount of \$160,703 and \$122,159 for the years ended December 31, 2023 and 2022.

EDMONSON COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2023 and 2022

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 February 10, 2024, 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.

Supplemental Information

EDMONSON COUNTY WATER DISTRICT
Statement of Revenues, Expenses and
Change in Net Position – Budget and Actual
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Water sales	\$ 4,024,356	\$ 4,024,356	\$ 4,037,037	\$ 12,681
Sewer sales	19,892	19,892	28,590	8,698
Consumers' forfeited discounts	52,542	52,542	59,640	7,098
Service fees	<u>35,080</u>	<u>35,080</u>	<u>15,616</u>	<u>(19,464)</u>
Total operating revenues	<u>4,131,870</u>	<u>4,131,870</u>	<u>4,140,883</u>	<u>9,013</u>
Operating expenses:				
Salaries	1,376,566	1,422,068	1,450,067	(27,999)
Employee benefits	312,957	330,625	342,170	(11,545)
Purchased power	306,438	313,231	314,009	(778)
Chemicals	142,062	136,000	140,507	(4,507)
Materials and supplies	573,660	756,998	204,331	552,667
Depreciation	948,000	948,000	893,193	54,807
Transportation	101,520	101,520	102,586	(1,066)
Taxes other than income	123,841	123,900	118,216	5,684
Contractual services	563,000	558,262	390,940	167,322
Advertising	2,500	2,500	2,603	(103)
Miscellaneous	63,850	74,300	72,077	2,223
Insurance	64,000	65,000	61,726	3,274
Bad debts	<u>10,000</u>	<u>10,000</u>	<u>9,311</u>	<u>689</u>
Total operating expenses	<u>4,588,394</u>	<u>4,842,404</u>	<u>4,101,736</u>	<u>740,668</u>
Operating income	<u>(456,524)</u>	<u>(710,534)</u>	<u>39,147</u>	<u>749,681</u>
Non-operating revenue (expenses):				
Interest income	82,614	148,476	180,531	32,055
Interest expense	(308,908)	(308,908)	(309,164)	(256)
Grant revenue	2,339,106	80,000	76,594	(3,406)
Gain (loss) on disposal of fixed assets	12,500	12,500	-	(12,500)
Miscellaneous income	20,000	33,000	34,724	1,724
Miscellaneous expenses	-	-	(79,599)	(79,599)
Amortization	<u>-</u>	<u>-</u>	<u>(29,885)</u>	<u>(29,885)</u>
Total non-operating revenue (expenses)	<u>2,145,312</u>	<u>(34,932)</u>	<u>(126,799)</u>	<u>(91,867)</u>
Income (loss) before capital contributions	<u>1,688,788</u>	<u>(745,466)</u>	<u>(87,652)</u>	<u>657,814</u>
Capital contributions				
Tap fees	<u>192,600</u>	<u>219,000</u>	<u>239,964</u>	<u>20,964</u>
Total capital contributions	<u>192,600</u>	<u>219,000</u>	<u>239,964</u>	<u>20,964</u>
Increase (decrease) in net position	1,881,388	(526,466)	152,312	678,778
Net position:				
Beginning of year	<u>20,055,678</u>	<u>20,055,678</u>	<u>20,055,678</u>	<u>-</u>
End of year	<u>\$ 21,937,066</u>	<u>\$ 19,529,212</u>	<u>\$ 20,207,990</u>	<u>\$ 678,778</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position - Water
December 31, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 532,571	\$ 1,148,944
Accounts receivable	157,789	112,881
Inventory	531,741	562,996
Prepaid expenses	40,834	36,842
Total Current Assets	<u>1,262,935</u>	<u>1,861,663</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation fund	3,561,778	3,788,500
Cash - Membership fund	418,688	408,200
Cash - Retiree health	354,064	352,346
Cash - Bond and interest redemption fund	511,380	500,939
Total Restricted Assets	<u>4,845,910</u>	<u>5,049,985</u>
Capital Assets		
Utility plant in service	44,305,698	43,333,791
Construction in progress	159,899	66,710
Accumulated depreciation and amortization	<u>(20,694,234)</u>	<u>(20,163,260)</u>
Net Capital Assets	<u>23,771,363</u>	<u>23,237,241</u>
Total Non-Current Assets	<u>28,617,273</u>	<u>28,287,226</u>
Total Assets	<u>\$ 29,880,208</u>	<u>\$ 30,148,889</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources, net	<u>\$ 470,432</u>	<u>\$ 508,976</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Water, Concluded
December 31, 2023 and 2022

