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**Cloyd & Associates, PSC**  
*Certified Public Accountants*

**WOOD CREEK WATER DISTRICT**  
**INDEPENDENT AUDITORS' REPORT**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Commissioners  
Wood Creek Water District  
London, Kentucky

We have audited the accompanying financial statements of the business-type activities of Wood Creek Water District as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Wood Creek Water District as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in *Note 12* to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of District's Proportionate Share of Net Pension Liability and Schedule of Pension Contributions, and Schedule of District's Proportionate Share of Net OPEB Liability and Schedule of Pension Contributions – Medical Insurance Plan per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying departmental statements for the water and sewer fund are presented separately for the purpose of additional analysis and are not required part of the financial statements. The schedule of expenditures of





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federal awards is presented for purposes of additional analysis as required by Title 2 U.S. code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying departmental statements for the water and sewer fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the departmental statements for the water and sewer fund and the schedule of expenditures of federal awards, as required by the Title 2 U.S. code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the departmental statements for the water and sewer funds has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2019 on our consideration of the Wood Creek Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Wood Creek Water District's internal control over financial reporting and compliance.

*Cloyd & Associates, PSC*

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Corbin, Kentucky

March 31, 2019

# **WOOD CREEK WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**Years ended December 31, 2018 and 2017**

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This discussion and analysis is intended to be an easily readable analysis of the Wood Creek Water District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements and notes that follow. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

## **FINANCIAL HIGHLIGHTS**

- In 2018, the District's net position decreased by \$899,549, or 5.20%, compared to an increase in 2017 of \$539,108 or 3.20%.
- In 2018, operating revenues increased by \$206,701, or 3.17%. In 2017, operating revenues increased by \$446,414, or 7.35%.
- Operating expenses excluding depreciation increased by \$846,708, or 19.97% in 2018 compared to a decrease of \$12,078, or 0.29% in 2017.
- Additions to capital assets in 2018 amounted to \$1,944,221. In 2017, additions to capital assets were \$704,191.
- Principal payments on long-term debt, excluding refunded debt principal payoffs were \$539,000 in 2018 and \$556,500 in 2017.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This report consists of the Management's Discussion and Analysis and the basic financial statements. The financial statements include notes that explain information included in the basic financial statements.

## **FINANCIAL STATEMENTS**

The financial statements report information utilizing the full accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The financial statements also include a Statement of Cash Flows, which presents sources and uses of cash and changes in cash balances during the fiscal year.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

**WOOD CREEK WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**Years ended December 31, 2018 and 2017**

**NET POSITION**

A summary of the District's Statement of Net Position as of December 31, 2018 and 2017 is presented below:

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Net dollar Change</u>	<u>Net percentage Change</u>
Current and other assets	\$ 3,389,312	\$ 3,120,616	\$ 268,696	8.61%
Noncurrent assets	993,632	984,611	9,021	0.92%
Capital assets, net of accumulated depreciation	<u>30,960,548</u>	<u>30,221,181</u>	<u>739,367</u>	2.45%
<b>Total Assets</b>	<u><b>35,343,492</b></u>	<u><b>34,326,408</b></u>	<u><b>1,017,084</b></u>	2.96%
Deferred outflow of resources	<u>1,969,726</u>	<u>753,523</u>	<u>1,216,203</u>	161.40%
<b>Total Deferred Outflow of Resources</b>	<u><b>1,969,726</b></u>	<u><b>753,523</b></u>	<u><b>1,216,203</b></u>	161.40%
Current liabilities	1,159,042	1,091,144	67,898	6.22%
Noncurrent liabilities	<u>19,223,024</u>	<u>16,593,847</u>	<u>2,629,177</u>	15.84%
<b>Total Liabilities</b>	<u><b>20,382,066</b></u>	<u><b>17,684,991</b></u>	<u><b>2,697,075</b></u>	15.25%
Deferred inflow of resources	<u>533,005</u>	<u>97,244</u>	<u>435,761</u>	N/A
<b>Total Deferred Inflow of Resources</b>	<u><b>533,005</b></u>	<u><b>97,244</b></u>	<u><b>435,761</b></u>	
Net investment in capital assets	17,020,700	16,634,217	386,483	2.32%
Restricted net positions	969,137	957,708	11,429	1.19%
Unrestricted (deficit) net positions	<u>(1,591,690)</u>	<u>(294,229)</u>	<u>(1,297,461)</u>	440.97%
<b>Total Net Position</b>	<u><b>\$ 16,398,147</b></u>	<u><b>\$ 17,297,696</b></u>	<u><b>\$ (899,549)</b></u>	-5.20%

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

A summary of the District's Statement of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2018 and 2017 is presented below:

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Net dollar Change</u>	<u>Net percentage Change</u>
Operating revenue	\$ 6,725,435	\$ 6,518,734	\$ 206,701	3.17%
Nonoperating revenue	<u>385,280</u>	<u>36,128</u>	<u>349,152</u>	966.43%
<b>Total revenue</b>	<u><b>7,110,715</b></u>	<u><b>6,554,862</b></u>	<u><b>555,853</b></u>	8.48%
Depreciation expense	1,204,854	1,204,800	54	0.00%
Other operating expense	5,086,078	4,239,370	846,708	19.97%
Nonoperating expense	<u>555,394</u>	<u>571,584</u>	<u>(16,190)</u>	-2.83%
<b>Total expense</b>	<u><b>6,846,326</b></u>	<u><b>6,015,754</b></u>	<u><b>830,572</b></u>	13.81%
Changes in net position	264,389	539,108	(274,719)	-50.96%
Net position, beginning	<u>16,133,758</u>	<u>16,758,588</u>	<u>(624,830)</u>	-3.73%
Net position, ending	<u><b>\$ 16,398,147</b></u>	<u><b>\$ 17,297,696</b></u>	<u><b>\$ (899,549)</b></u>	-5.20%



**WOOD CREEK WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**Years ended December 31, 2018 and 2017**

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As reported on the Statement of Revenues, Expenses, and Changes in Net Position, net position decreased by \$899,549 for the year 2018 as compared to an increase of \$539,108 for the year 2017.

The operating revenue increased by \$206,701 or 3.17 % from the prior year amounts.

**CAPITAL ASSETS**

On December 31, 2018, the District's investment in capital assets, net of depreciation, totaled \$30,960,548, which is a increase of \$739,367 or 2.45%, over the capital asset balance of \$30,221,181 at December 31, 2017.

**LONG-TERM DEBT**

As of December 31, 2018, the District had long-term debt of \$13,937,000 compared to \$13,580,000 at December 31, 2017, including current portion. During the year ended December 31, 2018, the District paid \$539,000 of principal payments on the long-term debt compared to \$556,500 in 2017.

**CONSTRUCTION IN PROGRESS**

As of December 31, 2018, the District had \$1,231,718 of construction in progress which relates to sewer line construction.

