

JESSAMINE COUNTY WATER DISTRICT #1  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 and 2019

*BESTEN & DIERUF, PLLC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

CONTENTS

MANAGEMENT’S DISCUSSION AND ANALYSIS.....	PAGE 3
INDEPENDENT AUDITORS’ REPORT .....	6
FINANCIAL STATEMENTS:	
Statements of Net Position .....	8
Statements of Revenues, Expenses and Changes in Net Position.....	9
Statements of Cash Flows .....	10
Notes to Financial Statements .....	11
SUPPLEMENTAL INFORMATION:	
Statement of Net Position by Funds .....	21
Statement of Revenues, Expenses and Changes in Net Position by Funds.....	22
Schedules of Revenues and Expenses – Actual to Budget .....	23
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	24
SCHEDULE OF FINDINGS AND RESPONSES .....	26

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Jessamine County Water District #1 (the District) Board of Commissioners presents the following management discussion and analysis (MD&A) for the reader of the year end 2020 audited financial statements in order to offer additional insight and perspective into the financial position of the district.

### **Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The financial statements report information using accounting methods similar to those used by private sector companies. The financial statements include a Statement of Net Position; a Statement of Activities and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the financial position of the District and thus provides information about the nature and amount of resources and obligations at year-end.

The Statement of Activities and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the Net Position changed during the 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 the related cash flow.

The Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event or when an obligation arises.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

### **Financial Summary**

Net position is the amount by which assets exceed liabilities. Financial strength is considered to be greater when total net position is increasing over time. Comparing net position over time demonstrates how effectively management is achieving goals with their financial resources. The majority of the District's net position (72%) is invested in capital assets, 14% are restricted and the remaining 14% of net position are unrestricted.

The table below summarizes the net position for the last two years and shows the changes from year to year.

	<u>2020</u>	<u>2019</u>	<u>Amount of Change</u>
Current Assets	\$ 267,251	\$ 240,405	\$ 26,846
Restricted Accounts	1,382,313	1,247,359	134,954
Net Plant and Distribution Systems	7,022,300	6,992,307	29,993
Other Assets	<u>401,427</u>	<u>398,419</u>	<u>3,008</u>
<b>Total Assets</b>	<b>9,073,291</b>	<b>8,878,490</b>	<b>194,801</b>
Current Liabilities	285,999	233,954	52,045
Long-Term Debt	<u>2,366,100</u>	<u>2,447,400</u>	<u>(81,300)</u>
<b>Total Liabilities</b>	<b>2,652,099</b>	<b>2,681,354</b>	<b>(29,255)</b>
Invested in capital assets - net of debt	4,594,276	4,492,212	102,064
Restricted	914,224	1,035,318	(121,094)
Unrestricted - Board-reserved for major maintenance	375,051	370,114	4,937
Unrestricted - Unreserved	<u>537,641</u>	<u>299,492</u>	<u>238,149</u>
<b>Total Net Assets</b>	<b><u>\$ 6,421,192</u></b>	<b><u>\$ 6,197,136</u></b>	<b><u>\$ 224,056</u></b>

The second statement that is displayed is the Statement of Activities and Changes in Net position. This statement aims to show the reader how various revenues and expenditures of the district contribute to the changes seen in net position from year to year and is summarized in the following table:

	<u>2020</u>	<u>2019</u>	<u>Amount of Change</u>
Water sales	\$ 1,996,840	\$ 1,867,591	\$ 129,249
Penalties	7,847	24,431	(16,584)
Service charges and miscellaneous	<u>44,032</u>	<u>69,463</u>	<u>(25,431)</u>
<b>Total Revenues</b>	<b>2,048,719</b>	<b>1,961,485</b>	<b>87,234</b>
Operating Expenses	<u>2,007,233</u>	<u>1,768,217</u>	<u>239,016</u>
<b>Operating Income (Loss)</b>	<b>41,486</b>	<b>193,268</b>	<b>(151,782)</b>
Net Non-Operating Income (Loss)	<u>(78,851)</u>	<u>(79,699)</u>	<u>848</u>
<b>Income (Loss) Before Capital Contributions</b>	<b>(37,365)</b>	<b>113,569</b>	<b>(150,934)</b>
Grants and Other Contributions	-	10,313	(10,313)
Connection Fees	<u>261,421</u>	<u>127,849</u>	<u>133,572</u>
<b>Total Capital Contributions</b>	<b>261,421</b>	<b>138,162</b>	<b>123,259</b>
<b>Change in Net Assets</b>	<b><u>\$ 224,056</u></b>	<b><u>\$ 251,731</u></b>	<b><u>\$ (27,675)</u></b>

Net income in 2020 and 2019 was boosted by additional water sales from new customers reached. In 2015, the District implemented a new rate in order to help finance construction of a new water storage tower which was completed in 2018. The District had a net loss before capital contributions due to increased depreciation, water purchased, and maintenance.

