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Peaks Mill Water District
Independent Auditor's Report
For Years Ended December 31, 2020 and 2019

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**PEAKS MILL WATER DISTRICT
INDEPENDENT AUDIT REPORT
December 31, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

**To the Board Members of the Peaks Mill Water District
Frankfort, Kentucky 40601**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Peaks Mill Water District as of and for the year ended December 31, 2020 & 2019, and the related notes to the financial statements, which collectively comprise the Peaks Mill Water District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1-3, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider 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 response 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peaks Mill Water District's basic financial statements. The statement of revenue, expenses, and changes in net position-budget to actual comparison, on page 15, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The statement of revenue, expenses, and changes in net position-budget to actual comparison, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenue, expenses, and changes in net position-budget to actual comparison, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2021, on our consideration of the Peaks Mill Water District's internal control over financial reporting and on our tests of its compliance with certain provision 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Peaks Mill Water District's internal control over financial reporting and compliance.

Rich R. Waddle, Jr., CPA, PLLC

July 12, 2021

Peaks Mill Water District

Management's Discussion & Analysis

As financial management of the Peaks Mill Water District (the "District"), we offer readers of these financial statements this narrative and analysis of the financial activities of the District for calendar year ended December 31, 2020. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Change in net position produced a decrease in net position of \$229,724. The term "net position" refers to the difference between assets and liabilities. At the close of calendar year 2020, the District had a net position of \$3,759,637.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. This report also contains other supplementary information concerning the District's budget to actual revenues and expenses.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statements of net position present information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in an increase in net position, which indicates an improved financial position.

The statement of revenues, expenses and changes in net position present information showing how the District's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes of the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual revenues and expenses.

Peaks Mill Water District
Management's Discussion & Analysis
(continued)

Financial Analysis

Net position may serve, over time, as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,759,637 at the close of the most recent fiscal year. This represents a decrease of \$229,724 over the previous year.

The unrestricted net position was \$893,098. The District's net position reflects its investment in capital assets (property, building and equipment). The District uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The following is a schedule of financial analysis of net position and changes in net position:

Peaks Mill Water District

Net Position

	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Current Assets	\$ 1,204,702	\$ 939,844
Non-Current Assets	289,450	304,727
Capital Assets	<u>3,506,144</u>	<u>3,448,816</u>
Total Assets	\$ <u>5,000,296</u>	\$ <u>4,693,387</u>
Total Liabilities	\$ <u>1,010,935</u>	\$ <u>933,750</u>
Net Position	\$ <u>3,989,361</u>	\$ <u>3,759,637</u>

Peaks Mill Water District

Changes in Net Position

	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Revenues	\$ 706,817	\$ 734,587
Expenses	<u>820,733</u>	<u>964,311</u>
Changes in Net Position	(113,916)	(229,724)
Net Position Beginning of Year	<u>4,103,277</u>	<u>3,989,361</u>
Net Position, End of Year	\$ <u>3,989,361</u>	\$ <u>3,759,637</u>

Management's Discussion & Analysis (continued)

Cash Flows

Net cash provided by operating activities decreased cash by \$72,132. Net cash used in investing decreased cash by \$99,731, and net cash used by capital and related financing activities decreased cash by \$89,953, mainly due to payments on long-term debt and capital contributions.

Capital Assets

The District's investment in capital assets is \$3,448,816 net of accumulated depreciation; and \$2,561,812 net of debt. Major capital assets include pumps, lines, meters and tanks.

Requests for Information

This financial information is designed to provide a general overview of the District's finances for all those with an interest in the finances. Questions concerning any of the information provided in this report or request for additional financial information should be directed to Peaks Mill Water District, 7175 US 127 North, Frankfort, Kentucky 40601.

