

# **Warren County Water District**

**Component Unit of  
Warren County, Kentucky**

## **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**December 31, 2019 and 2018**



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**Warren County Water District**  
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**December 31, 2019 and 2018**

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**REPORT**

## **INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Warren County Water District  
Bowling Green, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Warren County Water District (the "District"), a component unit of Warren County, Kentucky, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warren County Water District as of December 31, 2019 and 2018, and the changes in financial position, and its 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 the management's discussion and analysis on pages 4 through 10 and select pension/OPEB information on pages 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are the responsibility of management and were derived from and relates 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 schedule of budgetary comparison, statement of net position by division, and statement of revenues, expenses, and changes in net position by division are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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.

*Carr, Riggs & Ingram, LLC*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
May 13, 2020



# FINANCIAL STATEMENTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warren County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2019 and 2018. This information is presented in conjunction with the audited basic financial statements, which follow this section.

### Financial Highlights

The following are highlights of Warren County Water District for year ending December 31, 2019:

- In 2019, Total Net Position increased by \$12,127,621 or 9.7% to \$136,922,284 from \$124,794,663 reflecting additions to utility plant. In 2018, Total Net Position increased by \$6,995,900 or 5.9% to \$124,794,663 from \$117,798,763 reflecting additions to utility plant and increases in cash reserves.
- In 2019, Operating Revenues increased by \$1,415,971 or 9.2% to \$16,847,974 compared to \$15,432,003 in 2018 reflecting increases in retail rates and increases in customer demand. In 2018, Operating Revenues increased by \$606,374 or 4.09% to \$15,432,003 compared to \$14,825,629 in 2017 reflecting increases in customer demand.
- In 2019, Operating Expenses increased by \$983,981 or 6.6% to \$15,788,743 compared to \$14,804,762 in 2018 due to increases in wholesale rates from the District's provider for purchased water and sewage disposal. In 2018, Operating Expenses increased by \$895,848 or 6.4% compared to \$13,908,914 in year 2017 reflecting increases in wages & benefits related to new employees and increases in purchased water and sewage disposal costs due to customer demand.
- In 2019, Income Before Contributions increased by \$397,340 or 50.7% to \$1,180,691 compared to \$783,351 in 2018 due to a sewer retail rate increase and increase in customer demand. In 2018, Income Before Contributions decreased by \$198,713 or -20.2% compared to 2017 due to increase in wage & benefit expense to support the District's operations and the reporting of other post-employment benefit expense required by the adoption of GASB 75.
- In 2019, Utility Plant increased by \$11,087,558 or 9.1%, net of depreciation, to \$133,154,614 from \$122,067,056 in 2018 due the on-going AMR/AMI project and the transfer of several water & sewer line extensions from developers. In 2018, Utility Plant increased by \$4,361,691 or 3.7%, net of depreciation, to \$122,067,056 from \$117,705,365 in 2017 due to the addition of water & sewer line extensions from developers and increases in water meter installations and sewer taps.
- Total water sold to the District's customers during the year amounted to 2.79 billion gallons compared to 2.74 billion gallons in the prior year, an increase of 1.8%. Total sewer service billed to customers totaled 1.23 billion gallons compared to 1.19 billion gallons in the prior year, an increase of 3.4%. The peak water demand month was October with 296.9 million gallons sold and the peak demand day was September 14<sup>th</sup> with 12.5 million gallons pumped.
- The water division added 672 customers and the sewer division added 518 customers throughout the year. The number of customers at the end of the year for the water and sewer divisions was 30,143 and 7,646, respectively.
- Average metered water revenue was \$22.99 per residential customer and \$149.54 per commercial customer. Average metered sewer revenue was \$21.62 per residential customer and \$336.34 per commercial customer.
- The water division has a total of 1,170 miles of water main serving an average of 26 customers per mile. The sewer division has 192 miles of collection mains serving an average of 40 customers per mile.



## Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Warren County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

### Financial Analysis

#### **Budgetary Analysis for the Year Ended December 31, 2019**

*Total Operating Revenues* was below budget by \$95,931 and *Total Expenses* were less than budget by \$106,622. *Net Change in Net Position* totaled \$12,127,621 and exceeded budget by \$6,501,721.

*Metered Water Revenue* was below budget by \$59,846 and *Metered Sewer Revenue* was below budget by \$10,421. Although customer demand did not meet projections, the District continued to experience growth in both the water and sewer service areas. *Forfeited Discounts* which occur when payments are received after the customers due date were below budget by \$14,847. *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees and *Interest Income* which includes interest earned on the operating fund, depreciation fund, construction funds, reserve funds, and debt service funds were below budgeted amounts by \$11,200 and \$1,376 respectively. *Other Revenues* which includes rental income, income from local agencies for providing billing services, gains on the disposition of assets, and other income exceeded budget by \$1,759

*Operating Expenses* related to providing water and sewer service and maintaining the District's distribution and collection facilities was below budget by \$100,695. Purchased water and sewage disposal costs were below budget by \$34,597 due to lower than projected customer demand and wages & benefits were below budget by \$27,195 reflecting reductions in overtime. *Depreciation, Interest Expense, and Other Expenses* were near budgeted levels.

*Income before Contributions* totaled \$1,180,691 and exceeded budget by \$10,691. *Contribution in Aid of Construction* exceeded budget \$6,491,030 due to adjustments to development rebate payable balances and expired rebates both of which resulted in significant transfers to contributions in aid of construction.

Table 1  
TABLE OF BUDGETARY COMPARISON

	Budget Year 2019	Actual Year 2019	Variances Favorable \ (Unfavorable)
<b>Revenues</b>			
Metered Water Revenue	\$ 11,865,000	\$ 11,805,154	\$ (59,846)
Metered Sewer Revenue	4,517,000	4,506,579	(10,421)
Forfeited Discounts	253,600	238,753	(14,847)
Miscellaneous Service Revenue	300,200	289,000	(11,200)
Interest Income	268,800	267,424	(1,376)
Other Revenues	274,500	276,259	1,759
Total Revenues	17,479,100	17,383,169	(95,931)
<b>Expenses</b>			
Operating Expenses	12,052,700	11,952,005	100,695
Depreciation	3,817,700	3,811,928	5,772
Interest Expense	325,900	325,207	693
Other Expenses	112,800	113,338	(538)
Total Expenses	16,309,100	16,202,478	106,622
<b>Net Income</b>	<b>1,170,000</b>	<b>1,180,691</b>	<b>10,691</b>
Contribution in Aid of Construction	4,455,900	10,946,930	6,491,030
Net Change in Net Position	\$ 5,625,900	\$ 12,127,621	\$ 6,501,721

### **Budgetary Analysis for the Year Ended December 31, 2018**

*Total Revenues* exceeded the budget by \$5,665 and *Total Expenses* were over budget by \$54,614. *Net Change in Net Position* totaled \$7,796,549 and exceeded budget by \$1,055,949.

*Metered Water Revenue* and *Metered Sewer Revenue* were below budget by \$2,829 and \$17,385, respectively. *Forfeited Discounts* which occur when payments are received after the customers due date exceeded budget by \$4,804. *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees and *Interest Income* which includes interest earned on the operating fund, depreciation fund, construction funds, reserve funds, and debt service funds were near budgeted amounts. All *Other Revenues* which includes rental income, income from local agencies for providing billing services, gains on the disposition of assets, and other income exceeded budget by \$20,733.

*Operating Expenses* related to providing water and sewer service and maintaining the District's distribution and collection facilities was below budget by \$77,965. *Other Expenses* were over budget by \$135,154 reflecting the District's adoption of GASB 75 (see Note 8: Post Employment Healthcare Plan) which required an accounting entry to record other post-employment benefits (OPEB) expense totaling \$175,053. *Net Income before Contributions* totaled \$783,351 and was below budget by \$48,949. *Contribution in Aid of Construction* was over budgeted projections due to expired development rebates payable balances transferred from rebates payable to contribution in aid of construction.