The third and final statement is the Statement of Cash Flows. This statement shows the changes in cash and cash equivalents in different activities of the District from year to year and is summarized in the following table:

	<u>2020</u>	<u>2019</u>	<u>Amount of Change</u>
Net Cash flows from Operating Activities	\$ 383,939	\$ 358,395	\$ 25,544
Net Cash flows from Investing Activities	8,049	9,542	(1,493)
Net Cash flows from Capital and Related Financing Activities	<u>(232,109)</u>	<u>(414,430)</u>	<u>182,321</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b><u>\$ 159,879</u></b>	<b><u>\$ (46,493)</u></b>	<b><u>\$ 206,372</u></b>

The positive net cash flow from operating activities is a strong indicator of financial success. The net decrease in cash flows from capital and related financing activities is primarily due to continued capital improvements and payments on bond obligations.

### **Financial Highlights**

- Net position for year-end 2020 was \$6,421,192, which was an increase of \$224,056 from the previous year.
- Net operating cash flows for 2020 were \$383,939, which is up \$25,544 from the previous year.

### **Budget Comparisons**

The Department of Local Government requires certain Special Purpose Government Entities (SPGE's) to report budgets, amendments, and audits for the public to view. In 2020, higher revenues and variable costs were budgeted due to the growth in customer count. Budgets and other financial information reports are available for the public to view on the Kentucky Department for Local Government's website.

### **Capital Assets and Debt Administration**

The District finished building a new water tank storage tower in 2018 and continues construction for additional projects. Capital assets increased to \$10,817,855, at year-end 2020. Financing for the new water tower was provided through a large grant and USDA loan with favorable interest rates. No new debt was added in 2020 or 2019. Total debt decreased to \$2,454,400 at year end 2020.

### **Economic Factors for Next Year**

The District anticipates a significant growth in customer count for several years due to the construction of several housing developments. Beginning in 2018, the District began to phase in an automatic meter reading system that will increase efficiency, and is intended to reduce costs of operations. Also in 2018, the District began replacing or repairing service lines in the Carolyn Lane area that are near the end of their expected useful life. The Carolyn Lane repairs and construction projects will continue in 2021 as well as additional projects in Vincewood. Finally, management does not believe that interest rates or market volatility will have a significant impact on operations in 2020.

### **Contacting Management**

This narrative was meant to help the reader better understand the financial position of the District. If any user of these documents has any questions or concerns they would like addressed they are invited to write management at:

Jessamine County Water District #1

2225 Lexington Road

Nicholasville, KY 40356

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Jessamine County Water District #1  
Nicholasville, Kentucky

We have audited the accompanying financial statements of Jessamine County Water District #1 (the District) of the City of Nicholasville, Kentucky as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note A, the financial statements present only the Jessamine County Water District #1 and do not purport to, and do not, present fairly the financial position of the City of Nicholasville, Kentucky, as of December 31, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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 on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jessamine County Water District #1's basic financial statements. The statements of net assets by funds and activities and changes in net assets by funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenses – actual to budget, statements of net assets by funds and activities and changes in net assets by funds 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of net assets by funds and activities and changes in net assets by funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Lexington, Kentucky  
April 26, 2021

JESSAMINE COUNTY WATER DISTRICT #1  
STATEMENTS OF NET POSITION  
DECEMBER 31,

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 80,275	\$ 60,287
Accounts receivable	177,911	165,770
Prepaid expenses	9,065	14,348
TOTAL CURRENT ASSETS	267,251	240,405
<b>RESTRICTED AND DESIGNATED CASH:</b>		
Designated cash	468,089	212,041
Customer deposits	171,382	152,102
Reserve accounts for revenue bonds	742,842	883,216
TOTAL RESTRICTED AND DESIGNATED CASH	1,382,313	1,247,359
<b>PLANT AND DISTRIBUTION SYSTEM:</b>		
Pumping Plant and Distribution System	10,817,855	10,484,089
Less, accumulated depreciation	(3,795,555)	(3,491,782)
NET PLANT AND DISTRIBUTION SYSTEM	7,022,300	6,992,307
<b>OTHER ASSETS:</b>		
Certificates of deposit - designated	375,051	370,114
Unamortized bond costs - net	26,376	28,305
TOTAL OTHER ASSETS	401,427	398,419
TOTAL ASSETS	\$ 9,073,291	\$ 8,878,490
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expense	\$ 34,891	\$ 5,746
Sales, utilities and payroll taxes payable	17,974	13,187
Accrued interest	33,181	33,974
Current portion of notes payable	88,300	81,000
Customer deposits	111,653	100,047
TOTAL CURRENT LIABILITIES	285,999	233,954
<b>LONG-TERM DEBT:</b>		
Notes payable, net of current portion	2,366,100	2,447,400
TOTAL LIABILITIES	2,652,099	2,681,354
<b>NET POSITION:</b>		
Invested in capital assets - net of debt	4,594,276	4,492,212
Restricted	914,224	1,035,318
Unrestricted - Board - reserved for major maintenance	375,051	370,114
Unrestricted - Unreserved	537,641	299,492
TOTAL NET POSITION	6,421,192	6,197,136
TOTAL LIABILITIES AND NET POSITION	\$ 9,073,291	\$ 8,878,490