Peaks Mill Water District
Comparative Statement of Net Position
December 31, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash in Bank and on Hand	\$ 792,937	\$ 1,066,918
Investments at Cost	82,831	82,501
Accounts Receivable	64,076	55,283
Total Current Assets	<u>939,844</u>	<u>1,204,702</u>
Non-Current Assets		
Restricted Assets - Cash	304,727	289,450
Property, Plant, & Equipment		
Property, Plant, & Equipment	6,809,408	6,709,677
Accumulated Depreciation	(3,360,592)	(3,203,533)
Total Property, Plant & Equipment	<u>3,448,816</u>	<u>3,506,144</u>
Total Non-Current Assets	<u>3,753,543</u>	<u>3,795,594</u>
Total Assets	<u><u>\$ 4,693,387</u></u>	<u><u>\$ 5,000,296</u></u>
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable	\$ 44,914	\$ 58,183
Other Liabilities	1,831	1,798
Current Portion of Bonds Payable	66,690	63,950
Total Current Liabilities	<u>113,435</u>	<u>123,931</u>
Long Term Liabilities		
KIA Loan Payable	447,714	496,504
Bonds Payable	372,600	390,500
Total Long Term Liabilities	<u>820,314</u>	<u>887,004</u>
Total Liabilities	<u>933,749</u>	<u>1,010,935</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	2,561,812	2,555,190
Restricted for Debt Retirement	218,677	205,110
Restricted for Construction	86,050	84,340
Unrestricted	893,099	1,144,721
Total Net Assets	<u>3,759,638</u>	<u>3,989,361</u>
Total Liabilities and Net Assets	<u><u>\$ 4,693,387</u></u>	<u><u>\$ 5,000,296</u></u>

The Accompanying Notes are an integral part of these financial statements.

Peaks Mill Water District
Comparative Statement of Revenues, Expenses, And
Changes In Net Position
For The Years Ended December 31, 2020 and 2019

	2020	2019
Operating Income		
Water Revenue	\$ 696,972	\$ 662,348
Miscellaneous Income	24,154	36,983
Total Operating Income	<u>721,126</u>	<u>699,331</u>
Operating Expenses		
Purchased Water	388,317	246,691
Purchased Power	16,438	19,307
Contractual Services	60,000	57,060
Advertising	786	815
Salaries	42,545	42,937
Payroll taxes	4,365	4,394
Postage	4,050	4,000
Maintenance	156,601	139,613
Office Supplies	3,614	16,141
Office Expenses	372	372
Insurance	9,815	9,290
Legal & Professional	41,697	28,279
Commissioner's Fees	13,276	13,095
Utilities & Telephone	3,815	3,756
Rent	9,400	8,600
Chemical & Lab Analysis	5,034	3,907
Miscellaneous	5,915	3,906
Bad Debt Expense	5,189	2,888
Depreciation	157,058	177,446
Total Operating Expenses	<u>928,287</u>	<u>782,497</u>
Operating Income	<u>(207,161)</u>	<u>(83,166)</u>
Net Operating Revenue (Expenses)		
Interest Revenue	3,441	4,006
Interest Expense	<u>(36,023)</u>	<u>(38,236)</u>
Total Non-Operating Revenue (Expenses)	<u>(32,582)</u>	<u>(34,230)</u>
Net Income Before Contributions & Government Grants	<u>(239,743)</u>	<u>(117,396)</u>
Government Grants		
Contributions From Customers	<u>10,020</u>	<u>3,480</u>
Change In Net Assets	(229,723)	(113,916)
Net Assets - Beginning of Year	<u>3,989,361</u>	<u>4,103,277</u>
Net Assets - End of Year	<u><u>\$ 3,759,638</u></u>	<u><u>\$ 3,989,361</u></u>

