JONATHAN CREEK WATER DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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FOR THE YEAR ENDED DECEMBER 31, 2019

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JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Jonathan Creek Water District
Kuttawa, Kentucky

We have audited the accompanying financial statements of the Jonathan Creek Water District as of and for the year ended December 31, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Jonathan Creek Water District as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

140 COMMERCE ST.
PO BOX 909
EDDYVILLE, KY 42038

270-388-4114 OFFICE
270-388-2363 FAX

Other Matters

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, schedule of pension contributions, schedule of other postemployment benefits contributions, schedule of proportionate share of net pension liability, and schedule of proportionate share of other postemployment benefits liability on pages 3 through 7 and 31 through 35 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2020, on our consideration of the Jonathan Creek Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Jessica Daniel, CPA

Eddyville, Kentucky
June 30, 2020

JONATHAN CREEK WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(UNAUDITED)

The Jonathan Creek Water District ("District") offers Management's Discussion and Analysis to provide an overview and analysis of the District's financial activities for the years ended December 31, 2019. To fully understand the entire scope of the District's financial activities, this information should be read in conjunction with the financial statement provided in this document.

FINANCIAL HIGHLIGHTS

- The District's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of December 31, 2019, by $2,440,458 (Net Position).
- The District's total net position decreased by $47,469 during the year compared to a $66,115 decrease in the prior year.
- The District's operating revenues decreased by $75,275 over the prior year from $1,032,292 to $957,017.
- The District's operating expenses decreased by $99,367 over the prior year from $1,192,226 to $1,092,859.

OVERVIEW OF THE FINANCIAL STATEMENTS

Jonathan Creek Water District's basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements.

The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

Statement of net position. The statement of net position presents the financial position of the District. It presents information on the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on page 8.

Statement of revenues, expenses and changes in net position. The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when they are earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The statement of revenues, expenses and changes in net position is on page 9 of this report.

Statement of cash flows. The statement of cash flows presents information on the effects the changes in assets and liabilities have on cash during the course of the fiscal year and can be found on page 10.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 11-29 of this report.

Required Supplementary Information. In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on page 31-35.

OVERVIEW OF THE DISTRICT'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $2,440,458 as of December 31, 2019.

The District's overall financial position and operations for the past two years are summarized as follows:

JONATHAN CREEK WATER DISTRICT'S NET POSITION

	2019	Restated 2018
Assets		
Current and other assets	$ 258,659	$ 283,922
Capital assets	3,677,487	3,690,343
Total Assets	3,936,146	3,974,265
Deferred Outflows of Resources	319,149	269,373
Liabilities		
Other liabilities	176,881	94,220
Current portion of long-term debt	189,648	279,089
Long-term liabilities	1,280,084	1,251,804
Total Liabilities	1,646,613	1,625,113
Deferred Inflows of Resources	168,224	73,099
Net Position		
Net investment in capital assets	3,233,635	3,050,637
Restricted	27,047	15,744
Unrestricted	(820,224)	(520,955)
Total Net Position	$ 2,440,458	$ 2,545,426

The District's investments in capital assets (e.g., land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure), less any debt used to acquire those assets that is still outstanding is $3,233,635. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's unrestricted net assets as of December 31, 2019 is a negative $820,224.

Analysis of the District's Operations – Overall the District had a decrease in net position of $47,469.

The following table provides a summary of the District's operations for the year ended December 31, 2019 and 2018.

JONATHAN CREEK WATER DISTRICT
CHANGES IN NET POSITION

	2019	Restated 2018
Revenues		
Operating revenues	$ 957,017	$ 1,032,292
Investment income	287	67
Capital grants and contributions	104,586	122,192
Total revenues	1,061,890	1,154,551
Expenses		
Administrative and general expenses	410,279	577,149
Transmission and distribution expenses	380,326	250,447
Depreciation	180,602	179,659
Pumping expenses	79,605	130,065
Payroll and other taxes	26,591	31,152
Interest expenses	16,500	28,440
Water treatment expenses	13,049	14,763
Bad debt expense	2,407	8,991
Total Expenses	1,109,359	1,220,666
Change in net position	(47,469)	(66,115)
Net position - January 1, restated	2,487,927	2,611,541
Net position - December 31	$ 2,440,458	$ 2,545,426

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final budget passed by the board anticipated an increase in the fund balance of $143,153. The budgeted operating revenue received exceeded actual revenue by $213,983. Actual expenditures exceeded budgeted expenditures by $30,012. The budgetary figures and actual amounts are reported in the supplementary information on page 31 .

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets for business-type activities as of December 31, 2019, amounts to $3,677,487 (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants and facilities, machinery and equipment, and infrastructure.