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31,

	2020	2019
<b>REVENUES:</b>		
Water sales	\$ 1,996,840	\$ 1,867,591
Penalties	7,847	24,431
Service charges and miscellaneous	44,032	69,463
TOTAL REVENUES	2,048,719	1,961,485
<b>OPERATING EXPENSES:</b>		
Water purchased	866,784	780,997
Depreciation	303,773	266,944
Office payroll	105,855	115,267
Meter readings and testings	148,660	135,010
Maintenance and repairs	300,525	248,692
Office and miscellaneous	72,112	68,394
Payroll taxes and employee insurance	38,602	35,029
Professional fees	29,867	22,356
Commissioners' salaries	18,000	18,000
Engineering	47,445	7,935
Utilities and telephone	24,546	24,388
Rent	26,070	28,440
Insurance	21,951	12,049
Bad debts	3,043	4,716
TOTAL OPERATING EXPENSES	2,007,233	1,768,217
OPERATING INCOME (LOSS)	41,486	193,268
<b>NON-OPERATING INCOME AND (EXPENSES):</b>		
Interest income	8,049	9,542
Interest expense	(86,900)	(89,241)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(37,365)	113,569
<b>GOVERNMENTAL GRANTS AND OTHER CONTRIBUTIONS:</b>		
Connection fees	261,421	127,849
Grants and contributions	-	10,313
TOTAL GOVERNMENTAL GRANTS AND OTHER CONTRIBUTIONS	261,421	138,162
CHANGE IN NET POSITION	224,056	251,731
NET POSITION, BEGINNING OF YEAR	6,197,136	5,945,405
NET POSITION, END OF YEAR	\$ 6,421,192	\$ 6,197,136

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 2,045,141	\$ 1,938,577
Cash paid to suppliers and employees	(1,661,202)	(1,580,182)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>383,939</b>	<b>358,395</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	8,049	9,542
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>8,049</b>	<b>9,542</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Connection fees and other contributions	261,421	138,162
Purchases of fixed assets	(333,766)	(391,518)
Interest paid	(85,764)	(81,874)
Principal payments under bond obligations	(74,000)	(79,200)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(232,109)</b>	<b>(414,430)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	159,879	(46,493)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>1,677,760</b>	<b>1,724,253</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,837,639</b>	<b>\$ 1,677,760</b>

**RECONCILIATION OF OPERATING NET INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:**

Income (Loss) from Operations	\$ 41,486	\$ 193,268
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Depreciation and amortization	303,773	266,944
Bad debts	3,043	4,716
(Increase) Decrease in accounts receivable	(15,184)	(30,960)
(Increase) Decrease in prepaid expenses	5,283	(7,765)
Increase (Decrease) in customer deposits	11,606	8,052
Increase (Decrease) in accounts payable and accruals	33,932	(75,860)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 383,939</b>	<b>\$ 358,395</b>

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES

Jessamine County Water District #1 (the District) is a special district formed for the express purpose of providing water service within the confines of Jessamine County, Kentucky. The Jessamine County Fiscal Court appoints an independent board of commissioners to govern the District. The District operates as an independent entity in that it: is legally separate; holds corporate powers of organization; the Fiscal Court does not impose their will upon the District; and the District does not impose financial benefit or burden upon the Fiscal Court.

Basis of Presentation

The District is an individual fund and is accounted for as a business-type activity fund. It is financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed primarily through user charges.

The District classifies its net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of "invested in capital assets, net of related debt." Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external 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 - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Basis of Accounting

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America. By utilizing this method, revenues are recognized when they are earned, and expenses are recognized as they are incurred.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses reflected during the reporting period. Accordingly, actual results could differ from those estimates.

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES - continued

Compensated Absences

Employee absences are compensated in the following manner:

- Vacation – Employees are given five vacation days each year with one additional day earned per year of employment with a maximum of ten days.
- Holidays – A total of nine holidays are compensated during the course of a year.
- Sick days – Employees are granted six sick days per year of employment with a maximum accumulation of 24 days. Employees will be paid each year at their hourly rate for any days above 24.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all certificates of deposit and highly liquid investments with maturity of ninety days or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Bad debts are provided on the direct write-off method, whereby current earnings are charged for amounts determined by management to be uncollectible based on its evaluation of outstanding accounts receivable at the end of the year. As of December 31, 2020 and 2019, management does not believe the direct write-off method differs materially from the allowance method whereby an allowance for doubtful accounts is recorded from amounts estimated to be uncollectible.

Inventories

The District has not historically inventoried unsold water, nor accounted for unbilled water or sewer usage as of the year end. Similarly, the District does not accrue costs for water purchases unbilled as of the year end. The District has determined such items to be insignificant as of December 31, 2020 and 2019.

Unamortized Debt Discount, Issuance Expense, and Deferred Amount from Refunding

Original issue discounts, debt issuance expenses, and deferred amounts from the advance refunding of outstanding revenue certificates are appropriately deferred and amortized over the remaining terms of the applicable debt issues or the life of the old debt, whichever is shorter, for deferred amounts from the advance refunding. The amortization expense on bond issuance costs was \$1,929 for each of the years ended December 31, 2020 and 2019.

Capital Assets

District plant is stated at original cost and depreciated over its estimated useful life using the straight-line method. Expenditures for maintenance and repairs are expensed when incurred. Renewals and betterments are capitalized. The range of useful lives used in computing depreciation is as follows: Transmission and Distribution lines and related components and structures – 40 years; Meters and Services – 40 years; Office furnishings – 10 years; and Office Equipment – 5 years.