Liabilities	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 40,603	\$ 10,428
Compensated absences	111,490	109,174
Accrued liabilities	<u>13,314</u>	<u>11,633</u>
Total Current Liabilities	<u>165,407</u>	<u>131,235</u>
Liabilities Payable from Restricted Assets		
Current maturities of long-term debt (net)	547,343	522,158
Customer deposits	290,675	284,900
Accrued interest	<u>87,177</u>	<u>93,519</u>
Total Liabilities Payable from Restricted Assets	<u>925,195</u>	<u>900,577</u>
Long-Term Liabilities		
Long-term debt, less current maturities (net)	9,884,371	10,431,715
Retiree health payable	<u>352,071</u>	<u>342,314</u>
Total Long-Term Liabilities	<u>10,236,442</u>	<u>10,774,029</u>
Total Liabilities	<u>11,327,044</u>	<u>11,805,841</u>
Net Position		
Net Position		
Invested in capital assets, net of related debt	13,339,649	12,283,368
Restricted for equipment replacement	3,561,778	3,788,500
Restricted for membership deposits	128,013	123,300
Restricted for debt retirement	424,203	407,420
Restricted for health trust	1,993	10,032
Unrestricted	<u>1,567,960</u>	<u>2,239,404</u>
Total Net Position	<u>\$ 19,023,596</u>	<u>\$ 18,852,024</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and
Changes in Net Position - Water
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water sales	\$ 4,037,037	\$ 3,986,719
Consumers' forfeited discounts	59,316	55,369
Service fees	15,616	30,326
Total operating revenues	<u>4,111,969</u>	<u>4,072,414</u>
Operating expenses:		
Water treatment	977,658	892,495
Transmission and distribution	1,229,227	1,059,609
Customer accounts	373,032	353,014
General and administrative	495,450	408,301
Depreciation	856,606	841,294
Taxes other than income	118,108	104,999
Total operating expenses	<u>4,050,081</u>	<u>3,659,712</u>
Operating income	<u>61,888</u>	<u>412,702</u>
Non-operating revenue (expenses):		
Interest income	174,587	86,061
Interest expense	(305,955)	(318,402)
Grant revenue	76,594	8,210
Gain/(loss) on disposal of fixed assets	-	15,000
Miscellaneous income	33,978	40,611
Miscellaneous expenses	(79,599)	(11,823)
Amortization	(29,885)	(30,800)
Total non-operating revenue (expenses)	<u>(130,280)</u>	<u>(211,143)</u>
Income (loss) before capital contributions	<u>(68,392)</u>	<u>201,559</u>
Capital contributions		
Tap fees	<u>239,964</u>	<u>126,700</u>
Total capital contributions	<u>239,964</u>	<u>126,700</u>
Increase (decrease) in net position	171,572	328,259
Net position:		
Beginning of year	<u>18,852,024</u>	<u>18,523,765</u>
End of year	<u>\$ 19,023,596</u>	<u>\$ 18,852,024</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Operating Expenses- Water
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Water Treatment		
Salaries	\$ 391,891	\$ 330,679
Employee benefits	76,256	68,633
Purchased power	192,054	183,114
Chemicals	140,507	94,440
Materials and supplies	32,835	31,325
Contractual services	115,185	166,101
Transportation	7,877	6,238
Miscellaneous	21,053	11,965
	<u>\$ 977,658</u>	<u>\$ 892,495</u>
Transmission and Distribution		
Salaries	\$ 593,213	\$ 523,475
Employee benefits	150,639	120,176
Purchased power	115,220	111,686
Materials and supplies	87,330	68,846
Contractual services	175,285	137,281
Transportation	92,827	90,365
Miscellaneous	14,713	7,780
	<u>\$ 1,229,227</u>	<u>\$ 1,059,609</u>
Customer Accounts		
Salaries	\$ 227,963	\$ 215,450
Employee benefits	75,637	60,884
Materials and supplies	47,801	43,748
Bad debts	9,311	21,739
Miscellaneous	12,320	11,193
	<u>\$ 373,032</u>	<u>\$ 353,014</u>
Administrative and General		
Salaries	\$ 223,532	\$ 189,163
Employee benefits	39,638	33,412
Purchased power	5,243	5,261
Materials and supplies	36,365	21,895
Contractual services	100,470	80,022
Transportation	1,882	2,661
Insurance	61,726	53,300
Advertising	2,603	3,780
Miscellaneous	23,991	18,807
	<u>\$ 495,450</u>	<u>\$ 408,301</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 211,766	\$ 194,993
Accounts receivable	2,132	1,613
Grants receivable	458	-
Prepaid expenses	1,350	1,350
Total Current Assets	<u>215,706</u>	<u>197,956</u>
Non-Current Assets		
Restricted Assets		
Cash - Depreciation fund	6,608	6,449
Cash - Bond and interest redemption fund	515	261
Total Restricted Assets	<u>7,123</u>	<u>6,710</u>
Capital Assets		
Utility plant in service	1,712,432	1,712,432
Accumulated depreciation and amortization	<u>(672,834)</u>	<u>(636,247)</u>
Net Capital Assets	<u>1,039,598</u>	<u>1,076,185</u>
Total Non-Current Assets	<u>1,046,721</u>	<u>1,082,895</u>
Total Assets	<u>\$ 1,262,427</u>	<u>\$ 1,280,851</u>