	2019	Restated 2018
Business-type activities		
Capital assets, not being depreciated		
Land	$ 10,000	$ 10,000
Construction in progress	65,488	-
Total capital assets, not being depreciated	75,488	10,000
Capital assets, being depreciated		
Transmission and distribution	2,549,373	2,603,175
Distribution reservoirs	68,778	72,383
Transportation equipment	17,707	24,671
Land rights	168	293
Commercial equipment	50,841	62,353
Hydrants	4,041	5,827
Meters and meter installations	287,846	271,701
Pumping equipment	126,560	137,243
Water treatment equipment	18,228	27,159
Tools and shop equipment	4,433	6,633
Office furniture and equipment	1,113	2,899
Miscellaneous equipment	17,360	22,109
Power equipment	299,368	330,012
Communication equipment	-	-
Structures and improvements	28,199	29,239
Wells and springs	111,045	114,458
Organization	-	-
Services	16,939	17,438
Total capital assets, being depreciated	3,601,999	3,727,593
Business-type activities capital assets, net	$ 3,677,487	$ 3,737,593

During the year ended December 31, 2019, the District acquired assets totaling $120,497. Of which, $65,488 is construction in process related to the Slickback Road project.

Additional information on the District's capital assets can be found in Note 5 of this report.

Long-term and other debt

At the end of the current year, the Jonathan Creek Water District had total debt of $443,852. Long-term debt at December 31, 2019, was as follows:

	2019	2018
Line of Credit		
CFSB Line of Credit	$ 83,140	$ 95,540
Long-Term Debt		
CFSB Loan	180,180	302,595
Capital Lease		
Ditch Witch	180,532	241,571
Total Debt	$ 443,852	$ 639,706

Interest expense of $16,500 was incurred during the year ended December 31, 2019.

Additional information on the District's long-term debt can be found in Note 7 of this report.

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the Jonathan Creek Water District's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to David Lovett, Superintendent, Jonathan Creek Water District, 7564 US Highway 68 E, Benton, Kentucky 42025.

Jonathan Creek Water District
Statement of Net Position
December 31, 2019

Assets		**2019**
Current Assets		
Cash equivalents	$	29,409
Customer accounts receivable (less allowance for uncollectible accounts of $6,673)		38,950
Unbilled revenue		64,510
Inventory		80,295
Prepayments		18,448
Restricted assets		
Cash equivalents		27,047
Total current assets		258,659
Noncurrent Assets		
Capital assets, net of depreciation		3,677,487
Total Assets		3,936,146
Deferred Outflows of Resources		
Related to pensions and other postemployment benefits		319,149
Liabilities		
Current Liabilities		
Accounts payable		14,269
Accrued liabilities		23,667
Customers' deposits		55,805
Line of credit		83,140
Long-term debt due in one year		189,648
Total current liabilities		366,529
Noncurrent Liabilities		
Long-term debt due after one year		171,064
Net pension and other postemployment benefit liabilities		1,109,020
Total noncurrent liabilities		1,280,084
Total Liabilities		1,646,613
Deferred Inflows of Resources		
Related to pensions and other postemployment benefits		168,224
Net Position		
Net investment in capital assets		3,233,635
Restricted for		
Customer deposits		27,047
Unrestricted		(820,224)
Total Net Position	$	2,440,458

See accompanying notes to financial statements.

Jonathan Creek Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2019

	2019
Operating Revenue	
Water revenues	$ 946,298
Other	10,719
Total Operating Revenues	957,017
Operating Expenses	
Administrative and general expenses	410,279
Transmission and distribution expenses	380,326
Depreciation	180,602
Pumping expenses	79,605
Payroll and other taxes	26,591
Water treatment expenses	13,049
Bad debt expenses	2,407
Total Operating Expenses	1,092,859
Operating Income (Loss)	(135,842)
Nonoperating Revenues (Expenses)	
Investment income	287
Interest on debt	(16,500)
Total Nonoperating Revenue (Expenses)	(16,213)
Net Income Before Capital Contributions	(152,055)
Capital Contributions	
Fiscal Court funds	77,528
Tap-on fees	27,058
Total Capital Contributions	104,586
Change in Net Position	(47,469)
Net Position-Beginning of Year	2,545,426
Prior period adjustments (See Note 14)	(57,499)
Net Position-End of Year	$ 2,440,458

See accompanying notes to financial statements.

