

JESSAMINE COUNTY WATER DISTRICT #1
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

BESTEN & DIERUF, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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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 2021 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 (68%) is invested in capital assets, 14% are restricted and the remaining 18% 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>2021</u> | <u>2020</u> | <u>Amount of Change</u> |
|---|----------------------------|----------------------------|--------------------------|
| Current Assets | \$ 395,482 | \$ 267,251 | \$ 128,231 |
| Restricted Accounts | 1,592,000 | 1,382,313 | 209,687 |
| Net Plant and Distribution Systems | 6,827,661 | 7,022,300 | (194,639) |
| Other Assets | <u>400,069</u> | <u>401,427</u> | <u>(1,358)</u> |
| Total Assets | 9,215,212 | 9,073,291 | 141,921 |
| Current Liabilities | 363,403 | 285,999 | 77,404 |
| Long-Term Debt | <u>2,275,600</u> | <u>2,366,100</u> | <u>(90,500)</u> |
| Total Liabilities | 2,639,003 | 2,652,099 | (13,096) |
| | | | - |
| Invested in capital assets - net of debt | 4,485,708 | 4,594,276 | (108,568) |
| Restricted | 900,307 | 914,224 | (13,917) |
| Unrestricted - Board-reserved for major maintenance | 375,622 | 375,051 | 571 |
| Unrestricted - Unreserved | <u>814,572</u> | <u>537,641</u> | <u>276,931</u> |
| Total Net Assets | <u>\$ 6,576,209</u> | <u>\$ 6,421,192</u> | <u>\$ 155,017</u> |

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>2021</u> | <u>2020</u> | <u>Amount of Change</u> |
|---|--------------------------|--------------------------|---------------------------|
| Water sales | \$ 2,136,680 | \$ 1,996,840 | \$ 139,840 |
| Penalties | 26,348 | 7,847 | 18,501 |
| Service charges and miscellaneous | <u>35,730</u> | <u>44,032</u> | <u>(8,302)</u> |
| Total Revenues | 2,198,758 | 2,048,719 | 150,039 |
| Operating Expenses | <u>2,152,003</u> | <u>2,007,233</u> | <u>144,770</u> |
| Operating Income (Loss) | 46,755 | 41,486 | 5,269 |
| Net Non-Operating Income (Loss) | <u>(123,488)</u> | <u>(78,851)</u> | <u>(44,637)</u> |
| Income (Loss) Before Capital Contributions | (76,733) | (37,365) | (39,368) |
| Grants and Other Contributions | - | - | - |
| Connection Fees | <u>231,750</u> | <u>261,421</u> | <u>(29,671)</u> |
| Total Capital Contributions | <u>231,750</u> | <u>261,421</u> | <u>(29,671)</u> |
| Change in Net Assets | <u>\$ 155,017</u> | <u>\$ 224,056</u> | <u>\$ (69,039)</u> |

Net income in 2021 and 2020 was boosted by additional water sales from new customers reached. 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>2021</u> | <u>2020</u> | <u>Amount of Change</u> |
|--|--------------------------|--------------------------|--------------------------|
| Net Cash flows from Operating Activities | \$ 452,433 | \$ 383,939 | \$ 68,494 |
| Net Cash flows from Investing Activities | 1,538 | 8,049 | (6,511) |
| Net Cash flows from Capital and Related Financing Activities | <u>(135,139)</u> | <u>(232,109)</u> | <u>96,970</u> |
| Net Increase in Cash and Cash Equivalents | <u>\$ 318,832</u> | <u>\$ 159,879</u> | <u>\$ 158,953</u> |

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 2021 was \$6,576,209, which was an increase of \$155,017 from the previous year.
- Net operating cash flows for 2021 were \$452,433, which is up \$68,494 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 2021, 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 \$10,972,768, at year-end 2021. 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 2021 or 2020. Total debt decreased to \$2,366,400 at year end 2021.