Interfund Transfers

During the course of its operations, the District has transactions between funds to finance operations, provide services, construct assets, and service debt. Transfers from funds receiving revenues to funds through which the resources are to be expended are classified as transfers.

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES – continued

Income Taxes

The District is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code. As of December 31, 2020 and 2019, management of the District has no uncertain tax positions that qualify for disclosure in the financial statements.

Recent Accounting Pronouncements

GASB has issued additional guidance that is not yet effective. The District is currently reviewing the provisions of the following GASB Statements to determine the impact of implementation in future periods.

- Statement No. 87: *Leases (2021)*
- Statement No. 89: *Accounting for Interest Cost Incurred Before The End of a Construction Period (2021)*
- Statement No. 91: *Conduit Debt Obligations (2022)*
- Statement No. 92: *Omnibus 2020 (2021)*

Date of Management's Review

The District's subsequent events have been evaluated through April 26, 2021, which is the date the financial statements were available to be issued.

NOTE B – CASH AND INVESTMENTS

Kentucky Revised Statutes authorize local governmental units to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States Government or its agencies.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest. The District's deposits and investments at December 31, 2020 were entirely covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy will attempt to match its investments with anticipated cash flow requirements.

The District has no monies invested in accounts other than bank checking and savings accounts, money market accounts, and certificates of deposit.

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE B – CASH AND INVESTMENTS - continued

The following presents the cash and certificate of deposit balances as shown on the statements of net position at December 31, 2020 and 2019:

<u>As of December 31, 2020</u>	Board			<u>Total</u>
	<u>Unrestricted</u>	<u>Designated</u>	<u>Restricted</u>	
Revenue fund	\$ 20,269	\$ -	\$ 171,382	\$ 191,651
Operation and maintenance fund	59,212	-	-	59,212
Bond and interest fund	-	-	169,868	169,868
Reserve fund	-	-	572,974	572,974
Depreciation and maintenance fund	-	843,140	-	843,140
Construction fund-water	794	-	-	794
Total	<u>\$ 80,275</u>	<u>\$ 843,140</u>	<u>\$ 914,224</u>	<u>\$ 1,837,639</u>

<u>As of December 31, 2019</u>	Board			<u>Total</u>
	<u>Unrestricted</u>	<u>Designated</u>	<u>Restricted</u>	
Revenue fund	\$ 18,615	\$ -	\$ 152,102	\$ 170,717
Operation and maintenance fund	29,832	-	-	29,832
Bond and interest fund	-	-	229,244	229,244
Reserve fund	-	-	653,972	653,972
Depreciation and maintenance fund	-	582,155	-	582,155
Construction fund-water	11,840	-	-	11,840
Total	<u>\$ 60,287</u>	<u>\$ 582,155</u>	<u>\$ 1,035,318</u>	<u>\$ 1,677,760</u>

NOTE C – INSURANCE AND RISK MANAGEMENT

The District is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility and torts, injuries to employees, natural disasters, etc. Each of these risk areas is covered through the purchase of a commercial insurance package. The District has purchased certain policies which are rated, including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT

The District is obligated on debt instruments secured by the water revenues. Balances on the debt obligations as of December 31, 2020 and 2019 are as follows:

	2020	2019
Water Revenue Bonds of 1999 issued through the U. S. Department of Agriculture and administered by Rural Development. The combined issue was in the principal amount of \$1,492,000, bearing an interest rate of 5.30% annually and maturing December 31, 2038.	\$ 213,400	\$ 213,400
Kentucky Rural Water Finance Corporation Flexible Term Finance Program Series 2001 Refinancing Issue in the principal amount of \$376,000, bearing an interest rate of 5.15% annually and maturing in 2024.	96,000	121,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Bonds Series 2012 E with par amount of \$1,080,000 and an average coupon rate of 3.54% maturing in 2043.	855,000	885,000
United States Department of Agriculture Rural Development loan in the principal amount of \$945,000, bearing an interest rate of 2.375% annually and commencing October 1, 2016 with first principal payment to be made January 1, 2018 and maturing in January 2055.	906,000	919,500
United States Department of Agriculture Rural Development loan in the principal amount of \$400,000, bearing an interest rate of 2.375% annually and commencing October 1, 2016 with first principal payment to be made January 1, 2018 and maturing in January 2055.	384,000	389,500
Total	2,454,400	2,528,400
Less current portion	(88,300)	(81,000)
Total long-term debt	\$ 2,366,100	\$ 2,447,400

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT – continued

A summary of future maturities on the aforementioned debt obligations is as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021	\$ 72,699	\$ 88,300	\$ 160,999
2022	69,391	91,200	160,591
2023	65,947	94,100	160,047
2024	62,876	77,500	140,376
2025	60,554	66,400	126,954
2026-2030	275,784	397,600	673,384
2031-2035	202,325	453,600	655,925
2036-2040	119,295	452,000	571,295
2041-2045	73,186	206,500	279,686
2046-2050	46,099	243,500	289,599
2051-2055	14,108	283,700	297,808
Total Payments	<u>\$1,062,264</u>	<u>\$ 2,454,400</u>	<u>\$ 3,516,664</u>

NOTE E – LINE OF CREDIT

On February 10, 2017, the District entered into a line of credit agreement with Town Square Bank to draw up to \$1,000,000. On December 29, 2017, this line of credit was increased to \$1,500,000. There were no draws on this line of credit during the year and the balance as of December 31, 2020 and 2019 was \$0. On December 1, 2018, the line of credit was replaced with a surety bond with a bank that pledged collateral securities in lieu of surety at par value of \$1,300,000, a coupon rate of 3.5%, maturing August 1, 2034.