Jonathan Creek Water District
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019
Cash Flows from Operating Activities	
Cash received from customers	$ 996,237
Cash payments to suppliers for goods and services	(300,122)
Cash payments to employees for services	(465,469)
Net Cash Provided By Operating Activities	230,646
Cash Flows From Capital and Related Financing Activities	
Contributed capital	104,586
Interest paid on debt	(16,500)
Principal paid on capital debt	(195,854)
Acquisition of property, plant, and equipment	(120,495)
Net Cash Used By Capital and Related Financing Activities	(228,263)
Cash Flows From Investing Activities	
Income received on investments	287
Net Cash Provided By Investing Activities	287
Net Increase (Decrease) in Cash Equivalents	2,670
Cash Equivalents-Beginning of Year	53,786
Cash Equivalents-End of Year	$ 56,456
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income (Loss)	$ (135,842)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	180,602
Change in assets and liabilities	
Decrease (increase) in accounts receivable	32,756
Decrease (increase) in inventory	(1,945)
Decrease (increase) in prepayments	(2,878)
Decrease (increase) in deferred outflows of resources	74,551
Increase (decrease) in accounts payable	(6,948)
Increase (decrease) in customer deposits	6,464
Increase (decrease) in accrued liabilities	5
Increase (decrease) in deferred pension and OPEB liabilities	23,549
Increase (decrease) in deferred inflows of pensions	60,332
Net Cash Provided By Operating Activities	$ 230,646
Reconciliation of Total Cash	
Current Assets - Cash	$ 29,409
Restricted Assets - Cash	27,047
Total Cash	$ 56,456

Non-cash Investing, Capital and Related Financing Activities - None

See accompanying notes to financial statements.

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Jonathan Creek Water District, (the District), was organized to provide water service to the residents of Benton, Kentucky and the surrounding areas. The District is supported by funds derived from the sale of water and is governed by a five member Board, appointed by the County Judge of Marshall County. The District is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky.

The accounting and reporting policies of the District relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards board (when applicable). The District follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the District are described below:

Principles Determining Scope of Reporting Entity

The District's financial report includes only the funds of the District. The District has no oversight responsibility for any other governmental entity and is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board pronouncement.

Basis of Presentation

The accounts of the District are organized in accordance with the uniform system of accounts adopted by the Public Service Commission of Kentucky. Those accounts are organized on the basis of a proprietary fund type, specifically an enterprise fund. The operations of each fund are summarized by providing a separate set of self balancing accounts which include its assets, liabilities, net position, revenues and expenses. The following funds are used by the District:

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting and financial statements for a proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2019

Reclassifications
Prior period financial statement amounts have been reclassified to conform to current period presentation. Operating income and net earnings for the prior period were not impacted by the reclassifications.

Sales of Water
Charges to customers for the sale of water are based on rates approved by the Kentucky Public Service Commission (PSC).

Budget
The District is required to follow budgetary guidelines established by the Public Service Commission and the Department of Rural Development. Those guidelines require:

1) The District to submit a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

2) The District is required to submit a budget to the Department of Rural Development for each fiscal year as stipulated in the bond agreement.

For the year ended December 31, 2019, the District has complied with budgetary guidelines.

Cash Equivalents/ Investments
Cash and cash equivalents are deposited with Community Financial Services Bank. District ordinances authorize the District to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, repurchase agreements, and demand deposits. All investments must be purchased through brokers/dealers or deposited with local financial institutions.

For the purpose of the statement of cash flows, the District considers all cash in banks and certificates of deposit with stated maturities of three months or less or available for withdrawal by management to be cash and cash equivalents.

Accounts Receivable
The District uses an allowance of uncollectible accounts method to account for bad debts. Accounts receivable is shown net of this allowance. The allowance is based on past history and management's analysis of the current accounts.

Prepaid Items
Payments made to vendors for services that will benefit periods beyond December 31, 2019 are recorded as prepaid items.

Capital Assets
Capital assets are stated at original cost as defined for regulatory purposes. The costs of additions to capital assets and replacement of retirement units are capitalized. Replacement of minor items of property is charged to expense as incurred. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant betterments are capitalized.

Contributions from customers for the purpose of purchasing service connections to the utility plant are recorded as income when they are received. Depreciation on contributed assets is recorded as an expense in the statement of revenue and expense. Capital assets are depreciated over the following useful lives:

Utility plant	20 to 62.50 years
Equipment	5 to 13 years

Unearned Revenue
The District recognizes certain revenue transactions as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available.

Inventory
Inventories are generally used for repair and replacement of infrastructure and connection of new services and are stated at average cost.

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

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

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 disaster. During the year ended December 31, 2019, the District contracted with commercial insurance carriers for coverage of all risks mentioned above. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There were no significant reductions in coverage during the past three years.

Pensions and Other Postemployment Benefits
For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County Employees Retirement System in the Kentucky Retirement Systems (KRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the KRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the County Employees Retirement System. Investments are reported at fair value.

Net Position
In the financial statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Deferred Outflows of Resources and Deferred Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in the category, deferred charges - pension, and deferred charges - other post-employment benefits (OPEB).

The deferred related pension and OPEB outflows results from pension and OPEB contributions subsequent to the measurement date of the pension plan and OPEB and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items reported in this category, inflows related to the District's pension and OPEB plans that qualify for reporting in this category - deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB measurements are deferred and amortized in future periods as a component of the pension and OPEB expense.