Table 2

TABLE OF BUDGETARY COMPARISON

	Budget Year 2018	Actual Year 2018	Variances Favorable \ (Unfavorable)
<b>Revenues</b>			
Metered Water Revenue	\$ 10,982,000	\$ 10,979,171	\$ (2,829)
Metered Sewer Revenue	3,929,000	3,911,615	(17,385)
Forfeited Discounts	236,600	241,404	4,804
Miscellaneous Service Revenue	291,100	291,302	202
Interest Income	209,700	209,840	140
Other Revenues	266,900	287,633	20,733
Total Revenue	15,915,300	15,920,965	5,665
<b>Expenses</b>			
Operating Expenses	11,071,000	10,993,035	77,965
Depreciation	3,644,000	3,641,220	2,780
Interest Expense	328,100	328,305	(205)
Other Expenses	39,900	175,054	(135,154)
Total Expenses	15,083,000	15,137,614	(54,614)
<b>Net Income</b>	<b>832,300</b>	<b>783,351</b>	<b>(48,949)</b>
Contribution in Aid of Construction	5,908,300	7,013,198	1,104,898
Net Change in Net Position	\$ 6,740,600	\$ 7,796,549	\$ 1,055,949

## Statement of Net Position

A summary of the District's Net Position is presented below in Table 3. The District's assets exceeded liabilities by \$136,922,284 for the year.

*Current and Non-Current Assets* totaled \$20,508,530, a decrease of \$338,452 from last year. The decrease reflects the use of the cash reserves for District funded projects such as the Automated Meter Reading (AMR) System. *Utility Plant* is the largest portion of the District's assets and include land, water distribution mains, sewer mains, pump stations, lift stations, storage tanks, vehicles, and equipment. In year 2019, utility plant totaled \$133,154,614 net of depreciation reflecting an increase of \$11,087,558 over the prior year. The increase in utility plant includes a substantial number of residential developments placed into service during the year totaling \$5,047,143 and the installation of the AMR System in portions for the District's service area totaling \$3,131,279. Other utility plant additions include line extensions, meter installations, fire hydrant installations, and service trucks. *Current and Non-Current Liabilities* totaled \$9,125,423, a decrease of \$796,558 from last year. The decrease includes the net impact of a reduction in development rebates payable of \$2,544,603 and an increase in accounts payable of \$1,300,555 reflecting amounts owed to contractors for projects including the Plum Springs Sewer Rehabilitation, AMR System, and Nashville Road water & sewer relocation. *Long-Term Debt* totaled \$7,770,642, a decrease of \$588,286 resulting from debt service payments made throughout the year.

The District's *Total Net Position* totaled \$136,922,284 and increased by \$12,127,621 comparatively over the prior year. *Total Liabilities & Net Position* totaled \$153,818,349 for year 2019, an increase of \$10,742,777, or 7.5%.