The accompanying notes are an integral part of these financial statements

Peaks Mill Water District
Comparative Statement of Cash Flows
For The Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 707,177	\$ 699,468
Cash Payments for Employee Services and Benefits	(60,191)	(60,431)
Cash Payments to Suppliers for Goods and Services	(719,118)	(530,159)
Net Cash Provided (Used) by Operating Activities	<u>(72,132)</u>	<u>108,878</u>
 Cash Flows from Capital and Related Financing Activities:		
Capital Contributions Received	10,020	3,480
Bond and Bond Interest Payments	(99,973)	(100,488)
Government Grants		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(89,953)</u>	<u>(97,008)</u>
 Cash Flows From Investing Activities:		
Interest Income Received	3,441	4,006
Acquisition of Capital Assets	(99,731)	(4,445)
Cash Purchases of Investments	(330)	(329)
Net Cash Provided (Used) by Investing Activities	<u>(96,620)</u>	<u>(768)</u>
 Net Increase (Decrease) in Cash & Cash Equivalents	(258,705)	11,102
Cash and Cash Equivalents, Beginning of Year	<u>1,356,368</u>	<u>1,345,266</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,097,663</u></u>	<u><u>\$ 1,356,368</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities		
Operating Income (Loss)	\$ (207,161)	\$ (83,166)
Adjustment to Reconcile Operating Income (Loss) to		
Net Cash Provided (Used) in Operating Activities:		
Depreciation	157,058	177,446
(Increase)/Decrease in Accounts Receivable	(8,793)	1,227
Increase/(Decrease) in Accounts Payable	(13,269)	11,573
Increase/(Decrease) in Accrued Liabilities	33	1,798
Net Cash Provided (Used) by Operating Activities	<u>\$ (72,132)</u>	<u>\$ 108,878</u>

Disclosure of Accounting Policy:

For purposes of cash flows, Peaks Mill Water District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements

Note A - Summary of Significant Accounting Policies

The Peaks Mill Water District was organized in November, 1968 to provide water service to residents of Peaks Mill. It is a political subdivision of Franklin County, Kentucky and purchases water from the Frankfort Plant Board for resale to the residents. The District is subject to the regulatory authority of Kentucky Public Service Commission ("PSC") pursuant to KRS 278.040.

Assets and Liabilities, and revenues and expenses are recognized on the accrual basis of accounting. The District incorporates current GASB pronouncements in its proprietary fund activities. The District does not utilize encumbrance accounting in its proprietary fund activities. The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, restricted, and unrestricted components.

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

The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case , GASB prevails.

Operating revenue and expenses consist of revenue and expenses directly related to providing water service to residents of Peaks Mill. Water revenues are reflected as earned when the customers are billed. Non-operating revenue and expenses consist of interest revenue and interest expenses related to capital and related financing activities. Capital contributions consist of new water meters purchased during the year.

Accounts Receivable are stated net of Allowance for Uncollectible Accounts. The Allowance for Uncollectible Accounts were \$13,445 at December 31, 2020, and \$8,256 at December 31, 2019. Net Accounts Receivable were \$64,075 at December 31, 2020, and \$55,283 at December 31, 2019.

Fixed Assets are recorded at cost and depreciated using the straight-line method at the following rates:

Pumps, lines, and meters	2.50%
Tanks	3.00%
Office Equipment	10.00%
Meter testing equipment	10.00%

The District capitalizes interest cost incurred during construction of fixed assets.

Investments are stated at cost, which approximates fair value, unless the market value is less than cost and there is evidence the decline in market value is due to other than temporary conditions.

Note B - Cash and Investments

Statutory Requirements

Kentucky Revised Statute 66.480 authorizes the District to invest in obligations of the U.S. treasury, in bonds or certificates of indebtedness of this state and of its agencies, savings and loan associations insured by an agency of the government of the United States up to the amount so insured, interest-bearing deposits in state or national banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank pledges as security obligations equal to uninsured amounts. Statutes require that financial institutions pledge approved securities to secure those funds on deposit in an amount equal to the amount of those funds. At the end of the calendar year, the carrying amount of the District's deposits and investments was \$1,180,095.

Statement of Cash Flows

The Statement of Cash Flows includes as cash and cash equivalents the following:

	2020	2019
Operations & Maintenance Fund	\$ 23,188	\$ 15,905
Revenue Fund	769,349	1,050,613
Total Cash in Bank	792,537	1,066,518
Cash on Hand	400	400
Debt Service Reserve	218,677	205,110
Reserve Account	74,578	68,420
Construction Account	11,472	15,920
Total Restricted Cash	304,727	267,507
Total Cash & Cash Equivalents	\$ 1,097,664	\$ 1,356,368

The following is a chart summarizing investments held in federally insured financial institutions:

Farmers Bank Certificate of Deposit	\$ 82,831
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Note C - Accounts Payable

Accounts payable at December 31, 2020 consists of the following:

Water Purchases	\$32,996
Electric	1,581
Computer System Support	649
Postage	250
Legal & Professional	1576
Chemicals	561
Repairs & Maintenance	6,324
Office Supplies	699
Utilities & Telephone	279
TOTAL	\$44,915

Most Accounts were paid in January or February, 2021, and all checks cleared the bank.