Recent Accounting Pronouncements
As of December 31, 2019, the GASB has issued the following statements not yet required to be adopted by the District.

GASB Statement No. 87
GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after June 15, 2021. This Statement will increase the usefulness of government financial statements by required reporting of certain lease liabilities that currently are not required. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The District's management has not yet determined the effect this statement will have on the financial statements.

GASB Statement No. 88
GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued in April 2018. The provisions of this pronouncement are effective for periods beginning after June 15, 2019. This pronouncement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The District's management has not yet determined the effect this pronouncement will have on the financial statements.

GASB Statement No. 89
GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued in June 2018. The provisions of this pronouncement are effective for periods beginning after December 15, 2019. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Subsequent Events
The District has evaluated subsequent events through June 30, 2020, the date which the financial statements were available to be issued.

2. LEGAL COMPLIANCE

Deficit Net Position
There was not a deficit net position for the year ended December 31, 2019.

Budgets
Excess of Expenditures Over Appropriations
The District has an excess of actual expenditures over budget for the year ended December 31, 2019 of $30,012. This excess was due to under budgeted water and depreciation expenses.

3. DEPOSITS AND INVESTMENTS

A. Net Position

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	Deposits	Investments	Total
Cash equivalents	$ 29,409	$ -	$ 29,409
Restricted assets			
Cash equivalents	27,047	-	27,047
Total	$ 56,456	$ -	$ 56,456

B. Deposits

At year-end, the carrying amount of the District's deposits in financial institutions were $56,456, and the bank balances were $64,039. The bank balances were covered by federal depository insurance.

4. RESTRICTED NET POSITION

The District has restricted assets totaling $27,047. These assets are restricted meter deposits. They are released from restriction when applied to the customers final bill.

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2019

5. CAPITAL ASSETS

A summary of proprietary fund property, plant, and equipment at December 31, 2019 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	$ 10,000	$ -	$ -	$ 10,000
Construction in progress	-	65,488	-	65,488
Total capital assets, not being depreciated	10,000	65,488	-	75,488
Capital assets, being depreciated				
Transmission and distribution	4,689,640	21,950	-	4,711,590
Distribution reservoirs	700,034	-	-	700,034
Transportation equipment	103,836	6,000	-	109,836
Land rights	6,225	-	-	6,225
Commercial equipment	108,403	-	-	108,403
Hydrants	83,165	-	-	83,165
Meters and meter installation	609,731	27,058	-	636,789
Pumping equipment	357,304	-	-	357,304
Water treatment equipment	384,348	-	-	384,348
Tools and shop equipment	24,886	-	-	24,886
Office furniture and equipment	33,402	-	-	33,402
Miscellaneous equipment	193,928	-	-	193,928
Power equipment	434,072	-	-	434,072
Communication equipment	1,958	-	-	1,958
Structures and improvements	43,486	-	-	43,486
Wells and springs	170,646	-	-	170,646
Organization	5,702	-	-	5,702
Services	75,751	-	-	75,751
Total capital assets, being depreciated	8,026,517	55,008	-	8,081,525

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2019

CAPITAL ASSETS (cont)

Less accumulated depreciation for				
Transmission and distribution	(2,086,465)	(75,752)	-	(2,162,217)
Distribution reservoirs	(627,652)	(3,605)	-	(631,257)
Transportation equipment	(79,165)	(12,964)	-	(92,129)
Land rights	(5,932)	(124)	-	(6,056)
Commercial equipment	(46,050)	(11,512)	-	(57,562)
Hydrants	(77,338)	(1,786)	-	(79,124)
Meters and meter installation	(338,030)	(10,914)	-	(348,944)
Pumping equipment	(220,061)	(10,683)	-	(230,744)
Water treatment equipment	(357,189)	(8,931)	-	(366,120)
Tools and shop equipment	(18,253)	(2,200)	-	(20,453)
Office furniture and equipment	(30,503)	(1,786)	-	(32,289)
Miscellaneous equipment	(171,820)	(4,749)	-	(176,569)
Power equipment	(104,059)	(30,644)	-	(134,703)
Communication equipment	(1,958)	-	-	(1,958)
Structures and improvements	(14,247)	(1,040)	-	(15,287)
Wells and springs	(56,188)	(3,413)	-	(59,601)
Organization	(5,702)	-	-	(5,702)
Services	(58,312)	(499)	-	(58,811)
Total accumulated depreciation	(4,298,924)	(180,602)	-	(4,479,526)
Total capital assets, being depreciated, net	3,727,593			3,601,999
Business-type activities capital assets, net	$ 3,737,593			$ 3,677,487

Depreciation charged to income was $180,602.