Table 3  
CONDENSED STATEMENT OF NET POSITION  
December 31, 2019

	Year 2019	Year 2018	Year 2017	Increase (Decrease)	
<b>Assets</b>				Yr. 2018 to Yr. 2019	
Current & Non-Current Assets	\$ 20,508,530	\$ 20,846,982	\$ 19,695,519	\$ (338,452)	-1.6%
Utility Plant	133,154,614	122,067,056	117,705,365	11,087,558	9.1%
Other Assets	155,205	161,534	163,081	(6,329)	-3.9%
<b>Total Assets</b>	<b>153,818,349</b>	<b>143,075,572</b>	<b>137,563,965</b>	<b>10,742,777</b>	<b>7.5%</b>
<b>Liabilities</b>					
Current & Non-Current Liabilities	9,125,423	9,921,981	10,852,861	(796,558)	-8.0%
Net Long-Term Debt	7,770,642	8,358,928	8,912,341	(588,286)	-7.0%
<b>Total Liabilities</b>	<b>16,896,065</b>	<b>18,280,909</b>	<b>19,765,202</b>	<b>(1,384,844)</b>	<b>-7.6%</b>
<b>Net Position</b>					
Net Investment in Capital Assets	124,792,119	113,316,024	108,329,573	11,476,095	10.1%
Restricted for Depreciation Reserves	5,368,472	4,684,828	4,769,315	683,644	14.6%
Unrestricted	6,761,693	6,793,811	4,699,875	(32,118)	-0.5%
<b>Total Net Position</b>	<b>136,922,284</b>	<b>124,794,663</b>	<b>117,798,763</b>	<b>12,127,621</b>	<b>9.7%</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 153,818,349</b>	<b>\$ 143,075,572</b>	<b>\$ 137,563,965</b>	<b>\$ 10,742,777</b>	<b>7.5%</b>

## Statement of Revenues, Expenses, and Changes in Net Position

This statement identifies various revenue and expense items, which impact the change in net position. A summary of this statement is presented in Table 4 below.

Table 4  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended December 31, 2019

	Year 2019	Year 2018	Year 2017	Increase (Decrease)	
				Yr. 2018 to Yr. 2019	
<b>Operating Revenues</b>					
Metered Water Revenue	\$11,805,154	\$10,979,171	\$10,664,255	\$825,983	7.5%
Metered Sewer Revenue	4,506,579	3,911,615	3,724,777	594,964	15.2%
Forfeited Discounts	238,753	241,404	172,490	(2,651)	-1.1%
Miscellaneous Service Revenue	297,488	299,813	264,107	(2,325)	-0.8%
Total Operating Revenues	16,847,974	15,432,003	14,825,629	1,415,971	9.2%
<b>Operating Expenses</b>					
Wages & Benefits	2,490,482	2,529,386	2,234,011	(38,904)	-1.5%
Commissioner Fees	30,000	29,500	30,000	500	1.7%
Purchased Water	4,861,409	4,273,508	4,072,465	587,901	13.8%
Sewage Disposal	2,547,994	2,294,305	2,171,687	253,689	11.1%
Purchased Power	638,898	615,240	595,922	23,658	3.8%
Materials & Chemicals	259,731	247,650	225,322	12,081	4.9%
Contractual Services	717,937	734,510	763,754	(16,573)	-2.3%
Rental of Building	57,675	57,832	58,688	(157)	-0.3%
Equipment	224,210	223,091	175,867	1,119	0.5%
Depreciation	3,808,361	3,636,673	3,430,473	171,688	4.7%
Other Operating Expenses	152,046	163,067	150,725	(11,021)	-6.8%
Total Operating Expenses	15,788,743	14,804,762	13,908,914	983,981	6.6%
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	267,424	209,840	138,364	57,584	27.4%
Rental Income	146,336	148,207	144,018	(1,871)	-1.3%
Non-Utility Income	121,435	130,915	116,908	(9,480)	-7.2%
Gain (Loss) on Disposals	(84,961)	-	7,805	(84,961)	100.0%
Interest Expense	(328,774)	(332,852)	(341,746)	4,078	-1.2%
Total Non-Operating Revenues (Expenses)	121,460	156,110	65,349	(34,650)	-22.2%
<b>Income Before Capital Contributions</b>	<b>1,180,691</b>	<b>783,351</b>	<b>982,064</b>	<b>397,340</b>	<b>50.7%</b>
Capital Contributions	10,946,930	7,013,198	6,724,907	3,933,732	56.1%
Change in Net Position	12,127,621	7,796,549	7,706,971	4,331,072	55.6%
Net Position, Beginning of Year	124,794,663	117,798,763	110,091,792	6,995,900	5.9%
Effect of Adoption of GASB 75	-	(800,649)	-	800,649	
Net Position, Beginning of Year Restated	124,794,663	116,998,114	110,091,792	7,796,549	6.7%
Total Net Position, End of Year	\$136,922,284	\$124,794,663	\$117,798,763	\$12,127,621	9.7%