**CONTACT INFORMATION**

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning this report or request for additional information should be addressed to the Office Manager, Dewayne Lewis, at Wood Creek Water District, London, Kentucky, 40741, or by calling (606) 878-9420.

**WOOD CREEK WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,196,428	\$ 1,127,437
Investments	51,250	51,250
Accounts receivable, less allowance for doubtful accounts	941,805	847,089
Unbilled accounts receivable	157,447	157,447
Inventories	1,037,521	932,532
Other current assets	4,861	4,861
Total current assets	<u>3,389,312</u>	<u>3,120,616</u>
<b>Noncurrent assets</b>		
Restricted assets		
Restricted cash and cash equivalents	<u>969,137</u>	<u>957,708</u>
<b>Capital assets</b>		
Nondepreciable capital assets		
Land and land structures	4,295,750	4,171,750
Construction in progress	1,231,718	12,000
Total nondepreciable capital assets	<u>5,527,468</u>	<u>4,183,750</u>
Depreciable capital assets		
Intangible	21,836	21,836
Source of supply and pumping	1,714,262	1,714,262
Water treatment equipment	16,603,078	16,474,338
Transmission and distribution	17,404,879	17,236,438
General plant	2,978,474	2,801,080
Collection plant	5,839,817	5,839,817
Pumping plant	3,442,979	3,317,051
	<u>48,005,325</u>	<u>47,404,822</u>
Accumulated depreciation	(22,572,245)	(21,367,391)
Total depreciable capital assets, net of depreciation	<u>25,433,080</u>	<u>26,037,431</u>
Total capital assets (net of depreciation)	<u>30,960,548</u>	<u>30,221,181</u>
<b>Other assets</b>		
Bond discount (net of accumulated amortization)	<u>24,495</u>	<u>26,903</u>
Total noncurrent assets	<u>31,954,180</u>	<u>31,205,792</u>
<b>Total assets</b>	<u>\$ 35,343,492</u>	<u>\$ 34,326,408</u>

**WOOD CREEK WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2018 and 2017

DEFERRED OUTFLOW OF RESOURCES	<u>2018</u>	<u>2017</u>
Deferred outflows from pensions	\$ 1,543,249	\$ 744,751
Deferred outflows from OPEB	420,629	-
Deferred savings from refunding bonds	<u>5,848</u>	<u>8,772</u>
Total deferred outflow of resources	<u>1,969,726</u>	<u>753,523</u>
Total assets and deferred outflow of resources	<u>37,313,218</u>	<u>35,079,931</u>
 <b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 223,027	\$ 183,614
Accrued interest	275,227	276,299
Current portion of long-term debt	568,000	539,000
Other current liabilities	<u>92,788</u>	<u>92,231</u>
Total current liabilities	<u>1,159,042</u>	<u>1,091,144</u>
Noncurrent liabilities		
Customer deposits	18,045	17,150
Unamortized premium on debt	31,505	33,867
OPEB liability	1,483,914	-
Pension liability	4,320,560	3,501,830
Long-term debt	<u>13,369,000</u>	<u>13,041,000</u>
Total noncurrent liabilities	<u>19,223,024</u>	<u>16,593,847</u>
Total liabilities	<u>20,382,066</u>	<u>17,684,991</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pensions	455,311	97,244
Deferred inflows from OPEB	<u>77,694</u>	<u>-</u>
Total deferred inflows	<u>533,005</u>	<u>97,244</u>
 <b>NET POSITION</b>		
Net investment in capital assets	17,020,700	16,634,217
Restricted for:		
Debt service	948,007	938,657
Other purposes	21,130	19,051
Unrestricted (deficit)	<u>(1,591,690)</u>	<u>(294,229)</u>
Total net position	<u>16,398,147</u>	<u>17,297,696</u>
Total liabilities and net position	<u>\$ 37,313,218</u>	<u>\$ 35,079,931</u>

**WOOD CREEK WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating revenues		
Water sales	\$ 5,664,856	\$ 5,567,319
Sewer service	784,660	717,334
Penalties and service charges	144,899	145,966
Tap-on fees	131,020	85,615
Other	-	2,500
Total operating revenues	<u>6,725,435</u>	<u>6,518,734</u>
Operating expenses		
Purchased water and power	360,259	352,531
Water treatment	1,524,556	1,417,226
Transmission and distribution	1,352,242	1,123,816
Administration of customer accounts	397,874	371,389
Administration and general	579,198	531,507
Pension expense	355,340	-
Sewer maintenance and treatment	513,639	439,931
Amortization	2,970	2,970
Depreciation	1,204,854	1,204,800
Total operating expenses	<u>6,290,932</u>	<u>5,444,170</u>
Operating income (loss)	<u>434,503</u>	<u>1,074,564</u>
Nonoperating revenues (expenses)		
Interest income	6,890	3,828
Federal and state grants	346,899	15,555
Local grants	14,521	
Other income	16,970	16,745
Interest on long-term debt	(542,528)	(559,648)
Other expense	(12,866)	(11,936)
Total nonoperating revenues (expenses)	<u>(170,114)</u>	<u>(535,456)</u>
Change in net position	264,389	539,108
Net Position, January 1	<u>17,297,696</u>	<u>16,758,588</u>
Prior period adjustment	<u>(1,163,938)</u>	<u>-</u>
Net Position, December 31	<u>\$ 16,398,147</u>	<u>\$ 17,297,696</u>

**WOOD CREEK WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Receipts from customers	\$ 6,526,969	6,493,372
Receipts from other activities	103,750	2,500
Payments to employees	(1,971,145)	(1,798,868)
Payments to suppliers	<u>(2,820,747)</u>	<u>(2,691,194)</u>
Net cash used in operating activities	<u>1,838,827</u>	<u>2,005,810</u>
Cash flows from noncapital and related financing activities		
Federal, state, and local grants	<u>361,420</u>	<u>15,555</u>
Net cash provided by noncapital and related financing activities	<u>361,420</u>	<u>15,555</u>
Cash flows from capital and related activities		
Purchases of property, plant, and equipment	(1,944,221)	(378,662)
Proceeds from other income	16,970	16,745
Principal payments on debt	(539,000)	(556,500)
Bond proceeds	896,000	-
Interest payments on debt	(543,600)	(559,648)
Miscellaneous nonoperating expense	<u>(12,866)</u>	<u>(11,936)</u>
Cash provided (used) in capital and related activities	<u>(2,126,717)</u>	<u>(1,490,001)</u>
Cash flows from investing activities		
Interest received on investments	<u>6,890</u>	<u>3,828</u>
Cash provided (used) in investing activities	<u>6,890</u>	<u>3,828</u>
Net increase in cash and cash equivalents	80,420	535,192
Cash and cash equivalents, January 1	<u>2,085,145</u>	<u>1,549,953</u>
Cash and cash equivalents, December 31	<u>\$ 2,165,565</u>	<u>\$ 2,085,145</u>
Reconciliation of change in net position to net cash used in operating activities		
Operating loss	434,503	1,074,564
Adjustments to reconcile change in net position to net cash used in operating activities:		
Depreciation	1,204,854	1,204,800
Amortization	2,970	2,970
Changes in assets and liabilities:		
(Increase) Decrease in customer and other accounts receivable	(94,716)	(22,862)
(Increase) Decrease in inventory	(104,989)	(236,135)
(Increase) Decrease in prepaid expense and other assets	-	(2)
Increase (Decrease) in accounts payable	39,413	(6,498)
Increase (Decrease) in pension expense	355,340	-
Increase (Decrease) in accrued expense	557	(9,186)
Increase (Decrease) in customer deposits	<u>895</u>	<u>(1,841)</u>
Net cash provided by operating activities	<u>\$ 1,838,827</u>	<u>\$ 2,005,810</u>
Reconciliation of cash at end of year		
Cash and cash equivalents	\$ 1,196,428	\$ 1,127,437
Restricted cash and cash equivalents	<u>969,137</u>	<u>957,708</u>
Total cash at end of year	<u>\$ 2,165,565</u>	<u>\$ 2,085,145</u>