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2019

6. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019
Pensions				
Deferred outflows of resources:				
Deferred pension contributions	$ 26,145	$ 25,023	$ (26,145)	$ 25,023
Changes in proportion and differences between employer and contributions and proportionate share of contributions	123,950	-	(65,122)	58,828
Differences between expected and actual experience	27,412	-	(4,559)	22,853
Change in assumptions	82,132	8,455	-	90,587
Difference between projected and actuarial earnings	39,079	-	(21,898)	17,181
Pension related deferred outflows	$ 298,718	$ 33,478	$ (117,724)	$ 214,472
Deferred inflows of resources:				
Changes in proportion and differences between employer and contributions and proportionate share of contributions	$ -	$ 39,935	$ -	$ 39,935
Differences between expected and actual experience	12,302	-	(8,520)	3,782
Difference between projected and actuarial earnings	49,156	-	(17,547)	31,609
Pension related deferred inflows	$ 61,458	$ 39,935	$ (26,067)	$ 75,326
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources:				
Deferred OPEB contributions	$ 8,256	$ 7,902	$ (8,256)	$ 7,902
Changes in proportion and differences between employer and contributions and proportionate share of contributions	33,830	-	(6,383)	27,447
Subsidy	3,953	4,595	(3,953)	4,595
Difference between projected and actuarial earnings	-	1,410	-	1,410
Change in assumptions	48,944	14,379	-	63,323
OPEB related deferred outflows	$ 94,983	$ 28,286	$ (18,592)	$ 104,677
Deferred inflows of resources:				
Changes in proportion and differences between employer and contributions and proportionate share of contributions	$ 428	$ 16,566	$ -	$ 16,994
Differences between expected and actual experience	28,560	36,007	-	64,567
Change in assumptions	566	-	(143)	423
Difference between projected and actuarial earnings	16,880	-	(5,966)	10,914
OPEB related deferred inflows	$ 46,434	$ 52,573	$ (6,109)	$ 92,898

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2019

7. DEBT OBLIGATIONS

Line of Credit

On September 5, 2018, the District established a line of credit with Community Financial Services Bank to be used to help fund operating expenses. The interest rate of the line of credit is 5.5% and each installment borrowed is due in twenty four (24) months. The line of credit has a credit limit of $400,000. The balance as of December 31, 2019, was $83,140.

Capital Lease

On July 21, 2017, the District entered into a capital lease agreement with Ditch Witch to purchase a trencher, a jet trac drill package, and a trailer totaling $314,043. Payments of $5,746 are due monthly for 60 payments. The accumulated depreciation as of December 31, 2019, for this equipment was $58,380, leaving a current book value of $255,663. A corresponding liability is recorded in the financial statements. Principal payments in fiscal year 2019 totaled $61,039.

Description	Interest Rate	Maturity Date	Balance 12/31/2019	Due in One Year
Capital Lease - Ditch Witch	3.76%	2022	$ 180,532	$ 63,336

Note Payable

On May 3, 2016, the District entered into a loan agreement with Community Financial Services Bank to refinance existing debt totaling $600,672. The loan has an interest rate of 3.125%. Payments of $10,851 are due in monthly installments and the loan matures April 15, 2021.

Description	Interest Rate	Maturity Date	Balance 12/31/2019	Due in One Year
CFSB Notes Payable	3.125%	2021	$ 180,180	$ 126,312

Changes in Business-Type Activities Debt

A summary of changes in the business-type activities debt for the year ended December 31, 2019 follows:

	Balance 12/31/2018	Debt Proceeds	Principal Payments	Balance 12/31/2019	Due Within One Year
Business-Type Activities					
Capital Lease - Ditch Witch	$ 241,571	$ -	$ 61,039	$ 180,532	$ 63,336
CFSB - Notes Payable	302,595	-	122,415	180,180	126,312
Total Business-Type Activities	$ 544,166	$ -	$ 183,454	$ 360,712	$ 189,648

Principal and interest requirements of the revenue bonds payable as of December 31, 2019 are:

Year Ending December 31,	Principal	Interest	Total
2020	$ 189,648	$ 9,508	$ 61,349
2021	119,588	3,655	76,773
2022	51,476	234	73,894
Total	$ 360,712	$ 13,397	$ 212,016

Interest expense for the year was $16,500.

8. EMPLOYEES' RETIREMENT PLAN

The District provides retirement benefits to its employees through a multi-employer public employee retirement fund administered by the Kentucky County Employees Retirement District (CERS). Information regarding this plan is as follows:

County Employees' Retirement System

*Plan descriptio*n. The District is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute ("KRS") Sections 61.645, the Board of Trustees administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from https://kyret.ky.gov.