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 2022 as well as additional projects in Vincewood. A loan for the Carolyn Lane and Vincewood projects that was delayed due to the pandemic and shortage of supplies will be issued in 2022. The Meade Court project that is being funded by the Cleaner Water Fund grant of \$295,500 will be in the development phase and bid in 2022. A smaller grant of \$40,000 will be spent on cybersecurity and computer and Scada upgrades. Finally, management does not believe that interest rates or market volatility will have a significant impact on operations in 2022.

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

Opinions

We have audited the accompanying financial statements of Jessamine County Water District #1 of the City of Nicholasville, Kentucky, (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note A, the financial statements present only the District and do not purport to, and do not, present fairly the financial position of the City of Nicholasville, Kentucky, as of December 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statement of net position by fund and statement of revenues, expenses, and changes in net position by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Lexington, Kentucky
May 11, 2022

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

| | 2021 | 2020 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 188,849 | \$ 80,275 |
| Accounts receivable | 196,325 | 177,911 |
| Prepaid expenses | 10,308 | 9,065 |
| TOTAL CURRENT ASSETS | 395,482 | 267,251 |
| RESTRICTED AND DESIGNATED CASH: | | |
| Designated cash | 691,693 | 468,089 |
| Customer deposits | 198,928 | 171,382 |
| Reserve accounts for revenue bonds | 701,379 | 742,842 |
| TOTAL RESTRICTED AND DESIGNATED CASH | 1,592,000 | 1,382,313 |
| PLANT AND DISTRIBUTION SYSTEM: | | |
| Pumping Plant and Distribution System | 10,972,768 | 10,817,855 |
| Less, accumulated depreciation | (4,145,107) | (3,795,555) |
| NET PLANT AND DISTRIBUTION SYSTEM | 6,827,661 | 7,022,300 |
| OTHER ASSETS: | | |
| Certificates of deposit - designated | 375,622 | 375,051 |
| Unamortized bond costs - net | 24,447 | 26,376 |
| TOTAL OTHER ASSETS | 400,069 | 401,427 |
| TOTAL ASSETS | \$ 9,215,212 | \$ 9,073,291 |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expense | \$ 82,132 | \$ 34,891 |
| Sales, utilities and payroll taxes payable | 28,310 | 17,974 |
| Accrued interest | 32,302 | 33,181 |
| Current portion of notes payable | 90,800 | 88,300 |
| Customer deposits | 129,859 | 111,653 |
| TOTAL CURRENT LIABILITIES | 363,403 | 285,999 |
| LONG-TERM DEBT: | | |
| Notes payable, net of current portion | 2,275,600 | 2,366,100 |
| TOTAL LIABILITIES | 2,639,003 | 2,652,099 |
| NET POSITION: | | |
| Invested in capital assets - net of debt | 4,485,708 | 4,594,276 |
| Restricted | 900,307 | 914,224 |
| Unrestricted - Board - reserved for major maintenance | 375,622 | 375,051 |
| Unrestricted - Unreserved | 814,572 | 537,641 |
| TOTAL NET POSITION | 6,576,209 | 6,421,192 |
| TOTAL LIABILITIES AND NET POSITION | \$ 9,215,212 | \$ 9,073,291 |

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,

| | 2021 | 2020 |
|--|---------------------|---------------------|
| REVENUES: | | |
| Water sales | \$ 2,136,680 | \$ 1,996,840 |
| Penalties | 26,348 | 7,847 |
| Service charges and miscellaneous | 35,730 | 44,032 |
| TOTAL REVENUES | 2,198,758 | 2,048,719 |
| OPERATING EXPENSES: | | |
| Water purchased | 943,165 | 866,784 |
| Depreciation | 349,552 | 303,773 |
| Office payroll | 103,237 | 105,855 |
| Meter readings and testings | 156,296 | 148,660 |
| Maintenance and repairs | 319,798 | 300,525 |
| Office and miscellaneous | 87,058 | 72,112 |
| Payroll taxes and employee insurance | 40,899 | 38,602 |
| Professional fees | 26,875 | 29,867 |
| Commissioners' salaries | 18,000 | 18,000 |
| Engineering | 25,870 | 47,445 |
| Utilities and telephone | 25,990 | 24,546 |
| Rent | 28,440 | 26,070 |
| Insurance | 19,139 | 21,951 |
| Bad debts | 7,684 | 3,043 |
| TOTAL OPERATING EXPENSES | 2,152,003 | 2,007,233 |
| OPERATING INCOME (LOSS) | 46,755 | 41,486 |
| NON-OPERATING INCOME AND (EXPENSES): | | |
| Interest income | 1,538 | 8,049 |
| Interest expense | (125,026) | (86,900) |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | (76,733) | (37,365) |
| GOVERNMENTAL GRANTS AND OTHER CONTRIBUTIONS: | | |
| Connection fees | 231,750 | 261,421 |
| Grants and contributions | - | - |
| TOTAL GOVERNMENTAL GRANTS AND OTHER CONTRIBUTIONS | 231,750 | 261,421 |
| CHANGE IN NET POSITION | 155,017 | 224,056 |
| NET POSITION, BEGINNING OF YEAR | 6,421,192 | 6,197,136 |
| NET POSITION, END OF YEAR | \$ 6,576,209 | \$ 6,421,192 |