EDMONSON COUNTY WATER DISTRICT
Statements of Net Position – Sewer, Concluded
December 31, 2023 and 2022

Liabilities	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 4,633	\$ 1,697
Total Current Liabilities	4,633	1,697
Liabilities Payable from Restricted Assets		
Current maturities of long-term debt (net)	2,100	2,100
Total Liabilities Payable from Restricted Assets	2,100	2,100
Long-Term Liabilities		
Long-term debt, less current maturities (net)	71,300	73,400
Total Long-Term Liabilities	71,300	73,400
Total Liabilities	78,033	77,197
Net Position		
Net Position		
Invested in capital assets, net of related debt	966,198	1,000,685
Restricted for equipment replacement	6,608	6,449
Restricted for debt retirement	515	261
Unrestricted	211,073	196,259
Total Net Position	\$ 1,184,394	\$ 1,203,654

EDMONSON COUNTY WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position - Sewer
For the Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Sewer sales	\$ 28,590	\$ 18,639
Consumers' forfeited discounts	324	544
Total operating revenues	<u>28,914</u>	<u>19,183</u>
Operating expenses:		
Labor	13,468	11,603
Purchased power	1,492	1,305
Taxes other than income	108	113
Depreciation	<u>36,587</u>	<u>37,040</u>
Total operating expenses	<u>51,655</u>	<u>50,061</u>
Operating income	<u>(22,741)</u>	<u>(30,878)</u>
Non-operating revenue (expenses):		
Interest income	5,944	1,487
Interest expense	(3,209)	(3,298)
Miscellaneous revenues (expenses)	<u>746</u>	<u>1,150</u>
Total non-operating revenue (expenses)	<u>3,481</u>	<u>(661)</u>
Increase (decrease) in net position	(19,260)	(31,539)
Net position:		
Beginning of year	<u>1,203,654</u>	<u>1,235,193</u>
End of year	<u>\$ 1,184,394</u>	<u>\$ 1,203,654</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, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
District's net OPEB liability	\$ 352,071	\$ 342,314	\$ 338,569	\$ 337,859
District's covered-employee payroll	\$ 1,107,156	\$ 1,017,353	\$ 886,019	\$ 823,115
District's share of the net OPEB liability as a percentage of its covered-employee payroll	31.80%	33.65%	38.21%	41.05%

** 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, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</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	\$ 1,107,156	\$ 1,017,353	\$ 886,019	\$ 823,115
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, 2023 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 February 10, 2024.

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 and therefore material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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*.

We noted other matters that we reported to management of the Edmonson County Water District in a separate letter dated February 10, 2024.

Edmonson County Water District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Edmonson County Water District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Edmonson County Water District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
February 10, 2024

EDMONSON COUNTY WATER DISTRICT
Schedule of Findings and Responses
For the Year Ended December 31, 2023

2023-001 Material Weakness

Criteria: Controls over the customer disconnect process are crucial to the collection of all customer accounts.

Condition: The District exhibited insufficient controls surrounding the customer disconnect process by a lack of segregation of duties.

Effect: An employee's service was not disconnected even though their account was delinquent beyond the grace period allowed by District policy.

Recommendation: We recommend that the District select a separate employee to review the list of disconnect workorders and compare them to the list of delinquent accounts after the workorders have been created to verify that all qualifying accounts are included.

Management Response: The District understands the importance of segregation of duties to mitigate the threat of fraud or noncompliance and will be implementing a new process to include the review of the disconnect list and the list of delinquent accounts by a different employee than the one who develops the workorders.