Note D- Insurance and Related Activities

The District is exposed to various forms of loss of assets associated with risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. The District is also subject to risks associated with employee injury. Each of these risks are covered through premiums paid to the various insurance companies.

Note E - Purchased Water Contracts

Peaks Mill Water District purchases treated water from the Frankfort Plant Board and Kentucky American Water Company as the District does not produce it's own water.

Note F - Bonds and KIA Notes Payable

In September 1997 the District issued and sold \$627,000 of Waterworks Revenue Bonds for the purpose of extending water service to other customers. The bonds pay interest at 5% and mature ratably through the year 2035. The District's annual principal payments are due January 1st of each year. The District paid its principle and interest requirement for January 1, 2020 at December 31, 2019.

The outstanding amount of the bonds were \$390,500 at December 31, 2020 and \$407,100 at December 31, 2019. The annual debt service requirements to retire the bonds and KIA notes outstanding at December 31, 2020 for each of the next five years and in remaining five year increments are as follows:

Year Ending	Bond/Note Principle	Bond/Note Interest
2021	66,690	33,753
2022	69,473	31,374
2023	71,303	28,885
2024	74,279	26,334
2025	77,202	23,666
Thereafter	528,057	100,564
Total	<u>\$ 887,004</u>	<u>\$ 244,576</u>

Changes in Long-Term Debt:

December 31, 2020

Description	31-Dec-19	Additions	Repayments	31-Dec-20
1997 Issue (91-03)	\$ 271,000	-	\$ (11,000)	\$ 260,000
1997 Issue (91-05)	136,100	-	(5,600)	\$ 130,500
KIA Loan # C05-01	543,854	-	(47,350)	\$ 496,504
Total	<u>\$ 950,954</u>	<u>\$ -</u>	<u>\$ (63,950)</u>	<u>\$ 887,004</u>

December 31, 2019

Description	31-Dec-18	Additions	Repayments	31-Dec-19
1997 Issue (91-03)	\$ 282,000	-	\$ (11,000)	\$ 271,000
1997 Issue (91-05)	141,400	-	(5,300)	\$ 136,100
KIA Loan # C05-01	589,806	-	(45,952)	\$ 543,854
Total	<u>\$ 1,013,206</u>	<u>\$ -</u>	<u>\$ (62,252)</u>	<u>\$ 950,954</u>

The information in **Note N** provides a breakdown for bond and long-term debt payments. The Fund C Loan from the Kentucky Infrastructure Authority was completely drawn, and repayment had began in 2009. The interest rate on Bonds Payable is variable according to the debt terms, while the KIA loan is fixed at 3%.

The District maintains a Debt Service Reserve which consists of restricted cash assets to be used for the purpose of servicing the bond and long-term debt payments.

Note G - Reserves

Debt Service Reserve - There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principal payment due and 1/6 of the next ensuing interest payment due for the remaining outstanding bonds. The Debt Service Reserve had a balance of \$218,677 at December 31, 2020, and a balance of \$205,110 at December 31, 2019.

Depreciation Reserve - This fund may be used to purchase new or replacement equipment and emergency repairs to the water line system. The Depreciation Reserve had a balance of \$86,050 at December 31, 2020, and a balance of \$84,340 at December 31, 2019.

These Reserves are included in the Restrictions of Net Assets for December 31, 2020, and December 31, 2019.

Note H - Concentrations of Credit Risk

The District had cash, and cash equivalents in excess of FDIC insurance at WesBanco as of December 31, 2020. The Institution possessed securities which were pledged against this excess. The amount under category 1 of credit risk was \$250,000 and the remaining amount was under Category 2 (not insured but pledged by the financial institution's trust department).

Note I - Related Party Transactions

The District utilized the services of Gatewood Water Service as an independent contractor in 2020, and 2019. Gatewood performed various repairs to the water system, with monthly fees totaling \$60,000 for 2020, and \$57,060 for 2019. The owner, Dale Gatewood, also serves as an advisor to the Board of Directors.