*Operating Revenue* increased by \$1,415,971 or 9.2% compared to the prior year mainly due to *Metered Water Revenue* and *Metered Sewer Revenue* which increased by \$825,983 and \$594,964, respectively, reflecting retail rate increases and customer demand. On July 1<sup>st</sup>, retail rate increases were implemented in both water and sewer divisions to absorb wholesale purchased water and disposal rate increases from its provider; in addition, on July 1<sup>st</sup> a general rate increase was implemented in the sewer division. The volume of water sold during the year totaled 2.79 billion gallons versus 2.74 billion gallons in the prior year, a 1.8% increase of 50 million gallons. The volume of sewer revenue billed totaled 1.23 billion gallons versus 1.19 billion gallons last year, a 3.4% increase of 40 million gallons. Steady growth continued in the District's service area and the water division added 672 customers for a total of 30,143, and the sewer division added 518 customers for a total of 7,646 customers. *Forfeited Discounts* which are penalties on payments made after a customer's due date and *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees decreased slightly compared to the prior year.

*Operating Expenses* increased by \$983,981, a 6.6% increase when compared to the prior year. *Wages & Benefits* decreased by \$38,904 reflecting decreases in training and overtime costs. *Purchased Water and Sewage Disposal* costs increased by \$587,901 and \$253,689, respectively, due to wholesale rate increases, growth, and increases in customer demand. *Depreciation* expense increased by \$171,688 corresponding with depreciation of various asset additions including depreciation on several water and sewer extensions associated with residential developments and a portion of the AMR System placed into service during the year.

*Capital Contributions* of \$10,946,930 were recorded during the year which includes the following: expired development rebate payables of \$4,347,951; adjustments to development rebate balances \$3,065,748; contributions from the Kentucky Transportation Cabinet for relocations of \$2,266,006; contributions for meter installations, sewer taps, fire protection, and capital recovery fees of \$1,101,083; contributions from city and county governments for debt service of \$42,882; and various customer contribution for special projects and relocations of \$123,260. In year 2018, GASB Statement 75 was adopted which required a charge reducing the net position for prior period Other Post Employment Benefit (OPEB) costs of \$800,649. In Year 2019, annual OPEB costs of \$28,377 were recorded and included in wages & benefits expense.

### **Changes in Capital Assets**

The largest portion of the District's assets is invested in the water distribution and sewer collection system amounting to \$133,154,614 net of depreciation, as of December 31, 2019. Table 5 details changes in capital assets.

Table 5  
CHANGES IN UTILITY PLANT  
(Net of Depreciation)

	December 31, 2019	December 31, 2018	December 31, 2017	Increase (Decrease) Yr. 2018 to Yr. 2019	
<b>WATER DIVISION</b>					
Land	\$ 1,323,352	\$ 1,323,352	\$ 1,323,352	\$ -	0.0%
Structures	1,754,285	1,811,126	1,868,054	(56,841)	-3.1%
Pumping Equipment	3,046,721	2,650,317	2,742,813	396,404	15.0%
Storage Tanks	8,099,687	8,149,991	8,347,832	(50,304)	-0.6%
Distribution Mains	45,990,848	45,207,129	44,589,514	783,719	1.7%
Meters	15,655,467	11,963,453	11,424,138	3,692,014	30.9%
Hydrants	3,446,773	3,209,912	3,061,192	236,861	7.4%
Hardware & Software	732,263	819,185	853,177	(86,922)	-10.6%
Vehicles and Equipment	990,978	727,540	648,772	263,438	36.2%
Other	242,110	366,501	376,368	(124,391)	-33.9%
Construction in Progress	4,714,629	3,518,434	1,787,516	1,196,195	34.0%
Subtotal - Water Division	85,997,113	79,746,940	77,022,728	6,250,173	7.8%