See accompanying notes and independent auditors' report.

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

| | 2021 | 2020 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 2,190,866 | \$ 2,045,141 |
| Cash paid to suppliers and employees | (1,738,433) | (1,661,202) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 452,433 | 383,939 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | 1,538 | 8,049 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | 1,538 | 8,049 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Connection fees and other contributions | 231,750 | 261,421 |
| Purchases of fixed assets | (154,913) | (333,766) |
| Interest paid | (123,976) | (85,764) |
| Principal payments under bond obligations | (88,000) | (74,000) |
| NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | (135,139) | (232,109) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 318,832 | 159,879 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 1,837,639 | 1,677,760 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 2,156,471 | \$ 1,837,639 |

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

| | | |
|---|------------|------------|
| Income (Loss) from Operations | \$ 46,755 | \$ 41,486 |
| Adjustments to reconcile income (loss) from operations to net cash flows from operating activities: | | |
| Depreciation and amortization | 349,552 | 303,773 |
| Bad debts | 7,684 | 3,043 |
| (Increase) Decrease in accounts receivable | (26,098) | (15,184) |
| (Increase) Decrease in prepaid expenses | (1,243) | 5,283 |
| Increase (Decrease) in customer deposits | 18,206 | 11,606 |
| Increase (Decrease) in accounts payable and accruals | 57,577 | 33,932 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | \$ 452,433 | \$ 383,939 |

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, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020, 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 (2022)*
- 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 May 11, 2022, 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.

During the years ended 2021 and 2020, the District's deposits and investments at times exceeded amounts covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name. The District has not experienced any losses on such accounts and does not believe that is it subject to significant credit risk related to the accounts.

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, 2021 and 2020:

| <u>As of December 31, 2021</u> | Board | | | <u>Total</u> |
|-----------------------------------|---------------------|---------------------|-------------------|---------------------|
| | <u>Unrestricted</u> | <u>Designated</u> | <u>Restricted</u> | |
| Revenue fund | \$ 47,060 | \$ - | \$ 198,928 | \$ 245,988 |
| Operation and maintenance fund | 140,995 | - | - | 140,995 |
| Bond and interest fund | - | - | 127,934 | 127,934 |
| Reserve fund | - | - | 573,445 | 573,445 |
| Depreciation and maintenance fund | - | 1,067,315 | - | 1,067,315 |
| Construction fund-water | 794 | - | - | 794 |
| Total | <u>\$ 188,849</u> | <u>\$ 1,067,315</u> | <u>\$ 900,307</u> | <u>\$ 2,156,471</u> |

| <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> |

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, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|--------------|--------------|
| 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. | \$ 206,400 | \$ 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. | 70,000 | 96,000 |
| 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. | 820,000 | 855,000 |
| 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 made January 1, 2018 and maturing in January 2055. | 892,000 | 906,000 |
| 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 made January 1, 2018 and maturing in January 2055. | 378,000 | 384,000 |
| Total | 2,366,400 | 2,454,400 |
| Less current portion | (90,800) | (88,300) |
| Total long-term debt | \$ 2,275,600 | \$ 2,366,100 |