Note J - Subsequent Events

Management did not indicate financially impacting information regarding subsequent events. An evaluation of subsequent events through July 12, 2021 found no events that appeared to have a material effect regarding the accompanying financial statements of Peaks Mill Water District as of and for the year ended December 31, 2020.

Note K - Property, Plant, & Equipment

The following represents a summary of property, plant, and equipment as of December 31, 2020, and 2019:

<u>Description</u>	Property, Plant, & Equipment			
	<u>December 31, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2020</u>
Land	\$ 8,096			\$ 8,096
Pumps, Lines, & Meters	5,718,403	99,731		5,818,134
Tanks	621,165			621,165
Office Equipment	31,732			31,732
Meter Testing Equipment	330,281			330,281
Total	<u>\$ 6,709,677</u>	<u>\$ 99,731</u>	<u>\$ -</u>	<u>\$ 6,809,408</u>

Note L - Property, Plant, & Equipment (continued)

Accumulated Depreciation				
<u>Description</u>	<u>December 31, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2020</u>
Pumps, Lines, & Meters	2,609,372	128,175		2,737,547
Tanks	256,592	18,823		275,415
Office Equipment	31,730			31,730
Meter Testing Equipment	305,839	10,060		315,899
Total	\$ 3,203,533	\$ 157,058	\$ -	\$ 3,360,591

Property, Plant, & Equipment				
<u>Description</u>	<u>December 31, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2019</u>
Land	\$ 8,096			\$ 8,096
Pumps, Lines, & Meters	5,718,403			5,718,403
Tanks	621,165			621,165
Office Equipment	31,732			31,732
Meter Testing Equipment	330,281			330,281
Total	\$ 6,709,677	\$ -	\$ -	\$ 6,709,677

Accumulated Depreciation				
<u>Description</u>	<u>December 31, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2019</u>
Pumps, Lines, & Meters	2,483,098	126,274		2,609,372
Tanks	237,769	18,823		256,592
Office Equipment	31,732	-		31,732
Meter Testing Equipment	273,488	32,349		305,837
Total	\$ 3,026,087	\$ 177,446	\$ -	\$ 3,203,533

Depreciation for the years ended December 31, 2020 and 2019 was \$157,058 and \$177,446.

Note M-Interest Expense

Interest expense incurred and charged to expense for the years ended December 31, 2020 and 2019 was \$36,023, and \$38,236 . No interest was capitalized in 2020 and 2019.

Note N-Schedule of Annual Debt Requirements

KIA Fund C Loan					
<u>Year Ending</u>	<u>Note Principal</u>	<u>Note Interest</u>	<u>Fees</u>	<u>Total Requirements</u>	
2021	48,790	14,227	948		63,965
2022	50,274	12,743	849		63,866
2023	51,803	11,214	747		63,764
2024	53,379	9,639	642		63,660
2025	55,002	8,015	534		63,551
2026	56,675	6,342	422		63,439
2027	58,399	4,618	307		63,324
2028	60,175	2,842	189		63,206
2029	62,007	1,012	67		63,086
	\$ 496,504	\$ 70,652	\$ 4,705	\$	\$ 571,861

Note N-Schedule of Annual Debt Requirements (Continued)

Issue: 1997 Issue (91-03)					
<u>Year End</u>	Bond	Interest		Total	Total
	Prin. Due January 1, 2021	January 1, 2021	July 1, 2021	Interest	Requirements
2021	12,000	6,500	6,500	13,000	25,000
2022	13,000	6,200	6,200	12,400	25,400
2023	13,000	5,875	5,875	11,750	24,750
2024	14,000	5,550	5,550	11,100	25,100
2025	15,000	5,200	5,200	10,400	25,400
2026	15,000	4,825	4,825	9,650	24,650
2027	17,000	4,450	4,450	8,900	25,900
2028	17,000	4,025	4,025	8,050	25,050
2029	18,000	3,600	3,600	7,200	25,200
2030	19,000	3,150	3,150	6,300	25,300
2031	20,000	2,675	2,675	5,350	25,350
2032	20,000	2,175	2,175	4,350	24,350
2033	21,000	1,675	1,675	3,350	24,350
2034	22,000	1,150	1,150	2,300	24,300
2035	24,000	600	600	1,200	25,200
	<u>\$ 260,000</u>	<u>\$ 57,650</u>	<u>\$ 57,650</u>	<u>\$ 115,300</u>	<u>\$ 375,300</u>