**SEWER DIVISION**

Land	70,602	70,602	70,602	-	0.0%
Structures	7,945,070	7,459,527	7,256,516	485,543	6.5%
Pumping Equipment	2,315,861	1,895,506	1,282,857	420,355	22.2%
Collection Mains	29,750,885	28,229,363	27,456,799	1,521,522	5.4%
Taps	4,740,998	4,067,712	3,820,403	673,286	16.6%
Hardware & Software	87,220	87,212	90,541	8	0.0%
Other	52,985	62,324	74,423	(9,339)	-15.0%
Construction in Progress	2,193,880	447,870	630,496	1,746,010	389.8%
Subtotal - Sewer Division	47,157,501	42,320,116	40,682,637	4,837,385	11.4%
<b>TOTAL UTILITY PLANT</b>	<b>\$ 133,154,614</b>	<b>\$ 122,067,056</b>	<b>\$ 117,705,365</b>	<b>\$ 11,087,558</b>	<b>9.1%</b>

Total utility plant net of depreciation, increased by \$11,087,558 or 9.1%, compared to the prior year. In year 2019, the following were added to utility plant: water extensions and sewer extensions from developers, \$1,539,352 and \$3,507,791 respectively; AMR System, \$3,131,279; water meter installations and sewer taps, \$1,024,991 and \$1,050,951 respectively; sewer lift station upgrades and improvements \$463,506; Nashville Road Pump Station Upgrade, \$308,299; truck fleet additions, \$264,679; Highway 31W Stooddy Tank Painting, \$242,414; other various additions, \$391,999; and a reduction of \$3,779,908 for accumulated depreciation and an increase in construction in progress of \$2,942,205.

**Long-Term Debt**

The District's debt obligations include United States Department of Agriculture (USDA) bonds, Water Revenue Bonds, Kentucky Rural Water Finance Corporation (KRWFC) loans, and Kentucky Infrastructure Authority (KIA) loans. As of December 31, 2019, the District had \$8,385,481 in outstanding debt compared to \$8,943,441 in the previous year reflecting in a reduction of \$557,960.

**Factors Affecting Next Year's Budget**

- Growth within the District's service area is expected to add 550 new water connections and 430 sewer connections.
- A water and sewer retail rate increase of approximately 4.9% and 2.5 % respectively were budgeted effective on July 1, 2020 corresponding to wholesale purchased water and sewage disposal rate increases from the District's provider.
- Expenditures required for maintaining existing water distribution and sewer collection systems.
- The impact of regulatory changes forthcoming from the Kentucky Division of Water, Kentucky Public Service Commission, and the Environmental Protection Agency.

The District's board of commissioners adopted the budget for year 2020 at its meeting held in November 2019. Metered water sales and metered sewer revenue combined are budgeted to increase by 9.2%. Total revenue is budgeted to increase by 9.0% and total expenses are budgeted to increase by 10.3% from year 2019. Net income for year 2020 is budgeted to total \$1,111,800. Debt service payments are expected to total \$911,600 for both divisions with a reduction in outstanding debt of \$591,100. Capital expenditures for the year are budgeted to total \$16,047,700 including contributions from customers and governmental agencies totaling \$1,148,300, and loan proceeds from USDA – Rural Development and Kentucky Infrastructure Authority (KIA) totaling \$6,295,000.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at [www.warrenwater.com](http://www.warrenwater.com).