# WOOD CREEK WATER DISTRICT NOTES TO THE FINANCIAL STATEMENT

**Years ended December 31, 2018 and 2017**

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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Reporting Entity

Wood Creek Water District, of Laurel County, Kentucky (the District) was created in 1969 under Chapter 74 of the Kentucky Revised Statutes and is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. The District is governed by a three-person board of Commissioners, which is appointed by the Laurel County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

Wood Creek Water District is a rural water utility system whose purpose is to establish, develop, and operate a water supply and distribution system for its members and customers in Laurel County, Kentucky. The District also provides sewer services to a specific portion of the Wood Creek Lake watershed area. The District's primary source of revenue is from water sales and sewer services to its members and customers, including public bodies and local businesses in its service area.

### Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. In addition, the District applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District. The statements distinguish between governmental and business-type activities. The District does not have any governmental activities.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**WOOD CREEK WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted cash and investments), with maturities of 90 days or less to be cash equivalents. This includes bank certificates of deposit and demand checking accounts.

Investments

The District is authorized by state statute to invest in: 1) obligations of the United States and of its agencies and instrumentalities; 2) bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; 3) shares of any savings and loan insured by an agency of the government of the United States up to the amount so insured; 4) interest bearing deposits in nationally chartered or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts provided such bank shall pledge, as security, obligations of the United States government, its agencies and instrumentalities.

The District's investments include certificates of deposits with maturity dates of three months or more. Certificates of deposits in excess of FDIC insurance are collateralized by securities held by the pledging bank.

The District also invests in mutual funds, which are recorded at their fair market value. Securities are traded on a national exchange and valued at the last reported sales price at current exchange rates and investments that do not have an established market are reported at an estimated fair value.

Accounts Receivable

Accounts receivable arise as services are rendered for which collections have not been realized and are carried net of a provision for doubtful accounts. The provision for doubtful accounts is estimated using a percentage of accounts more than 90 days past due. At December 31, 2018 and 2017, the provision for doubtful accounts was \$3,464 and \$3,464, respectively.

Unbilled Receivables

The District estimated unbilled revenues from water sales, on a pro rata basis, at the end of each fiscal year. The estimated amount is based on amounts billed during the following month of the close of the fiscal year.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Inventory

Inventories of materials and supplies are stated at historical cost. The carrying value is determined on a first-in, first-out basis.

Capital Assets

Capital assets include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, and equipment that have a useful life of more than one reporting period based on the District's capitalization policy. The cost of additions to the utility plant and major replacements of retired property is capitalized, and the cost of repairs, maintenance, and minor replacements are charged to expense. By District policy, capital assets are defined as assets with a cost of \$1,000 or more and an estimated useful life in excess of one year. Cost includes direct labor, outside services, materials and transportation employee fringe benefits, and overhead. Interest incurred during construction is capitalized.

The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from disposal is credited or charged in the non-operating section of the statements of revenues, expenses, and changes in net assets. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The range of useful lives of assets is as follows:

<u>Assets Classification</u>	<u>Range of Lives</u>
Intangible	40 years
Transmission and distribution mains	50 years
Structures and improvements	50 years
Pumping and water treatment equipment	25 years
Meters, hydrants and services	20 years
Other equipment	5-10 years

Accounts payable

Accounts payable represent expenses incurred in the current year to be paid in the subsequent year. The majority of the District's accounts payable are to vendors or for purchase of water.

Long-Term Debt

Long-term debt is recorded at face value. Issue costs relating to prepaid insurance, loan discounts, and loan premiums related to the issuance of debt are deferred and amortized over the term of the respective loans outstanding using the straight-line method.



**WOOD CREEK WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences

Vacation benefits are not accrued beyond any fiscal year. Sick leave benefits may be used to supplement an employee's retirement if the employee is at retirement age or has at least twenty-six years and six months' service. At December 31, 2018 and 2017, the District did not record any sick leave accrual and management feels that no sick leave benefits are currently payable.

Customer Deposits

The District collects and holds in escrow a \$60 deposit from customers to insure collection of its water charges. Interest at an annual rate of 1% is paid on these deposits.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation 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 and any unamortized debt cost or premium.

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 do not meet the definition of "restricted" or "net investment in capital assets."

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by the prior refunding of revenue bonds and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 – RESTRICTED CASH**

The District includes all sinking fund deposits, funds required for other debt service, and funds related to specific projects or customer accounts to be restricted. At December 31, 2018 and 2017 restricted cash amounted to \$969,137 and \$957,708, respectively. This includes restrictions for customer deposits of \$21,130 and \$19,051 and restrictions for debt service of \$948,007 and \$938,657, respectively.

**NOTE 3 – INVESTMENTS – INTEREST RATE RISK**

According to KRS 91A.060, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The District classifies only certificates of deposit as investments and does not consider interest rate risk to be significant.

**NOTE 4 – CUSTODIAL CREDIT RISK - DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2018, and 2017, the District's bank balances were \$2,267,154 and \$2,097,729 respectively. In accordance with Kentucky Revised Statute (KRS) 91A.060, deposits are to be collateralized to the extent uninsured by FDIC. According to KRS 41.240(4), it shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District's deposits were fully insured or collateralized with securities held by an agent of the District in the District's name at December 31, 2018 and 2017.

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 5 – INVESTMENTS**

As of December 31, 2018, and 2017, the District had the following investments:

	<u>Rating</u>	Fair Value <u>2018</u>	Fair Value <u>2017</u>
Certificate of Deposit	Not Rated	\$ 51,250	\$ 51,250

The District deposits cash with banks for future debt service. The bank may choose to invest the deposit but assumes all risk.