NOTE F – RESTRICTED ASSETS

The restricted assets in the accompanying financial statements are restricted by ordinance, external parties or by board designation. The following schedules set forth restricted assets as of December 31, 2020 and 2019:

	<u>Balance in</u>	<u>Required</u>	<u>Excess</u>
<u>Restricted and Designated Cash at 12/31/20</u>	<u>Account</u>	<u>Balance</u>	<u>Balance</u>
Customer Deposits	\$ 171,382	\$ 111,653	\$ 59,729
Revenue Bonds:			
Reserve Fund	572,974	45,000	527,974
Bond and Interest Fund	169,868	112,552	57,316
Board-Designated accounts	843,140	843,140	-
Total Cash in Restricted Accounts	<u>\$ 1,757,364</u>	<u>\$1,112,345</u>	<u>\$ 645,019</u>

	<u>Balance in</u>	<u>Required</u>	<u>Excess</u>
<u>Restricted and Designated Cash at 12/31/19</u>	<u>Account</u>	<u>Balance</u>	<u>Balance</u>
Customer Deposits	\$ 152,102	\$ 100,047	\$ 52,055
Revenue Bonds:			
Reserve Fund	653,972	45,000	608,972
Bond and Interest Fund	229,244	81,143	148,101
Board-Designated accounts	582,155	582,155	-
Total Cash in Restricted Accounts	<u>\$ 1,617,473</u>	<u>\$ 808,345</u>	<u>\$ 809,128</u>

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE G – COMPLIANCE WITH BOND ORDINANCES

The District is in compliance with applicable bond ordinances that require maintenance of certain funds as set forth following:

Revenue Fund – All gross revenues of the District are deposited into this fund and subsequently distributed monthly to the other funds according to the following fund descriptions:

- Bond and Interest Sinking Fund – For the retirement of bond and interest obligations, an amount equal to 1/12 of the amount of interest and principal becoming due on the next payment date is deposited monthly into this fund for the Revenue bonds of 1999 and 2001. An amount equal to 1/6 of the next succeeding interest payment and 1/12 of the outstanding principal maturing on the next succeeding payment date is deposited monthly into this fund for the Kentucky Rural Water Finance Corporation Public Projects Refunding Bonds Series 2012.
- Reserve Fund – A bond reserve account of at least \$45,000 is to be maintained for the 1999 Revenue Bond until the maturity of the Bond Issue.
- Operations and Maintenance Fund – Deposits are to be made to meet the reasonable and necessary expenses of operating and maintaining the District for the current month not to exceed the amount required to cover expenditures for a two-month period.
- Depreciation Fund – Subject to the priority of the above funds, deposits are to be made to this fund for the purpose of paying unusual or extraordinary maintenance, repairs, renewals and replacements.
- Construction Fund – This fund is to be used to construct additions, extensions, and improvements other than those of the Depreciation Fund.

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE H – CAPITAL ASSETS

The District made capital acquisitions of \$391,517 and \$69,263 and dispositions of \$19,476 and \$0 were made during the years ended December 31, 2020 and 2019, respectively. The following is a summary of capital asset activity during the year:

	<u>Balance</u> <u>12/31/2019</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance</u> <u>12/31/2020</u>
Capital assets not depreciated:				
Construction in progress	\$ 285,952	\$ -	\$ (285,952)	\$ -
Total not depreciated	285,952	-	(285,952)	-
Capital assets being depreciated:				
Land	2,500	-	-	2,500
Utility plant/distribution system	5,396,178	141,419	285,952	5,823,549
Meter and meter installations	543,475	192,347	-	735,822
Transportation	3,692,281	-	-	3,692,281
Equipment	35,611	-	-	35,611
Services	<u>528,092</u>	<u>-</u>	<u>-</u>	<u>528,092</u>
Total depreciable	10,198,137	333,766	285,952	10,817,855
Accumulated depreciation				
Accumulated depreciation	<u>(3,491,782)</u>	<u>(303,773)</u>	<u>-</u>	<u>(3,795,555)</u>
Total accumulated depreciation	<u>(3,491,782)</u>	<u>(303,773)</u>	<u>-</u>	<u>(3,795,555)</u>
Net depreciable assets	<u>6,706,355</u>	<u>29,993</u>	<u>285,952</u>	<u>7,022,300</u>
Total capital assets, net	<u>\$ 6,992,307</u>	<u>\$ 29,993</u>	<u>\$ -</u>	<u>\$ 7,022,300</u>