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> |
|----------------|-------------------|---------------------|---------------------|
| 2022 | \$ 69,391 | \$ 90,800 | \$ 160,191 |
| 2023 | 65,947 | 93,700 | 159,647 |
| 2024 | 62,876 | 77,100 | 139,976 |
| 2025 | 60,554 | 66,000 | 126,554 |
| 2026 | 58,438 | 72,400 | 130,838 |
| 2027-2031 | 256,793 | 395,800 | 652,593 |
| 2032-2036 | 187,065 | 468,600 | 655,665 |
| 2037-2041 | 104,894 | 403,000 | 507,894 |
| 2042-2046 | 28,500 | 213,500 | 242,000 |
| 2047-2051 | 40,126 | 251,500 | 291,626 |
| 2052-2055 | 8,550 | 234,000 | 242,550 |
| Total Payments | <u>\$ 943,134</u> | <u>\$ 2,366,400</u> | <u>\$ 3,309,534</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. 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, 2021 and 2020:

| | <u>Balance in</u> | <u>Required</u> | <u>Excess</u> |
|---|---------------------|---------------------|-------------------|
| <u>Restricted and Designated Cash at 12/31/21</u> | <u>Account</u> | <u>Balance</u> | <u>Balance</u> |
| Customer Deposits | \$ 198,928 | \$ 129,859 | \$ 69,069 |
| Revenue Bonds: | | | |
| Reserve Fund | 573,445 | 45,000 | 528,445 |
| Bond and Interest Fund | 127,934 | 110,818 | 17,116 |
| Board-Designated accounts | <u>1,067,315</u> | <u>1,067,315</u> | <u>-</u> |
| Total Cash in Restricted Accounts | <u>\$ 1,967,622</u> | <u>\$ 1,352,992</u> | <u>\$ 614,630</u> |

| | <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 | <u>843,140</u> | <u>843,140</u> | <u>-</u> |
| Total Cash in Restricted Accounts | <u>\$ 1,757,364</u> | <u>\$ 1,112,345</u> | <u>\$ 645,019</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 \$154,914 and \$333,766 and dispositions of \$0 and \$0 were made during the years ended December 31, 2021 and 2020, respectively. The following is a summary of capital asset activity during the year:

| | <u>Balance</u> <u>12/31/2020</u> | <u>Additions</u> | <u>Disposals/</u> <u>Transfers</u> | <u>Balance</u> <u>12/31/2021</u> |
|-----------------------------------|-------------------------------------|---------------------|---------------------------------------|-------------------------------------|
| Capital assets not depreciated: | | | | |
| Construction in progress | \$ - | \$ - | \$ - | \$ - |
| Total not depreciated | - | - | - | - |
| Capital assets being depreciated: | | | | |
| Land | 2,500 | - | - | 2,500 |
| Utility plant/distribution system | 5,823,549 | - | - | 5,823,549 |
| Meter and meter installations | 735,822 | 154,913 | - | 890,735 |
| Transportation | 3,692,281 | - | - | 3,692,281 |
| Equipment | 35,611 | - | - | 35,611 |
| Services | 528,092 | - | - | 528,092 |
| Total depreciable | 10,817,855 | 154,913 | - | 10,972,768 |
| Accumulated depreciation | | | | |
| Accumulated depreciation | (3,795,555) | (349,552) | - | (4,145,107) |
| Total accumulated depreciation | (3,795,555) | (349,552) | - | (4,145,107) |
| Net depreciable assets | 7,022,300 | (194,639) | - | 6,827,661 |
| Total capital assets, net | <u>\$ 7,022,300</u> | <u>\$ (194,639)</u> | <u>\$ -</u> | <u>\$ 6,827,661</u> |

| | <u>Balance</u> <u>12/31/2019</u> | <u>Additions</u> | <u>Disposals/</u> <u>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 |
| Furniture and fixtures | - | - | - | - |
| Transportation | 3,692,281 | - | - | 3,692,281 |
| Equipment | 35,611 | - | - | 35,611 |
| Services | 528,092 | - | - | 528,092 |
| Total depreciable | 10,198,137 | 333,766 | 285,952 | 10,817,855 |
| Accumulated depreciation | | | | |
| Accumulated depreciation | (3,491,782) | (303,773) | - | (3,795,555) |
| Total accumulated depreciation | (3,491,782) | (303,773) | - | (3,795,555) |
| Net depreciable assets | 6,706,355 | 29,993 | 285,952 | 7,022,300 |
| Total capital assets, net | <u>\$ 6,992,307</u> | <u>\$ 29,993</u> | <u>\$ -</u> | <u>\$ 7,022,300</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:

- US27 Project – this project was completed in 2020 and total costs as of December 31, 2020 were \$366,220.

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, 2021 and 2020.

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 \$28,440 and \$28,440 for the years ended December 31, 2021 and 2020, respectively.

NOTE L – COVID-19

Beginning in March 2020 and continuing through the date of these financial statements, the Coronavirus pandemic (COVID-19) is adversely affecting, and is expected to continue to adversely affect, the District's overall operations.

There is uncertainty around the duration and breadth of the COVID-19 pandemic and as a result the ultimate impact on the District's financial condition and operating results cannot be reasonably estimated at this time.

While the District expects the impacts of COVID-19 to have an adverse effect on 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, 2021
(with comparative totals for December 31, 2020)

| | Operations and | | Bond and | | Reserve | Construction | Totals | Totals |
|--|-------------------|-------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| | Revenue | Maintenance | Depreciation | Interest | | | | |
| | Fund | Fund | Fund | Sinking Fund | Fund | Fund | | |
| ASSETS | | | | | | | | |
| CURRENT ASSETS: | | | | | | | | |
| Cash | \$ 47,060 | \$ 140,995 | \$ - | \$ - | \$ - | \$ 794 | \$ 188,849 | \$ 80,275 |
| Accounts receivable | 176,518 | 19,959 | - | - | - | (152) | 196,325 | 177,911 |
| Prepaid expenses | - | 10,308 | - | - | - | - | 10,308 | 9,065 |
| TOTAL CURRENT ASSETS | 223,578 | 171,262 | - | - | - | 642 | 395,482 | 267,251 |
| RESTRICTED AND DESIGNATED CASH | 198,928 | - | 691,693 | 127,934 | 573,445 | - | 1,592,000 | 1,382,313 |
| PLANT AND DISTRIBUTION SYSTEM: | | | | | | | | |
| Pumping Plant and Distribution System | - | - | - | - | - | 10,972,768 | 10,972,768 | 10,817,855 |
| Less, accumulated depreciation | - | - | - | - | - | (4,145,107) | (4,145,107) | (3,795,555) |
| NET PLANT AND DISTRIBUTION SYSTEM | - | - | - | - | - | 6,827,661 | 6,827,661 | 7,022,300 |
| OTHER ASSETS: | | | | | | | | |
| Construction in process | - | - | - | - | - | - | - | - |
| Certificates of deposit - designated | - | - | 375,622 | - | - | - | 375,622 | 375,051 |
| Unamortized bond costs - net | - | - | - | - | - | 24,447 | 24,447 | 26,376 |
| TOTAL OTHER ASSETS | - | - | 375,622 | - | - | 24,447 | 400,069 | 401,427 |
| TOTAL ASSETS | \$ 422,506 | \$ 171,262 | \$ 1,067,315 | \$ 127,934 | \$ 573,445 | \$ 6,852,750 | \$ 9,215,212 | \$ 9,073,291 |
| LIABILITIES AND NET POSITION | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | |
| Accounts payable and accrued expense | \$ - | \$ 82,132 | \$ - | \$ - | \$ - | \$ - | \$ 82,132 | \$ 34,891 |
| Sales, utilities and payroll taxes payable | 17,863 | 10,447 | - | - | - | - | 28,310 | 17,974 |
| Accrued interest | - | - | - | 32,302 | - | - | 32,302 | 33,181 |
| Current portion of notes payable | - | - | - | - | - | 90,800 | 90,800 | 88,300 |
| Customer deposits | 129,859 | - | - | - | - | - | 129,859 | 111,653 |
| TOTAL CURRENT LIABILITIES | 147,722 | 92,579 | - | 32,302 | - | 90,800 | 363,403 | 285,999 |
| LONG-TERM DEBT: | | | | | | | | |
| Notes payable, net of current portion | - | - | - | - | - | 2,275,600 | 2,275,600 | 2,366,100 |
| TOTAL LIABILITIES | 147,722 | 92,579 | - | 32,302 | - | 2,366,400 | 2,639,003 | 2,652,099 |
| NET POSITION: | | | | | | | | |
| Fund Balances | 274,784 | 78,683 | (952,390) | 95,632 | 573,445 | 2,127,845 | 2,197,999 | 2,042,982 |
| Contributions in Aid of Construction | - | - | 2,019,705 | - | - | 2,358,505 | 4,378,210 | 4,378,210 |
| TOTAL NET POSITION | 274,784 | 78,683 | 1,067,315 | 95,632 | 573,445 | 4,486,350 | 6,576,209 | 6,421,192 |
| TOTAL LIABILITIES AND NET POSITION | \$ 422,506 | \$ 171,262 | \$ 1,067,315 | \$ 127,934 | \$ 573,445 | \$ 6,852,750 | \$ 9,215,212 | \$ 9,073,291 |