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

Nonhazardous members

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
		Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 and December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
		Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old
		Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

Plan Funding. State statute requires active members to contribute a percentage of creditable compensation based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% plus 1% for insurance
Tier 3	5% plus 1% for insurance

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the District, as required by KRS 61.565 and 61.752. The District's required contribution rate for non-hazardous employees was 16.22% for the period January 1, 2019 to June 30, 2019; and 19.30% for the period July 1, 2019 to December 31, 2019.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At December 31, 2019, the District reported a liability of $895,025 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to CERS relative to the total contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was .012726%.

Pension expense. As a result of its requirement to contribute to CERS, the District recognized pension expenses of $203,684 for the year ended December 31, 2019. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	$ 22,853	$ 3,782
Net differences between projected and actual investment earnings	17,181	31,609
Change of assumption	90,587	-
Changes in proportion and differences between employer contributions and share of contributions	58,828	39,935
Contributions subsequent to the measurement date	25,023	-
Totals	$ 214,472	$ 75,326

Jonathan Creek Water District
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deferred Outflows of Resources. The $25,023 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending		
December 31, 2020	$	88,920
December 31, 2021		21,772
December 31, 2022		2,406
December 31, 2023		1,025
Total	$	114,123

Actuarial assumptions. The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2018. The actuarial assumptions are:

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25% for CERS non-hazardous

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Growth	**62.50%**	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	**14.50%**	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	**23.00%**	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	**100.00%**	

Discount Rate. Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is protected to be sufficient to pay benefits) and (2) tax exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

A single discount rate of 6.25% was used for both the non-hazardous and hazardous system to measure the total pension liability for the fiscal year ending June 30, 2019. This single discount rate was based on the expected rate of return on pension plan investments for each system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. The projection of cash flows used to determine the single discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

The District's proportionate share of the net pension liability	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
	$ 1,119,423	$ 895,025	$ 707,992

Payables to the pension plan. At December 31, 2019, the financial statements include $6,183 in contractually required employee contributions primarily for the month ended December 31, 2019. The obligation was paid within prescribed time limits.

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Retirement Systems and can be found at https://kyret.ky.gov.

Other Postemployment Benefit Plan (OPEB)

CERS Medical Insurance Plan

*Plan descriptio*n. The District contributes to the Kentucky Retirement Systems Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement System (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS).

Benefits provided. The Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Contributions. Per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District's required contribution rate for non-hazardous employees was 5.26% for the period January 1, 2019 to June 30, 2019; and 4.76% for the period July 1, 2019 to December 31, 2019.

OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. At December 31, 2019, the District reported a net OPEB liability of $213,995 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019. At June 30, 2019, the District's proportion was .012723% for nonhazardous classified employees.

For the year ended December 31, 2019, the District recognized OPEB expense of $21,997. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected & actual earnings on pension plan investments	$ -	$ 64,567
Changes of assumptions	63,323	423
Net difference between projected and actual earnings on plan investments	1,410	10,914
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,447	16,994
Contributions subsequent to the measurement date, including implicit subsidy	12,497	-
Totals	$ 104,677	$ 92,898

The $12,497 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and the December 31, 2019 implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2020	$ 1,529
2021	1,529
2022	4,551
2023	(1,246)
2024	(5,484)
Thereafter	(1,597)
	$ (718)

Actuarial Assumptions The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.0% CERS Non-hazardous
Salary Increase	3.05% - 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Growth	**62.50%**	
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	**14.50%**	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	**23.00%**	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	**100.00%**	

Discount Rate. The projection of cash flows used to determine the discount rate of 5.68% for CERS Nonhazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of present, as well as what the plan's net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.68%) or one percentage point higher (6.68%) than the current rate (5.68%):

	1% Decrease 4.68%	Current Discount Rate 5.68%	1% Increase 6.68%
The District's proportionate share of the net OPEB liability	$ 286,665	$ 213,995	$ 154,120

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the Board's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as, what the Service's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The District's proportionate share of the net OPEB liability	$ 159,149	$ 213,995	$ 280,502

9. CONTINGENCIES

The District participates in federal and state assisted grant programs for construction of water lines. These programs are subject to review by grantors or their representatives. As of December 31, 2019, there have been no material questioned or disallowed costs as a result of grant audits. As construction is completed, amounts due from grant funds are recognized and are recorded as revenue.

10. PUBLIC SERVICE COMMISSION REGULATIONS

The District is required to file with the Public Service Commission (PSC) a report of its gross earnings or receipts derived from intra-state business for the preceding calendar year. The District has satisfied this requirement. The District has also filed the 2018 annual PSC Report as required. Further, the PSC requires that all customer deposit refunds be paid with interest. This requirement has been fulfilled.

11. ECONOMIC DEPENDENCIES

The majority of the District's revenue consists of charges for water-related services to customers in Marshall County Kentucky. For the year ended December 31, 2019, the revenues from these sources totaled $946,298.