*Interest Rate Risk - Investments* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE 6 – RECEIVABLES**

At December 31, 2018 and 2017, customer and other accounts receivable are as follows:

	<u>2018</u>	<u>2017</u>
Due from customers	\$ 467,287	\$ 382,774
Due from related parties	423,593	430,705
Due from others	54,389	37,074
Provision for uncollectibles	<u>(3,464)</u>	<u>(3,464)</u>
	<u>\$ 941,805</u>	<u>\$ 847,089</u>

The above Accounts Receivable detail does not include unbilled receivables of \$157,447.

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 and 2017 was as follows:

*See Table on Next Page*

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

**NOTE 7 – CAPITAL ASSETS (continued)**

	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2018</u>
<b>Water Operations:</b>				
Land and improvements	\$ 4,120,242	124,000	-	\$ 4,244,242
Intangible	21,836	-	-	21,836
Source of supply and pumping	1,714,262	-	-	1,714,262
Water treatment plant	16,474,338	128,740	-	16,603,078
Transmission and distribution plant	17,236,438	168,441	-	17,404,879
General plant	2,528,346	177,394	-	2,705,740
<b>Total capital assets</b>	<b>42,095,462</b>	<b>598,575</b>	<b>-</b>	<b>42,694,037</b>
Less: Accumulated depreciation				
Intangible	21,865	-	-	21,865
Source of supply and pumping	1,247,741	48,735	-	1,296,476
Water treatment plant	5,341,965	406,435	-	5,748,400
Transmission and distribution plant	8,067,434	349,728	-	8,417,162
General plant	1,911,602	126,999	-	2,038,601
<b>Total accumulated depreciation</b>	<b>16,590,607</b>	<b>931,897</b>	<b>-</b>	<b>17,522,504</b>
<b>Net capital assets-water</b>	<b>25,504,855</b>	<b>(333,322)</b>	<b>-</b>	<b>25,171,533</b>
<b>Sewer Operations</b>				
Land and improvements	51,508	-	-	51,508
General plant	272,734	-	-	272,734
Collection plant	5,839,817	-	-	5,839,817
Pumping plant	3,317,051	125,928	-	3,442,979
Construction in progress	12,000	1,219,718	-	1,231,718
<b>Total capital assets</b>	<b>9,493,110</b>	<b>1,345,646</b>	<b>-</b>	<b>10,838,756</b>
Less: Accumulated depreciation				
General plant	267,016	1,850	-	268,866
Collection plant	2,100,049	202,339	-	2,302,388
Pumping plant	2,409,719	68,768	-	2,478,487
Construction in progress	-	-	-	-
<b>Total accumulated depreciation</b>	<b>4,776,784</b>	<b>272,957</b>	<b>-</b>	<b>5,049,741</b>
<b>Net capital assets sewer</b>	<b>4,716,326</b>	<b>1,072,689</b>	<b>-</b>	<b>5,789,015</b>
<b>Net capital assets-total</b>	<b>\$ 30,221,181</b>	<b>\$ 739,367</b>	<b>\$ -</b>	<b>\$ 30,960,548</b>

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

**NOTE 7 – CAPITAL ASSETS (continued)**

	<u>Balance</u>			<u>Balance</u>
<u>Water Operations:</u>	<u>December 31, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2017</u>
Land and improvements	\$ 4,101,336	18,906	-	\$ 4,120,242
Intangible	21,836	-	-	21,836
Source of supply and pumping	1,714,262	-	-	1,714,262
Water treatment plant	16,474,338	-	-	16,474,338
Transmission and distribution plant	17,036,788	199,650	-	17,236,438
General plant	2,474,360	188,337	134,351	2,528,346
<b>Total capital assets</b>	<b>41,822,920</b>	<b>406,893</b>	<b>134,351</b>	<b>42,095,462</b>
Less: Accumulated depreciation				
Intangible	21,865	-	-	21,865
Source of supply and pumping	1,198,846	48,895	-	1,247,741
Water treatment plant	4,935,747	406,218	-	5,341,965
Transmission and distribution plant	7,716,291	351,143	-	8,067,434
General plant	1,908,642	103,646	100,686	1,911,602
<b>Total accumulated depreciation</b>	<b>15,781,391</b>	<b>909,902</b>	<b>100,686</b>	<b>16,590,607</b>
<b>Net capital assets-water</b>	<b>26,041,529</b>	<b>(503,009)</b>	<b>33,665</b>	<b>25,504,855</b>
<u>Sewer Operations</u>	<u>December 31, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2017</u>
Land and improvements	51,508	-	-	51,508
General plant	272,734	-	-	272,734
Collection plant	5,694,900	144,917	-	5,839,817
Pumping plant	3,176,670	140,381	-	3,317,051
Construction in progress	291,866	12,000	291,866	12,000
<b>Total capital assets</b>	<b>9,487,678</b>	<b>297,298</b>	<b>291,866</b>	<b>9,493,110</b>
Less: Accumulated depreciation				
General plant	265,166	1,850	-	267,016
Collection plant	1,892,945	207,104	-	2,100,049
Pumping plant	2,323,776	85,943	-	2,409,719
Construction in progress	-	-	-	-
<b>Total accumulated depreciation</b>	<b>4,481,887</b>	<b>294,897</b>	<b>-</b>	<b>4,776,784</b>
<b>Net capital assets sewer</b>	<b>5,005,791</b>	<b>2,401</b>	<b>291,866</b>	<b>4,716,326</b>
<b>Net capital assets-total</b>	<b>\$ 31,047,320</b>	<b>\$ (500,608)</b>	<b>\$ 325,531.00</b>	<b>\$ 30,221,181</b>

**NOTE 8 – LONG-TERM DEBT**

The District's long-term debt consists of bonds payable to Rural Development (RD) and Kentucky Rural Water Finance Corporation (KRWFC), which were obtained for various acquisitions of plant and equipment. Additionally, long-term debt also included lease purchase agreements for various equipment purchases. The bonds mature annually in varying series over the period 2022 to 2045. A summary of the bonds is presented below:

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

**NOTE 8 – LONG-TERM DEBT – (continued)**

RURAL DEVELOPMENT								
<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>12/31/17 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/18 Outstanding Balance</u>	<u>Due Within One Year</u>
91-13	7,250,000	1/1/2045	4.25%	\$ 6,301,000	\$ -	\$ 119,000	\$ 6,182,000	\$ 124,000
91-16	725,000	1/1/2045	4.25%	628,000	-	12,000	616,000	12,500
Total RD Bonds Payable				<u>\$ 6,929,000</u>	<u>\$ -</u>	<u>\$ 131,000</u>	<u>\$ 6,798,000</u>	<u>\$ 136,500</u>
KRWFC								
2005B	3,594,000	7/1/2031	4.00%-4.50%	2,443,000	-	131,000	2,312,000	135,000
2007A	2,086,000	7/1/2036	4.05%-4.425%	1,618,000	-	57,000	1,561,000	59,000
2015B	2,780,000	7/1/2038	2.25%-3.50%	2,415,000	-	180,000	2,235,000	185,000
Total KRWFC Bonds Payable				<u>\$ 6,476,000</u>	<u>\$ -</u>	<u>\$ 368,000</u>	<u>\$ 6,108,000</u>	<u>\$ 379,000</u>
OPEN MARKET								
1998	\$ 665,000	1/1/2022	4.00%	\$ 175,000	\$ -	\$ 40,000	\$ 135,000	40,000
Total Open Market Bonds Payable				<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 135,000</u>	<u>\$ 40,000</u>
WASTEWATER DIVISION - RURAL DEVELOPMENT								
2018	\$ 896,000	1/1/2058	4.00%	\$ -	\$ 896,000	\$ -	\$ 896,000	12,500
Total Open Market Bonds Payable				<u>\$ -</u>	<u>\$ 896,000</u>	<u>\$ -</u>	<u>\$ 896,000</u>	<u>\$ 12,500</u>
Total Outstanding Debt				<u>\$ 13,580,000</u>	<u>\$ 896,000</u>	<u>\$ 539,000</u>	<u>\$ 13,937,000</u>	

Future bond principal and interest payment amounts are as follows:

*See Table on Next Page*

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

**NOTE 8 – LONG-TERM DEBT – (continued)**

YEAR	LOCAL		TOTAL
	PRINCIPAL	INTEREST	
2019	528,000	566,628	1,094,628
2020	585,000	550,225	1,135,225
2021	610,000	528,502	1,138,502
2022	594,000	505,378	1,099,378
2023	538,000	482,518	1,020,518
2024	560,000	460,372	1,020,372
2025	577,000	437,318	1,014,318
2026	601,000	413,332	1,014,332
2027	605,000	388,508	993,508
2028	616,500	363,158	979,658
2029	653,500	336,732	990,232
2030	613,000	309,966	922,966
2031	638,500	283,362	921,862
2032	427,500	260,529	688,029
2033	442,000	242,478	684,478
2034	453,500	223,814	677,314
2035	481,000	204,299	685,299
2036	492,500	183,892	676,392
2037	386,000	165,346	551,346
2038	404,000	149,368	553,368
2039	343,500	133,755	477,255
2040	357,000	118,823	475,823
2041	373,500	103,284	476,784
2042	389,500	87,050	476,550
2043	405,000	70,118	475,118
2044	422,500	52,492	474,992
2045	438,500	34,125	472,625
2046	26,000	15,020	41,020
2047	27,000	13,940	40,940
2048	27,500	12,840	40,340
2049	28,500	11,700	40,200
2050	29,000	10,540	39,540
2051	30,000	9,340	39,340
2052	31,000	8,100	39,100
2053	31,500	6,840	38,340
2054	32,500	5,540	38,040
2055	33,500	4,200	37,700
2056	34,500	2,820	37,320
2057	35,500	1,400	36,900
2058	35,000	-	35,000
	<b>\$ 13,937,000</b>	<b>\$ 7,757,652</b>	<b>\$ 21,694,652</b>

**WOOD CREEK WATER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

**NOTE 9 – SERVICES PROVIDED TO OTHER WATER DISTRICTS**

Wood Creek Water District sells water for resale and provides maintenance, construction, and office services to West Laurel Water Association, Incorporated and East Laurel Water District. The actual costs of maintenance and construction services are accumulated in specific expense accounts and charges for services are netted against such expense accounts. Wood Creek Water District bills the related water companies for the materials.

Accounts receivable from East Laurel Water District and West Laurel Water Association, Incorporated are summarized below:

	<u>2018</u>	<u>2017</u>
<u>East Laurel Water District</u>		
Accounts receivable	\$ 218,167	\$ 202,551
Accounts receivable - wastewater	57,479	57,503
	<u>\$ 275,646</u>	<u>\$ 260,054</u>
 <u>West Laurel Water Association, Incorporated</u>		
Accounts receivable	\$ 145,724	\$ 168,812
Accounts receivable - wastewater	2,224	1,839
	<u>\$ 147,948</u>	<u>\$ 170,651</u>

The following is a summary of amounts paid to Wood Creek Water District for water and services:

	<u>2018</u>	<u>2017</u>
<u>East Laurel Water District</u>		
Purchased water	\$ 1,534,986	\$ 1,533,720
Materials, labor, and other	814,795	903,709
	<u>\$ 2,349,781</u>	<u>\$ 2,437,429</u>
 <u>West Laurel Water Association, Incorporated</u>		
Purchased water	\$ 1,155,821	\$ 1,135,586
Materials, labor, and other	749,868	835,814
	<u>\$ 1,905,689</u>	<u>\$ 1,971,400</u>

**NOTE 10 – RETIREMENT PLAN**

The District's full-time employees, or employees who work an average of 100 hours per month, are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers' retirement system created and operating under Kentucky Law.



**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 10 – RETIREMENT PLAN – (continued)**

**General information about the County Employees Retirement System Non-Hazardous (CERS)**

*Plan Description* – The County Employees Retirement System covers substantially all regular full-time employees of the District. CERS is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 Years service or 65 years old At least 5 years service and 55 years old Or at least 25 years service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2009 – December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

Contributions – Required contributions by the employee are based on the tier.

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

*Funding Policy* – Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 19.18% of the employee's total compensation subject to contribution.

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 10 – RETIREMENT PLAN – (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the District as its proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability                      \$ 4,320,560

The net pension liability for the plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the District's proportion was 0.073814%.

For the year ended December 31, 2018, the District recognized \$378,299 in pension expense related to CERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,359	\$ - 109,674
Changes in assumptions	797,260	-
Net difference between projected and actual earnings on pension plan investments	342,183	288,743
Changes in proportion and differences between District contributions and proportionate share of contributions	97,326	56,894
District contributions subsequent to the measurement date	<u>301,121</u>	<u>-</u>
Total	<u>\$1,543,249</u>	<u>\$ 455,311</u>

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

**NOTE 10 – RETIREMENT PLAN – (continued)**

The \$301,121 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 337,100
2019	\$ 343,552
2020	\$ 161,643
2021	\$ (55,478)
	<u>\$ 786,817</u>

*Actuarial assumptions*—The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>
Inflation	3.25%
Projected salary increases	4.00%
Investment rate of return, net of investment expense & inflation	7.50%

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the District, calculated using the discount rates selected by the pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 5,449,160	\$ 4,320,560	\$ 3,376,495

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 10 – RETIREMENT PLAN – (continued)**

*Pension plan fiduciary net position* — Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

The District's total payroll subject to CERS for the years ended December 31, 2018, 2017, and 2016 was \$2,025,425, \$1,831,282 and \$1,746,491 respectively. The District's matching contributions to CERS for the years ended December 31, 2018, 2017, and 2016 was \$301,121, \$261,794, and \$238,789 respectively.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN**