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, 2021
 (with comparative totals for December 31, 2020)

| | Revenue Fund | Operations & Maintenance Fund | Depreciation Fund | Bond and Interest Sinking Fund | Reserve Fund | Construction Fund | Eliminations | Totals 2021 | Totals 2020 |
|--|--------------------|-------------------------------|---------------------|--------------------------------|-------------------|---------------------|--------------|---------------------|---------------------|
| REVENUE: | | | | | | | | | |
| Water sales | \$ 2,136,680 | - | \$ - | \$ - | \$ - | \$ - | - | 2,136,680 | 1,996,840 |
| Penalties | 26,348 | - | - | - | - | - | - | 26,348 | 7,847 |
| Service charges and miscellaneous | 21,056 | - | - | 14,674 | - | - | - | 35,730 | 44,032 |
| TOTAL REVENUE | 2,184,084 | - | - | 14,674 | - | - | - | 2,198,758 | 2,048,719 |
| OPERATING EXPENSES: | | | | | | | | | |
| Water purchased | - | 943,165 | - | - | - | - | - | 943,165 | 866,784 |
| Depreciation | - | - | - | - | - | 349,552 | - | 349,552 | 303,773 |
| Office payroll | - | 103,237 | - | - | - | - | - | 103,237 | 105,855 |
| Meter readings and testings | 34,898 | 121,398 | - | - | - | - | - | 156,296 | 148,660 |
| Maintenance and repairs | - | 319,798 | - | - | - | - | - | 319,798 | 300,525 |
| Office and miscellaneous | 12,610 | 72,745 | - | - | - | 1,703 | - | 87,058 | 72,112 |
| Payroll taxes and employee insurance | - | 40,899 | - | - | - | - | - | 40,899 | 38,602 |
| Professional fees | - | 26,875 | - | - | - | - | - | 26,875 | 29,867 |
| Commissioners' salaries | - | 18,000 | - | - | - | - | - | 18,000 | 18,000 |
| Engineering | - | 25,990 | 25,870 | - | - | - | - | 25,870 | 47,445 |
| Utilities and telephone | - | 28,440 | - | - | - | - | - | 25,990 | 24,546 |
| Rent | - | 19,139 | - | - | - | - | - | 28,440 | 26,070 |
| Insurance | - | - | - | - | - | - | - | 19,139 | 21,951 |
| Bad debts | 7,684 | - | - | - | - | - | - | 7,684 | 3,043 |
| TOTAL OPERATING EXPENSES | 55,192 | 1,719,686 | 25,870 | - | - | 351,255 | - | 2,152,003 | 2,007,233 |
| OPERATING INCOME (LOSS) | 2,128,892 | (1,719,686) | (25,870) | 14,674 | - | (351,255) | - | 46,755 | 41,486 |
| NON-OPERATING INCOME AND (EXPENSES) | | | | | | | | | |
| Interest income | 967 | - | 571 | - | - | - | - | 1,538 | 8,049 |
| Interest expense | - | - | - | (123,097) | - | (1,929) | - | (125,026) | (86,900) |
| INCOME (LOSS) BEFORE GRANTS AND CAPITAL CONTRIBUTIONS | 2,129,859 | (1,719,686) | (25,299) | (108,423) | - | (353,184) | - | (76,733) | (37,365) |
| GRANTS AND OTHER CONTRIBUTIONS | | | | | | | | | |
| Connection fees and meter sales | 231,750 | - | - | - | - | - | - | 231,750 | 261,421 |
| Contributions in aid of construction | - | - | - | - | - | - | - | - | - |
| CHANGE IN NET POSITION | 2,361,609 | (1,719,686) | (25,299) | (108,423) | - | (353,184) | - | 155,017 | 224,056 |
| TRANSFERS | (2,325,606) | 1,763,752 | 249,474 | 67,368 | 471 | 244,541 | - | - | - |
| NET POSITION, BEGINNING OF YEAR | 238,783 | 34,615 | 843,140 | 136,687 | 572,974 | 4,594,993 | - | 6,421,192 | 6,197,136 |
| NET POSITION, END OF YEAR | \$ 274,786 | \$ 78,681 | \$ 1,067,315 | \$ 95,632 | \$ 573,445 | \$ 4,486,350 | \$ - | \$ 6,576,209 | \$ 6,421,192 |