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance</u> <u>12/31/2019</u>
Capital assets not depreciated:				
Construction in progress	\$ 35,850	\$ 250,102	\$ -	\$ 285,952
Total not depreciated	35,850	250,102	-	285,952
Capital assets being depreciated:				
Land	2,500	-	-	2,500
Utility plant/distribution system	5,355,078	41,100	-	5,396,178
Meter and meter installations	443,159	100,316	-	543,475
Furniture and fixtures	19,476	-	(19,476)	-
Transportation	3,692,281	-	-	3,692,281
Equipment	35,611	-	-	35,611
Services	<u>528,092</u>	<u>-</u>	<u>-</u>	<u>528,092</u>
Total depreciable	10,076,197	141,416	(19,476)	10,198,137
Accumulated depreciation				
Accumulated depreciation	<u>(3,244,314)</u>	<u>(266,944)</u>	<u>19,476</u>	<u>(3,491,782)</u>
Total accumulated depreciation	<u>(3,244,314)</u>	<u>(266,944)</u>	<u>19,476</u>	<u>(3,491,782)</u>
Net depreciable assets	<u>6,831,883</u>	<u>(125,528)</u>	<u>-</u>	<u>6,706,355</u>
Total capital assets, net	<u>\$ 6,867,733</u>	<u>\$ 124,574</u>	<u>\$ -</u>	<u>\$ 6,992,307</u>

JESSAMINE COUNTY WATER DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS

NOTE I – MAJOR PROJECTS (CONSTRUCTION AND GRANT FUNDING)

The District includes construction in progress on the accompanying statements of net assets as a component of District Plant – Distribution System as follows:

- Carolyn Lane - costs to date as of December 31, 2020 and 2019 were \$61,150 and \$61,150, respectively. This project was completed in 2019.
- US27 Project – costs to date as of December 31, 2020 and 2019 were \$366,220 and \$224,801, respectively. This project was completed in 2020.

NOTE J – 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; injuries to employees; and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Although the District is directly affected by economic conditions in the geographical area, management does not believe significant credit risk exists as of December 31, 2020 and 2019.

NOTE K – FACILITIES LEASE

The District moved its facilities and entered into a 15-year lease effective June 1, 2010. Terms of the lease call for monthly payments in the amount of \$1,950 through May 2013. Thereafter rents will increase to \$2,150 monthly through May 2018 and \$2,370 monthly through May 2023. Total rent expense was \$26,070 and \$28,440 for the years ended December 31, 2020 and 2019, respectively.

NOTE L – COVID-19

As of March 2020, the coronavirus pandemic (COVID-19) is adversely affecting, and is expected to continue to adversely affect the District's overall operations. The District has experienced, and expects to continue to experience, pressure on cash flow and stress on its workforce, including its ability to retain employees and their ability to execute their job responsibilities.

As a result of COVID-19, the District has been unable to continue business as usual. As a result, clients have experienced delays in receiving services. There is uncertainty around the duration and breadth of the COVID-19 pandemic and as a result the ultimate impact on our financial condition and operating results cannot be reasonably estimated at this time.

Public health officials have recommended and mandated precautions to mitigate the spread of COVID-19, including prohibitions on congregating in heavily populated areas and shelter-in-place orders or similar measures. As a result, The District has temporarily closed or reduced certain elements of its operations since March 2020. The District's results will be adversely impacted by these actions taken to contain or treat the impact of COVID-19, and the extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted.

While the District expects the impacts of COVID-19 to have an adverse effect on its business, financial condition and results of operations, the District is unable to predict the extent or nature of these impacts at this time.

SUPPLEMENTAL INFORMATION

JESSAMINE COUNTY WATER DISTRICT #1  
STATEMENT OF NET POSITION BY FUNDS  
DECEMBER 31, 2020  
(with comparative totals for December 31, 2019)