Note N-Schedule of Annual Debt Requirements (Continued)

Issue: 1997 Issue (91-05)					
<u>Year End</u>	Principle	Interest		Total	Total
	Due	January 1, 2021	July 1, 2021	Interest	Requirements
	January 1, 2021				
2021	5,900	3,263	3,263	6,525	12,425
2022	6,200	3,115	3,115	6,230	12,430
2023	6,500	2,960	2,960	5,920	12,420
2024	6,900	2,798	2,798	5,595	12,495
2025	7,200	2,625	2,625	5,250	12,450
2026	7,600	2,445	2,445	4,890	12,490
2027	8,000	2,255	2,255	4,510	12,510
2028	8,400	2,055	2,055	4,110	12,510
2029	8,900	1,845	1,845	3,690	12,590
2030	9,500	1,663	1,663	3,325	12,825
2031	10,000	1,385	1,385	2,770	12,770
2032	10,600	1,135	1,135	2,270	12,870
2033	11,100	870	870	1,740	12,840
2034	11,600	593	593	1,186	12,786
2035	12,100	303	303	606	12,706
	130,500	29,310	29,310	58,617	189,117

**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 Members of the Peaks Mill Water District
Frankfort, Kentucky 40601**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business activities, of the Peaks Mill Water District, as of and for the year ended December 31, 2020 & 2019, and the related notes to the financial statements, which collectively comprise the Peaks Mill Water District's basic financial statements, and have issued our report thereon dated July 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Peaks Mill 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ABC Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Peaks Mill Water District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rick R. Waddle, Jr., CPA, PLLC

Frankfort, Kentucky 40601
July 12, 2021

Other Supplementary Information

Peaks Mill Water District
Statement of Revenues, Expenses & Changes in Net Position
Budget v Actual
For The Year Ended December 31, 2020

	Budget 2020	Actual 2020	Variance
Operating Income			
Water Revenue	\$ 665,000	\$ 696,972	\$ 31,972
Miscellaneous Income	35,100	24,154	(10,946)
Total Operating Income	<u>700,100</u>	<u>721,126</u>	<u>21,026</u>
Operating Expenses			
Purchased Water & Power	246,000	404,755	(158,755)
Contractual Services	60,000	60,000	-
Advertising	500	786	(286)
Salaries	48,000	42,545	5,455
Payroll taxes	4,000	4,365	(365)
Postage	5,000	4,050	950
Maintenance	58,767	156,601	(97,834)
Office Supplies	12,000	3,614	8,386
Office Expenses	-	372	(372)
Insurance	10,000	9,815	185
Legal & Professional	15,000	41,697	(26,697)
Commissioner's Fees	10,800	13,276	(2,476)
Utilities & Telephone	2,500	3,815	(1,315)
Rent	8,400	9,400	(1,000)
Administrative Fee (KIA)	-	-	-
Chemical & Lab Analysis	1,000	5,034	(4,034)
Miscellaneous	7,360	5,915	1,445
Bad Debt Expense	-	5,189	(5,189)
Depreciation	<u>180,000</u>	<u>157,058</u>	<u>22,942</u>
Total Operating Expenses	669,327	928,287	(258,960)
Operating Income	<u>30,773</u>	<u>(207,161)</u>	<u>(237,934)</u>
Non-Operating Revenue (Expenses)			
Interest Revenue	250	3,441	3,191
Interest Expense	(36,023)	(36,023)	-
Total Non-Operating Revenue (Expenses)	<u>(35,773)</u>	<u>(32,582)</u>	<u>3,191</u>
Net Income Before Contributions	<u>(5,000)</u>	<u>(239,743)</u>	<u>(234,743)</u>
Government Grants	-	-	-
Contributions From Customers	<u>5,000</u>	<u>10,020</u>	<u>5,020</u>
Change In Net Assets	<u>-</u>	<u>(229,723)</u>	<u>(229,723)</u>