12. COMPENSATED ABSENCES

The District grants employees vacation time based on years of service. Full-time employee are entitled to vacation pay according to the following schedule:

1 to 4 years	80 hours
5 to 9 years	120 hours
10 to 14 years	160 hours
15 and up	200 hours

Employees are allowed to carryforward 40 hours of vacation time. Any number of remaining hours above 40 will be paid at regular hourly rate. Upon termination of employment, an employee will be paid for all unused vacation leave. The liability for unused vacation time at December 31, 2019 was $4,347.

The District’s policy on sick pay states that employees will be granted 8 hours at the end of each 30 day period worked. The maximum number of hours that can be accrued is 288 or 36 days. If an employee accumulates 288 hours of unused time, hours will cease to accrue until time is used. If an employee retires, with unused time remaining, the unused time will be paid at 1/2 the number of hours that remain.

13. LITIGATION

The District is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

14. PRIOR PERIOD ADJUSTMENTS

Correction of an error

Prior period adjustments were necessary to correct beginning accumulated depreciation. An adjustment was also necessary to recognize beginning deferred inflows of resources related to pension and OPEB, net pension liability, net OPEB liability, and deferred outflows of resources related to pension and OPEB as reported by the Kentucky Retirement System in reports issued June 30, 2018.

Net Position, January 1, 2019, as previously stated	$ 2,545,426
Correction of an error - Accumulated depreciation	47,250
Correction of an error - GASB 68 and 75 adjustments	(104,749)
Net Position, January 1, 2019, restated	$ 2,487,927

REQUIRED SUPPLEMENTARY INFORMATION

Jonathan Creek Water District
Statement of Revenues, Expenses, and Changes in Net Position - Budget and Actual
For the Year Ended December 31, 2019

	2019			
	Budgeted Amounts			Variance with Final Budget Positive
Revenues	Original	Final	Actual	(Negative)
Water revenues	$ 1,171,000	$ 1,171,000	$ 946,298	$ (224,702)
Other	-	-	10,719	10,719
Total Operating Revenues	1,171,000	1,171,000	957,017	(213,983)
Operating Expenses				
Administrative and general expenses	352,851	352,851	410,279	(57,428)
Transmission and distribution expenses	327,091	327,091	380,326	(53,235)
Depreciation	270,431	270,431	180,602	89,829
Pumping expenses	68,463	68,463	79,605	(11,142)
Payroll and other taxes	32,788	32,788	26,591	6,197
Water treatment expenses	11,223	11,223	13,049	(1,826)
Bad debt expense	-	-	2,407	(2,407)
Total Operating Expenses	1,062,847	1,062,847	1,092,859	(30,012)
Operating Income (Loss)	108,153	108,153	(135,842)	(243,995)
Nonoperating Revenues (Expenses)				
Investment income	-	-	287	287
Interest on debt	-	-	(16,500)	(16,500)
Total Nonoperating Revenue (Expenses)	-	-	(16,213)	(16,213)
Net Income before Capital Contributions	108,153	108,153	(152,055)	(260,208)
Capital Contributions				
Fiscal Court funds	-	-	77,528	77,528
Tap-on fees	35,000	35,000	27,058	(7,942)
Total Capital Contributions	35,000	35,000	104,586	69,586
Change in Net Position	$ 143,153	$ 143,153	(47,469)	$ (190,622)
Net Position-Beginning of Year			2,545,426	
Prior Period Adjustments (See Note 14)			(57,499)	
Net Position-End of Year			$ 2,440,458	

Jonathan Creek Water District
Schedule of the Proportionate Share
of the Net Pension Liability
For the Year Ended December 31, 2019
County Employee Retirement System
Last 10 Fiscal Years (1)

Year Ended June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
CERS Nonhazardous					
2019	0.012726%	$895,025	$297,706	300.64%	50.45%
2018	0.013799%	$840,401	$319,931	262.68%	53.54%
2017	0.011333%	$663,355	$324,982	204,12%	53.30%
2016	0.009940%	$489,593	$341,265	143.46%	55.50%
2015	0.006920%	$297,444	$240,844	123.50%	59.97%
2014	0.006620%	$284,772	$201,612	141.25%	66.80%

Note to Schedule: The amounts presented were determined as of the measurement date June 30 of the prior year.

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Jonathan Creek Water District
Schedule of Pension Contributions
For the Year Ended December 31, 2019
County Employee Retirement System
Last 10 Fiscal Years (1)

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
CERS Nonhazardous					
2019	$52,665	$52,665	$ -	$297,706	16.22% / 19.30%
2018	$49,129	$49,129	$ -	$319,931	14.48% / 16.22%
2017	$48,772	$48,772	$ -	$324,982	13.95% / 14.48%
2016	$63,974	$63,974	$ -	$341,265	12.42% / 13.95%
2015	$44,324	$44,324	$ -	$240,844	12.75% / 12.42%
2014	$34,602	$34,6029	$ -	$201,612	13.74% / 12.75%

Note to Schedule: The amounts presented were determined as of the measurement date June 30 of the prior year.