	Revenue Fund	Operations and Maintenance Fund	Depreciation Fund	Bond and Interest Sinking Fund	Reserve Fund	Construction Fund	Totals 2020	Totals 2019
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash	\$ 20,269	\$ 59,212	\$ -	\$ -	\$ -	\$ 794	\$ 80,275	\$ 60,287
Accounts receivable	168,631	9,357	-	-	-	(77)	177,911	165,770
Prepaid expenses	-	9,065	-	-	-	-	9,065	14,348
<b>TOTAL CURRENT ASSETS</b>	<b>188,900</b>	<b>77,634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>717</b>	<b>267,251</b>	<b>240,405</b>
<b>RESTRICTED AND DESIGNATED CASH</b>	<b>171,382</b>	<b>-</b>	<b>468,089</b>	<b>169,868</b>	<b>572,974</b>	<b>-</b>	<b>1,382,313</b>	<b>1,247,359</b>
<b>PLANT AND DISTRIBUTION SYSTEM:</b>								
Pumping Plant and Distribution System	-	-	-	-	-	10,817,855	10,817,855	10,198,137
Less, accumulated depreciation	-	-	-	-	-	(3,795,555)	(3,795,555)	(3,491,782)
<b>NET PLANT AND DISTRIBUTION SYSTEM</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,022,300</b>	<b>7,022,300</b>	<b>6,706,355</b>
<b>OTHER ASSETS:</b>								
Construction in process	-	-	-	-	-	-	-	285,952
Certificates of deposit - designated	-	-	375,051	-	-	-	375,051	370,114
Unamortized bond costs - net	-	-	-	-	-	26,376	26,376	28,305
<b>TOTAL OTHER ASSETS</b>	<b>-</b>	<b>-</b>	<b>375,051</b>	<b>-</b>	<b>-</b>	<b>26,376</b>	<b>401,427</b>	<b>684,371</b>
<b>TOTAL ASSETS</b>	<b>\$ 360,282</b>	<b>\$ 77,634</b>	<b>\$ 843,140</b>	<b>\$ 169,868</b>	<b>\$ 572,974</b>	<b>\$ 7,049,393</b>	<b>\$ 9,073,291</b>	<b>\$ 8,878,490</b>
<b>LIABILITIES AND NET POSITION</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable and accrued expense	\$ -	\$ 34,891	\$ -	\$ -	\$ -	\$ -	\$ 34,891	\$ 5,746
Sales, utilities and payroll taxes payable	9,996	7,978	-	-	-	-	17,974	13,187
Accrued interest	-	-	-	33,181	-	-	33,181	33,974
Current portion of notes payable	-	-	-	-	-	88,300	88,300	81,000
Customer deposits	111,653	-	-	-	-	-	111,653	100,047
<b>TOTAL CURRENT LIABILITIES</b>	<b>121,649</b>	<b>42,869</b>	<b>-</b>	<b>33,181</b>	<b>-</b>	<b>88,300</b>	<b>285,999</b>	<b>233,954</b>
<b>LONG-TERM DEBT:</b>								
Notes payable, net of current portion	-	-	-	-	-	2,366,100	2,366,100	2,447,400
<b>TOTAL LIABILITIES</b>	<b>121,649</b>	<b>42,869</b>	<b>-</b>	<b>33,181</b>	<b>-</b>	<b>2,454,400</b>	<b>2,652,099</b>	<b>2,681,354</b>
<b>NET POSITION:</b>								
Fund Balances	238,633	34,765	(1,176,565)	136,687	572,974	2,236,488	2,042,982	1,808,613
Contributions in Aid of Construction	-	-	2,019,705	-	-	2,358,505	4,378,210	4,388,523
<b>TOTAL NET POSITION</b>	<b>238,633</b>	<b>34,765</b>	<b>843,140</b>	<b>136,687</b>	<b>572,974</b>	<b>4,594,993</b>	<b>6,421,192</b>	<b>6,197,136</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 360,282</b>	<b>\$ 77,634</b>	<b>\$ 843,140</b>	<b>\$ 169,868</b>	<b>\$ 572,974</b>	<b>\$ 7,049,393</b>	<b>\$ 9,073,291</b>	<b>\$ 8,878,490</b>

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(with comparative totals for December 31, 2019)

	Revenue Fund	Operations & Maintenance Fund	Depreciation Fund	Bond and Interest Sinking Fund	Reserve Fund	Construction Fund	Eliminations	Totals 2020	Totals 2019
<b>REVENUE:</b>									
Water sales	\$ 1,996,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,996,840	\$ 1,867,591
Penalties	7,847	-	-	-	-	-	-	7,847	24,431
Service charges and miscellaneous	34,757	-	-	9,275	-	-	-	44,032	69,463
<b>TOTAL REVENUE</b>	<b>2,039,444</b>	<b>-</b>	<b>-</b>	<b>9,275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,048,719</b>	<b>1,961,485</b>
<b>OPERATING EXPENSES:</b>									
Water purchased	-	866,784	-	-	-	-	-	866,784	780,997
Depreciation	-	-	-	-	-	303,773	-	303,773	266,944
Office payroll	-	105,855	-	-	-	-	-	105,855	115,267
Meter readings and testings	35,798	112,862	-	-	-	-	-	148,660	135,010
Maintenance and repairs	-	300,525	-	-	-	-	-	300,525	248,692
Office and miscellaneous	10,629	61,483	-	-	-	-	-	72,112	68,394
Payroll taxes and employee insurance	-	38,602	-	-	-	-	-	38,602	35,029
Professional fees	-	29,867	-	-	-	-	-	29,867	22,356
Commissioners' salaries	-	18,000	-	-	-	-	-	18,000	18,000
Engineering	-	-	47,445	-	-	-	-	47,445	7,935
Utilities and telephone	-	24,546	-	-	-	-	-	24,546	24,388
Rent	-	26,070	-	-	-	-	-	26,070	28,440
Insurance	-	21,951	-	-	-	-	-	21,951	12,049
Bad debts	3,043	-	-	-	-	-	-	3,043	4,716
<b>TOTAL OPERATING EXPENSES</b>	<b>49,470</b>	<b>1,606,545</b>	<b>47,445</b>	<b>-</b>	<b>-</b>	<b>303,773</b>	<b>-</b>	<b>2,007,233</b>	<b>1,768,217</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,989,974</b>	<b>(1,606,545)</b>	<b>(47,445)</b>	<b>9,275</b>	<b>-</b>	<b>(303,773)</b>	<b>-</b>	<b>41,486</b>	<b>193,268</b>
<b>NON-OPERATING INCOME AND (EXPENSES)</b>									
Interest income	2,880	-	4,938	231	-	-	-	8,049	9,542
Interest expense	(4)	-	-	(86,896)	-	-	-	(86,900)	(89,241)
<b>INCOME (LOSS) BEFORE GRANTS AND CAPITAL CONTRIBUTIONS</b>	<b>1,992,850</b>	<b>(1,606,545)</b>	<b>(42,507)</b>	<b>(77,390)</b>	<b>-</b>	<b>(303,773)</b>	<b>-</b>	<b>(37,365)</b>	<b>113,569</b>
<b>GRANTS AND OTHER CONTRIBUTIONS</b>									
Connection fees and meter sales	261,221	200	-	-	-	-	-	261,421	127,849
Contributions in aid of construction	-	-	-	-	-	-	-	-	10,313
<b>CHANGE IN NET POSITION</b>	<b>2,254,071</b>	<b>(1,606,345)</b>	<b>(42,507)</b>	<b>(77,390)</b>	<b>-</b>	<b>(303,773)</b>	<b>-</b>	<b>224,056</b>	<b>251,731</b>
<b>TRANSFERS</b>	<b>(2,228,300)</b>	<b>1,592,285</b>	<b>303,492</b>	<b>18,807</b>	<b>(80,998)</b>	<b>394,714</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>213,012</b>	<b>48,675</b>	<b>582,155</b>	<b>195,270</b>	<b>653,972</b>	<b>4,504,052</b>	<b>-</b>	<b>6,197,136</b>	<b>5,945,405</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 238,783</b>	<b>\$ 34,615</b>	<b>\$ 843,140</b>	<b>\$ 136,687</b>	<b>\$ 572,974</b>	<b>\$ 4,594,993</b>	<b>\$ -</b>	<b>\$ 6,421,192</b>	<b>\$ 6,197,136</b>