**General information about the County Employees Retirement System Non-Hazardous (CERS)**

*Plan description*—Employees are provided OPEBs through the County Employees Retirement System Non-Hazardous (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided*—CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED**

Contributions—Required contributions by the employee are based on the tier:

Tier 1	Participation date	Before September 1, 2008
	Contribution percentage	0.00%
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Contribution percentage	1%
Tier 3	Participation date	After December 31, 2013
	Contribution percentage	1%

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At June 30, 2018, the District reported a liability of \$1,483,914 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017 the District's proportion was .073814 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$22,959. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,122
Changes in assumptions	322,890	-
Net difference between projected and actual earnings on pension plan investments	-	70,129
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,443
District contributions subsequent to the measurement date	<u>97,739</u>	<u>-</u>
Total	<u>\$ 420,629</u>	<u>\$ 77,694</u>

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED**

Of the total amount reported as deferred outflows of resources related to OPEB, \$97,739 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2018	\$ 42,189
2019	42,189
2020	42,189
2021	42,189
2022	59,721
2023	16,719
	<u>\$ 245,196</u>

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distributions analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

*Discount rate* – The Discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.84%	5.84%	6.84%
District's proportionate share of net pension liability	\$ 1,888,198	\$ 1,483,914	\$ 1,147,486

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED**

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase</u>
CERS District's proportionate share of net pension liability	\$ 1,138,238	\$ 1,483,914	\$ 1,933,272

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**NOTE 12 – CHANGE OF ACCOUNTING PRINCIPLE**

For the year ended December 31, 2018, the District adopted Government Accounting Standards Board (GASB) Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. It requires that certain disclosures regarding post-employment benefits other than OPEBs for employees of districts be included in their financial statements.

GASB 75 required retrospective application. However, data was not received for the prior year financial information, so the beginning net OPEB liability was adjusted to reflect the application as of January 1, 2017. The adjustment resulted in a \$1,163,938 reduction in beginning net position for the year ended December 31, 2018.

**NOTE 13 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. The insurance coverage is acquired through Wood Creek Water District which includes coverage for Wood Creek Water District, East Laurel Water District, and West Laurel Water Association, Incorporated. The District pays for and is entitled to its respective share of coverage. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

**WOOD CREEK WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**Years ended December 31, 2018 and 2017**

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**NOTE 14 – SUBSEQUENT EVENTS**

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through March 31, 2019, the date on which the financial statements were available to be issued.

No events have occurred subsequent to the date of the financial statements that would require adjustment to the financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**

WOOD CREEK WATER DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 COUNTY EMPLOYEES RETIREMENT SYSTEM

Years ended December 31, 2018 and 2017

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.07%	\$ 4,320,560	\$ 2,025,425	213.32%	53.30%
2017	0.08%	\$ 3,501,830	\$ 1,746,491	200.51%	55.50%
2016	0.08%	\$ 3,501,830	\$ 1,746,491	200.51%	59.97%
2015	0.08%	\$ 3,254,156	\$ 1,743,561	186.64%	66.80%

\* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

WOOD CREEK WATER DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 COUNTY EMPLOYEES RETIREMENT SYSTEM

Years ended December 31, 2018 and 2017

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ 301,121	\$ 301,121	\$ -	\$ 2,025,425	14.87%
2017	\$ 317,211	\$ 317,211	\$ -	\$ 1,746,491	18.16%
2016	\$ 317,211	\$ 317,211	\$ -	\$ 1,746,491	18.16%
2015	\$ 302,501	\$ 302,501	\$ -	\$ 1,743,561	17.35%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

## WOOD CREEK WATER DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND Years ended December 31, 2018 and 2017

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#### Changes of Benefit Terms

None.

#### Changes of Assumptions

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

WOOD CREEK WATER DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
 County Employees Retirement System  
 Years ended 12/31/2018 and 2017

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.07%	\$ 1,483,914	\$ 2,025,425	73.26%	81.10%

\* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

WOOD CREEK WATER DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
County Employees Retirement System  
Years ended December 31, 2018 and 2017

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	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2018	\$ 97,739	\$ 97,739	\$ -	\$2,025,425	4.83%

\* The amounts presented for each fiscal year were determined as of 8/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

## WOOD CREEK WATER DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN Years ended December 31, 2018 and 2017

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#### Changes of Benefit Terms

None.

#### Changes of Assumptions

The assumed investment return was changed from 7.50% to 6.25%

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**SUPPLEMENTARY INFORMATION**



**WOOD CREEK WATER DISTRICT  
DEPARTMENTAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
WATER FUND**

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Water sales	\$ 5,664,856	\$ 5,567,319
Penalties and service charges	128,276	132,299
Tap-on fees	27,270	40,890
Other operating income	-	2,500
Total operating revenues	<u>5,820,402</u>	<u>5,743,008</u>
Operating expenses		
Purchased water and power	339,860	328,593
Water treatment	1,524,556	1,417,226
Transmission and distribution	1,352,242	1,123,816
Administration of customer accounts	397,874	371,389
Administration and general	551,647	514,021
Pension expense	355,340	-
Amortization	2,970	2,970
Depreciation	931,897	909,902
Total operating expenses	<u>5,456,386</u>	<u>4,667,917</u>
Operating income (loss)	<u>364,016</u>	<u>1,075,091</u>
Nonoperating revenues (expenses)		
Interest income	6,787	3,788
Grant income	14,521	15,555
Other nonoperating revenue	16,970	16,745
Interest on long-term debt	(534,765)	(559,648)
Miscellaneous	(12,866)	(11,936)
Total nonoperating revenues (expenses)	<u>(509,353)</u>	<u>(535,496)</u>
Change in net position	(145,337)	539,595
Net Position, January 1	<u>12,317,107</u>	<u>11,777,512</u>
Restatement of net position (See Note 12)	<u>(1,163,938)</u>	<u>-</u>
Net Position, December 31	<u>\$ 11,007,832</u>	<u>\$ 12,317,107</u>