See accompanying notes and independent auditors' report.

Jessamine County Water District #1
Statement of Revenues and Expenses - Actual to Budget
Year Ended December 31, 2021

| Revenues | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------------------|----------------------|----------------------|------------------------|
| Water sales | \$ 2,089,070 | \$ 2,136,680 | \$ (47,610) |
| Penalties | 26,351 | 26,348 | 3 |
| Service charges and miscellaneous | 35,971 | 35,730 | 241 |
| Total Revenues | <u>2,151,392</u> | <u>2,198,758</u> | <u>(47,366)</u> |
| | | | |
| Operating Expenses | | | |
| Water purchased | 908,616 | 943,165 | (34,549) |
| Gross Profit | <u>1,242,776</u> | <u>1,255,593</u> | <u>(12,817)</u> |
| | | | |
| Depreciation | - | 349,552 | (349,552) |
| Office payroll | 99,662 | 103,237 | (3,575) |
| Meter readings | 157,311 | 156,296 | 1,015 |
| Maintenance and repairs | 415,931 | 319,798 | 96,133 |
| Office and misc. | 69,453 | 87,058 | (17,605) |
| Payroll taxes and insurance | 38,034 | 40,899 | (2,865) |
| Professional fees | 27,510 | 26,875 | 635 |
| Commissioners' salaries | 18,000 | 18,000 | - |
| Engineering | 28,464 | 25,870 | 2,594 |
| Utilities and telephone | 25,719 | 25,990 | (271) |
| Rent | 31,285 | 28,440 | 2,845 |
| Insurance | 20,528 | 19,139 | 1,389 |
| Bad debts | 9,051 | 7,684 | 1,367 |
| Total Operating Expenses | <u>940,948</u> | <u>1,208,838</u> | <u>(267,890)</u> |
| Operating Income | <u>301,828</u> | <u>46,755</u> | <u>255,073</u> |
| | | | |
| Non-Operating Income | | | |
| Interest income | 955 | 1,538 | (583) |
| Interest expense | (70,919) | (125,026) | 54,107 |
| Income before capital cont. | <u>231,864</u> | <u>(76,733)</u> | <u>308,597</u> |
| | | | |
| Grants and contributions | - | - | - |
| Connection fees | 286,320 | 231,750 | 54,570 |
| Change in net assets | <u>\$ 518,184</u> | <u>\$ 155,017</u> | <u>\$ 363,167</u> |

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 financial statements Jessamine County Water District #1 (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 11, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

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

Lexington, Kentucky
May 11, 2022