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes of Benefit Term:
A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Change of assumptions:
The assumed investment rate of return was 6.25%

The assumed rate of inflation was 2.30%

Payroll Growth assumption was 3.30% - 10.30%, varies by service.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension Liability as of June 30, 2019, was determined using these updated assumptions.

The mortality table used was updated to RP-2000 Combined Mortality Table projected with Scale bb to 2013.

Jonathan Creek Water District
Schedule of the Proportionate Share
of the Net OPEB Liability
For the Year Ended December 31, 2019
County Employee Retirement System
Last 10 Fiscal Years (1)

Year Ended June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability (asset)	District's covered employee payroll	District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
CERS Nonhazardous					
2019	0.012723%	$213,995	$297,706	71.88%	60.44%
2018	0.013803%	$245,070	$319,931	76.60%	57.62%
2017	0.011333%	$227,832	$324,982	70.11%	52.40%

Note to Schedule: The amounts presented were determined as of the measurement date June 30 of the prior year.

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Jonathan Creek Water District
Schedule of OPEB Contributions
For the Year Ended December 31, 2019
County Employee Retirement System
Last 10 Fiscal Years (1)

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
CERS Nonhazardous					
2019	$14,813	$14,813	$ -	$297,706	5.26% / 4.76%
2018	$15,918	$15,918	$ -	$319,931	4.70% / 5.26%
2017	$16,257	$16,257	$ -	$324,982	4.73% / 4.70%

Note to Schedule: The amounts presented were determined as of the measurement date June 30 of the prior year.

(1) Schedule is intended to show information for 10 years. Additional years of supplemental information will be provided as this information becomes available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes of Benefit Term:
A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Change of assumptions:
The assumed investment rate of return was 6.25%

The assumed rate of inflation was 2.30%

Payroll Growth assumption was 3.30% - 10.30%, varies by service.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension Liability as of June 30, 2019, was determined using these updated assumptions.

The mortality table used was updated to RP-2000 Combined Mortality Table projected with Scale bb to 2013.

OTHER SUPPLEMENTARY INFORMATION

Jonathan Creek Water District
Detail Schedule of Operating Expenses
For the Year Ended December 31, 2019

		2019
General operating expenses		
Retirement	$	175,885
Salaries and wages		104,297
Employee insurance and benefits		53,187
Monthly billing expenses		19,390
Legal and professional		14,173
Workers comp and bond insurance		10,336
Telephone and internet		8,918
Miscellaneous		8,564
Office supplies		8,187
Uniforms		3,684
Registration expenses		1,552
Bank charges		1,112
Training and education		730
Travel		264
Total general operating expenses		410,279
Transmission and distribution expenses		
Salaries & wages		290,532
Repairs & maintenance		42,350
Supplies & materials		21,392
Insurance expenses		20,320
Vehicle expenses		3,208
Telephone expenses		2,524
Total water expenses		380,326
Depreciation expense		180,602
Pumping expenses		79,605
Payroll and other taxes		26,591
Water treatment		
Chemicals		9,843
Testing		3,206
Total water treatment		13,049
Bad debt expense		2,407
Total operating expenses	$	1,092,859

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

To the Board of Commissioners
Jonathan Creek Water District
Kuttawa, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Jonathan Creek Water District, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Jonathan Creek Water District's basic financial statements, and have issued our report thereon dated June 30, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Jonathan Creek Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 that we consider to be significant deficiencies. (2019-1).

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

Jonathan Creek Water District's Response to Findings
Jonathan Creek Water District's response to findings identified in our audit is described in the accompanying schedule of findings and responses. 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.

Jessica Daniel, CPA

Eddyville, Kentucky
June 30, 2020

Jonathan Creek Water District
Schedule of Findings and Responses
For The Year Ended December 31, 2019

2019-1 Segregation of Duties

Condition
There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Criteria
A prudent control environment requires various functions of internal control be allocated among various employees.

Effect
Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded and errors and irregularities may go undetected.

Cause
Lack of personnel.

Recommendation
We recommend that management review its financial operation for opportunities to separate incompatible functions. Where segregation of duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Response
We agree with the finding and have put in place certain compensating controls to help alleviate exposure.

Jonathan Creek Water District
Schedule of Prior Year Findings and Responses
For The Year Ended December 31, 2019

2018-1 Segregation of Duties

Prior Year Condition
During the audit, it was noted that the District implemented the water rate increase before the effective date under KRS 278.160.

Current Year Condition
The District is issuing credits to customers for the amount over billed due to the change in billing rate. As of December 31, 2019, the District still has credits of approximately $4,741 to apply.