**WOOD CREEK WATER DISTRICT**  
**DEPARTMENTAL STATEMENT OF NET POSITION - WATER FUND**  
**December 31, 2018 and 2017**

DEFERRED OUTFLOW OF RESOURCES	<u>2018</u>	<u>2017</u>
Deferred outflows from pensions	\$ 1,543,249	\$ 744,751
Deferred outflows from OPEB	420,629	-
Deferred savings from refunding bonds	<u>5,848</u>	<u>8,772</u>
Total deferred savings from refunding bonds	<u>1,969,726</u>	<u>753,523</u>
Total assets and deferred outflow of resources	<u>\$ 31,061,695</u>	<u>\$ 30,122,630</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	198,067	144,281
Accrued interest	267,464	276,299
Due to other funds	67,515	62,621
Current portion of long-term debt	555,500	539,000
Other current liabilities	<u>92,788</u>	<u>92,231</u>
Total current liabilities	<u>1,181,334</u>	<u>1,114,432</u>
Noncurrent liabilities		
Customer deposits	18,045	17,150
Unamortized premium on debt	31,505	33,867
Net OPEB liability	1,483,914	-
Net pension liability	4,320,560	3,501,830
Long-term debt	<u>12,485,500</u>	<u>13,041,000</u>
Total noncurrent liabilities	<u>18,339,524</u>	<u>16,593,847</u>
Total liabilities	<u>19,520,858</u>	<u>17,708,279</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pensions	455,311	97,244
Deferred inflows from OPEB	<u>77,694</u>	<u>-</u>
Total deferred inflows of resources	<u>533,005</u>	<u>97,244</u>
<b>NET POSITION</b>		
Net investment in capital assets	12,124,685	11,917,891
Restricted for:		
Debt service	948,007	938,657
Other purposes	21,130	19,051
Unrestricted (deficit)	<u>(2,085,990)</u>	<u>(558,492)</u>
Total net position	<u>11,007,832</u>	<u>12,317,107</u>
Total liabilities and net position	<u>\$ 31,061,695</u>	<u>\$ 30,122,630</u>

**WOOD CREEK WATER DISTRICT**  
**DEPARTMENTAL STATEMENT OF NET POSITION - WATER FUND**  
**December 31, 2018 and 2017**

ASSETS	<u>2018</u>	<u>2017</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 910,721	\$ 1,027,917
Investments	51,250	51,250
Accounts receivable, less allowance for doubtful accounts	714,915	653,266
Unbilled accounts receivable	157,447	157,447
Inventories	760,708	662,367
Due from other funds	326,902	322,533
Other current assets	4,861	4,861
Total current assets	<u>2,926,804</u>	<u>2,879,641</u>
<b>Noncurrent assets</b>		
Restricted assets		
Restricted cash and cash equivalents	<u>969,137</u>	<u>957,708</u>
<b>Capital Assets</b>		
Nondepreciable capital assets		
Land and land structures	<u>4,244,242</u>	<u>4,120,242</u>
Total nondepreciable capital assets	<u>4,244,242</u>	<u>4,120,242</u>
Depreciable Capital Assets		
Intangible	21,836	21,836
Source of supply and pumping	1,714,262	1,714,262
Water treatment equipment	16,603,078	16,474,338
Transmission and distribution	17,404,879	17,236,438
General plant	<u>2,705,740</u>	<u>2,528,346</u>
	38,449,795	37,975,220
Accumulated depreciation	<u>(17,522,504)</u>	<u>(16,590,607)</u>
Total depreciable capital assets, net of depreciation	<u>20,927,291</u>	<u>21,384,613</u>
Total capital assets (net of depreciation)	<u>25,171,533</u>	<u>25,504,855</u>
<b>Other assets</b>		
Bond discount (net of accumulated amortization)	<u>24,495</u>	<u>26,903</u>
Total noncurrent assets	<u>26,165,165</u>	<u>26,489,466</u>
<b>Total assets</b>	<u>\$ 29,091,969</u>	<u>\$ 29,369,107</u>

**WOOD CREEK WATER DISTRICT**  
**DEPARTMENTAL STATEMENT OF CASH FLOWS - WATER FUND**  
**For the years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Receipts from customers	\$ 5,758,753	\$ 5,729,774
Receipts from other activities	-	2,500
Payments to employees	(1,971,145)	(1,781,382)
Payments to suppliers	<u>(2,238,137)</u>	<u>(1,997,205)</u>
Net cash used in operating activities	<u>1,549,471</u>	<u>1,953,687</u>
Cash flows from noncapital and related financing activities		
Federal, state, and local grants	<u>14,521</u>	<u>15,555</u>
Net cash provided by noncapital and related financing activities	<u>14,521</u>	<u>15,555</u>
Cash flows from capital and related activities		
Purchases of property, plant, and equipment	(598,575)	(373,229)
Proceeds from other income	16,970	16,745
Loans to sewer funds	4,894	1,298
Payments on loans from sewer fund	(4,369)	8,572
Principal payments on debt	(539,000)	(556,500)
Interest payments on debt	(543,600)	(559,648)
Miscellaneous nonoperating expense	<u>(12,866)</u>	<u>(11,936)</u>
Cash provided (used) in capital and related activities	<u>(1,676,546)</u>	<u>(1,474,698)</u>
Cash flows from investing activities		
Interest received on investments	<u>6,787</u>	<u>3,788</u>
Cash provided (used) in investing activities	<u>6,787</u>	<u>3,788</u>
Net increase in cash and cash equivalents	(105,767)	498,332
Cash and cash equivalents as of January 1	<u>1,985,625</u>	<u>1,487,293</u>
Cash and cash equivalents as of December 31	<u>\$ 1,879,858</u>	<u>\$ 1,985,625</u>
Reconciliation of change in net position to net cash used in operating activities		
Operating income/(loss)	\$ 364,016	\$ 1,075,091
Adjustments to reconcile change in net position to net cash used in operating activities:		
Depreciation	931,897	909,902
Amortization	2,970	2,970
Changes in assets and liabilities:		
(Increase) Decrease in customer and other accounts receivable	(61,649)	(10,734)
(Increase) Decrease in inventory	(98,341)	(19,088)
(Increase) Decrease in prepaid expense and other assets	-	(2)
Increase (Decrease) in accounts payable	53,786	6,575
Net change in pension expense	355,340	-
Increase (Decrease) in accrued expense	557	(9,186)
Increase (Decrease) in current liabilities	-	(346)
Increase (Decrease) in customer deposits	<u>895</u>	<u>(1,495)</u>
Net cash provided by operating activities	<u>\$ 1,549,471</u>	<u>\$ 1,953,687</u>

**WOOD CREEK WATER DISTRICT**  
**DEPARTMENTAL STATEMENT OF CASH FLOWS - WATER FUND**  
**For the years ended December 2018 and 2017**

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	<u>2018</u>	<u>2017</u>
Reconciliation of cash at end of year		
Cash and cash equivalents	\$ 910,721	\$ 1,027,917
Restricted cash and cash equivalents	<u>969,137</u>	<u>957,708</u>
Total cash at end of year	<u>\$ 1,879,858</u>	<u>\$ 1,985,625</u>

**WOOD CREEK WATER DISTRICT**  
**DEPARTMENTAL STATEMENTS OF NET POSITION - SEWER FUND**  
**December 31, 2018 and 2017**