See accompanying notes and independent auditors' report.

Jessamine County Water District #1  
Statement of Revenues and Expenses - Actual to Budget  
Year Ended December 31, 2020

<b>Revenues</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Water sales	\$ 2,018,051	\$ 1,996,840	\$ 21,211
Penalties	26,509	7,847	18,662
Service charges and miscellaneous	327,958	44,032	283,926
<b>Total Revenues</b>	<b>2,372,518</b>	<b>2,048,719</b>	<b>323,799</b>
<b>Operating Expenses</b>			
Water purchased	895,845	866,784	29,061
<b>Gross Profit</b>	<b>1,476,673</b>	<b>1,181,935</b>	<b>294,738</b>
Depreciation	251,137	303,773	(52,636)
Office payroll	131,016	105,855	25,161
Meter readings	114,426	148,660	(34,234)
Maintenance and repairs	258,750	300,525	(41,775)
Office and misc.	56,955	72,112	(15,157)
Payroll taxes and insurance	42,403	38,602	3,801
Professional fees	29,482	29,867	(385)
Commissioners' salaries	18,000	18,000	-
Engineering	67,768	47,445	20,323
Utilities and telephone	32,508	24,546	7,962
Rent	28,440	26,070	2,370
Insurance	19,261	21,951	(2,690)
Bad debts	23,149	3,043	20,106
<b>Total Operating Expenses</b>	<b>1,073,295</b>	<b>1,140,449</b>	<b>(67,154)</b>
<b>Operating Income</b>	<b>403,378</b>	<b>41,486</b>	<b>361,892</b>
<b>Non-Operating Income</b>			
Interest income	9,309	8,049	1,260
Interest expense	(31,779)	(86,900)	55,121
<b>Income before capital cont.</b>	<b>380,908</b>	<b>(37,365)</b>	<b>418,273</b>
Grants and contributions	-	-	-
Connection fees	121,122	261,421	(140,299)
<b>Change in net assets</b>	<b>\$ 502,030</b>	<b>\$ 224,056</b>	<b>\$ 277,974</b>

See accompanying independent auditors' report

**BESTEN & DIERUF** PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 Board of Commissioners  
Jessamine County Water District #1

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 basic financial statements of Jessamine County Water District #1 (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 26, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 that we consider to be material weaknesses.

**Compliance and Other Matters**

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

**Management's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

A handwritten signature in blue ink that reads "Beaton + Dief, LLC". The signature is written in a cursive, flowing style.

Lexington, Kentucky  
April 26, 2021

JESSAMINE COUNTY WATER DISTRICT #1  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2020

**FINDINGS:**

**2020-001 – Internal Control over Financial Reporting**

**Criteria:**

The District is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles. Management also has the responsibility to the Board of Commissioners to provide timely and accurate interim financial statements and reports. The District should also have internal controls over interim financial reporting to review monthly financial reports to ensure they are complete and accurate prior to the audit.

**Condition:**

The District does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles. Furthermore, annual audit entries exceed the scope of audit adjustments. Interim financial statements are not complete.

**Cause:**

The District lacks personnel with the expertise to apply generally accepted accounting principles in preparing its annual financial statements including disclosures and lacks the personnel with expertise to prepare interim financial statements and reports on the accrual basis of accounting.

**Effect:**

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

**Recommendation:**

We recommend management consider retaining an outside CPA with the required expertise to prepare the financial statements in compliance with generally accepted accounting principles and help assist management with the monthly bookkeeping duties.

**RESPONSE:**

Management will consider the costs and benefits to retain an outside CPA to assist with bookkeeping and prepare the financial statements in compliance with generally accepted accounting principles.