ASSETS	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 285,707	\$ 99,520
Accounts receivable, less allowance for doubtful accounts	226,890	193,823
Inventories	276,813	270,165
Due from other funds	<u>67,515</u>	<u>62,621</u>
Total current assets	<u>856,925</u>	<u>626,129</u>
Capital Assets		
Nondepreciable capital assets		
Land and land structures	51,508	51,508
Construction in progress	<u>1,231,718</u>	<u>12,000</u>
Total nondepreciable capital assets	<u>1,283,226</u>	<u>63,508</u>
Depreciable Capital Assets		
General plant	272,734	272,734
Collection plant	5,839,817	5,839,817
Pumping plant	<u>3,442,979</u>	<u>3,317,051</u>
	9,555,530	9,429,602
Accumulated depreciation	<u>(5,049,741)</u>	<u>(4,776,784)</u>
Total depreciable capital assets, net of depreciation	<u>4,505,789</u>	<u>4,652,818</u>
Total capital assets (net of depreciation)	<u>5,789,015</u>	<u>4,716,326</u>
Total noncurrent assets	<u>5,789,015</u>	<u>4,716,326</u>
Total assets	<u>\$ 6,645,940</u>	<u>\$ 5,342,455</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 24,960	\$ 39,333
Current portion of long-term debt	12,500	-
Accrued interest	7,763	-
Due to other funds	<u>326,902</u>	<u>322,533</u>
Total current liabilities	<u>372,125</u>	<u>361,866</u>
Noncurrent liabilities		
Long-term debt	<u>883,500</u>	-
Total noncurrent liabilities	<u>883,500</u>	-
Total liabilities	<u>1,255,625</u>	<u>361,866</u>
NET POSITION		
Net investment in capital assets	4,893,015	4,716,326
Unrestricted (deficit)	<u>497,300</u>	<u>264,263</u>
Total net position	<u>\$ 5,390,315</u>	<u>\$ 4,980,589</u>

**WOOD CREEK WATER DISTRICT**  
**DEPARTMENTAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**SEWER FUND**  
**For the years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating revenues		
Sewer services	\$ 784,660	\$ 717,334
Penalties and service charges	16,623	13,667
Tap on fees	103,750	44,725
Other operating income	-	-
Total operating revenues	<u>905,033</u>	<u>775,726</u>
Operating expenses		
Purchased water and power	20,399	23,938
Administration and general	27,551	17,486
Sewer maintenance and treatment	513,639	439,931
Depreciation	<u>272,957</u>	<u>294,898</u>
Total operating expenses	<u>834,546</u>	<u>776,253</u>
Operating income (loss)	<u>70,487</u>	<u>(527)</u>
Nonoperating revenues (expenses)		
Interest income	103	40
Federal and state grants	346,899	-
Local grants	-	-
Interest on long-term debt	(7,763)	-
Miscellaneous	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>339,239</u>	<u>40</u>
Change in net position	409,726	(487)
Net Position, January 1	<u>4,980,589</u>	<u>4,981,076</u>
Net Position, December 31	<u>\$ 5,390,315</u>	<u>\$ 4,980,589</u>

**WOOD CREEK WATER DISTRICT**  
**DEPARTMENTAL STATEMENT OF CASH FLOWS - SEWER FUND**  
**For the years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Receipts from customers	\$ 768,216	\$ 763,598
Receipts from other activities	103,750	-
Payments to suppliers	<u>(582,610)</u>	<u>(711,475)</u>
Net cash used in operating activities	<u>289,356</u>	<u>52,123</u>
 Cash flows from noncapital and related financing activities		
Federal, state, and local grants	<u>346,899</u>	<u>-</u>
Net cash provided by noncapital and related financing activities	<u>346,899</u>	<u>-</u>
 Cash flows from capital and related activities		
Purchases of property, plant, and equipment	(1,345,646)	(5,433)
Note payable proceeds	896,000	-
Payments received from loans to water fund	4,369	(8,572)
Proceeds received on loan from water fund	(4,894)	(1,298)
Other activities	-	-
Interest on debt	-	-
Cash provided (used) in capital and related activities	<u>(450,171)</u>	<u>(15,303)</u>
 Cash flows from investing activities		
Interest received on investments	<u>103</u>	<u>40</u>
Cash provided (used) in investing activities	<u>103</u>	<u>40</u>
Net increase in cash and cash equivalents	186,187	36,860
Cash and cash equivalents as of January 1	<u>99,520</u>	<u>62,660</u>
Cash and cash equivalents as of December 31	<u>\$ 285,707</u>	<u>\$ 99,520</u>
 Reconciliation of change in net position to net cash used in operating activities		
Operating income/(loss)	\$ 70,487	\$ (527)
Adjustments to reconcile change in net position to net cash used in operating activities:		
Depreciation	272,957	294,898
Changes in assets and liabilities:		
(Increase) Decrease in customer and other accounts receivable	(33,067)	(12,128)
(Increase) Decrease in inventory	(6,648)	(217,047)
Increase (Decrease) in accounts payable	(14,373)	(13,073)
Increase (Decrease) in other payables	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 289,356</u>	<u>\$ 52,123</u>



**WOOD CREEK WATER DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended December 31, 2018**

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
US Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities Fiscal Year 18	10.760	2018-WL	<u>1,242,899</u>
Total US Department of Agriculture			<u>1,242,899</u>
<b>Total Expenditure of Federal Awards</b>			<u><b>1,242,899</b></u>

**WOOD CREEK WATER DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Years ended December 31, 2018 and 2017**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Wood Creek Water District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Commissioners  
Wood Creek Water District  
London, 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 Wood Creek Water District as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Wood Creek Water District's basic financial statements, and have issued our report thereon dated March 31, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Wood Creek Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wood Creek Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wood Creek 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Wood Creek Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
Corbin, Kentucky  
March 31, 2019





**Cloyd & Associates, PSC**  
Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

To the Commissioners  
Wood Creek Water District  
London, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Wood Creek Water District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Wood Creek Water District's major federal programs for the year ended December 31, 2018. The Wood Creek Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Wood Creek Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wood Creek Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wood Creek Water District's compliance.

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### ***Opinion on Each Major Federal Program***

In our opinion, Wood Creek Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Report on Internal Control over Compliance**

Management of Wood Creek Water District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wood Creek Water District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wood Creek Water District's internal control over compliance.

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



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*Certified Public Accountants*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
March 31, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**WOOD CREEK WATER DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year ended December 31, 2018

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**Section I – Summary of Auditor’s Results**  
**Financial Statements**

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	_____ Yes <u>  ✓  </u> No
Significant deficiencies identified that are not	
weaknesses	considered to be material
reported	_____ Yes <u>  ✓  </u> None
Noncompliance material to financial	
statement noted	_____ Yes <u>  ✓  </u> No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	_____ Yes <u>  ✓  </u> No
Significant deficiencies identified that are not	
weaknesses	considered to be material
reported	_____ Yes <u>  ✓  </u> None

Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____ Yes <u>  ✓  </u> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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Water and Waste Disposal Systems for Rural Communities	10.760
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Dollar threshold used to distinguish between Type A and Type B program	\$750,000
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Auditee qualified as low risk	_____ Yes <u>  ✓  </u> No
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(continued)

**WOOD CREEK WATER DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**Year ended December 31, 2018**

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**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**WOOD CREEK WATER DISTRICT**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year ended December 31, 2018**

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**Status of Prior Year Findings**

There were no prior year audit findings