# Warren County Water District

## Statements of Net Position

December 31,	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,312,722	\$ 9,235,530
Accounts receivable:		
Customer accounts receivable, net of allowance for uncollectibles of \$413,645 and \$399,775 for 2019 and 2018, respectively	682,388	706,861
Accounts receivable – Butler County Water System	110,768	113,615
Accounts receivable – Simpson County Water District	239,089	87,798
Other accounts receivable	554,188	174,136
Interest receivable	13,635	19,704
Materials and supplies inventory	656,735	620,835
Prepaid expenses	109,104	110,742
<b>Total current assets</b>	<b>10,678,629</b>	<b>11,069,221</b>
<b>Non-current assets</b>		
<b>Utility Plant</b>		
Utility plant in service	183,602,457	171,677,196
Construction in progress	6,908,509	3,966,304
Less accumulated depreciation	(57,356,352)	(53,576,444)
<b>Total utility plant, net</b>	<b>133,154,614</b>	<b>122,067,056</b>
Restricted cash and equivalents	2,948,610	1,914,730
Restricted investments	4,869,847	5,109,710
Investments	469,000	894,000
Accounts receivable:		
Accounts receivable – Butler County Water System	143,369	137,248
Accounts receivable – Simpson County Water District	100,713	96,445
Non-operating property, net of \$85,836 accumulated depreciation	-	165,856
Retirement security plan costs	1,298,362	1,459,772
Other assets	155,205	161,534
<b>Total non-current assets</b>	<b>143,139,720</b>	<b>132,006,351</b>
<b>Total assets</b>	<b>\$ 153,818,349</b>	<b>\$ 143,075,572</b>

*The accompanying notes are an integral part of the financial statements.*

# Warren County Water District Statements of Net Position

December 31,	2019	2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,007,359	\$ 706,804
Accounts payable – Butler County Water Systems	5,647	6,920
Accounts payable – Simpson County Water District	16,788	7,874
Accrued expenses	958,512	825,039
Contractor advances for construction	294,413	123,300
Current portion of long-term debt	591,853	557,960
Total current liabilities	3,874,572	2,227,897
<b>Non-current liabilities</b>		
<b>Long-term debt</b>		
Bonds and loans payable	2,237,500	2,381,500
Notes payable	6,147,981	6,561,941
Less: Net unamortized bond (discount) premium	(22,986)	(26,553)
Less: Current portion of long-term debt	(591,853)	(557,960)
Net long-term debt	7,770,642	8,358,928
Customer meter deposits	1,350,913	1,306,823
Rebates payable	2,312,354	4,856,957
Unearned revenue for cellular leases	72,136	71,014
Total other post employment benefit obligation	1,515,448	1,459,290
Total non-current liabilities	13,021,493	16,053,012
Total liabilities	16,896,065	18,280,909
<b>Net Position</b>		
Net investment in capital assets	124,792,119	113,316,024
Restricted for depreciation reserves	5,368,472	4,684,828
Unrestricted	6,761,693	6,793,811
Total net position	136,922,284	124,794,663
Total liabilities and net position	\$ 153,818,349	\$ 143,075,572

*The accompanying notes are an integral part of the financial statements.*



# Warren County Water District

## Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>		
<b>Metered sales</b>		
Residential	\$ 9,342,808	\$ 8,692,889
Commercial	6,968,925	6,197,897
Total metered sales	16,311,733	14,890,786
Forfeited discounts	238,753	241,404
Miscellaneous service revenue	297,488	299,813
Total operating revenues	16,847,974	15,432,003
<b>Operating Expenses</b>		
Source of supply expense		
Purchased water	4,861,409	4,273,508
Sewage disposal	2,547,994	2,294,305
Total source of supply expense	7,409,403	6,567,813
<b>Pumping plant expense</b>		
Salaries and benefits	269	86
Power purchased	626,565	602,745
Chemicals	28,912	28,372
Miscellaneous pumping expense	-	34
Contractual services	5,018	8,220
Rental expense	4,944	4,933
Insurance	14,631	14,187
Materials and supplies	42	-
Total pumping plant expense	680,381	658,577
<b>Transmission and distribution expense</b>		
Salaries and benefits	725,126	636,158
Power purchased	12,333	12,495
Contractual services	194,919	176,796
Rental expense	18,950	18,966
Transportation	124,688	109,541
Insurance	48,148	46,957
Materials and supplies	195,497	175,349
Total transmission and distribution expense	1,319,661	1,176,262

*The accompanying notes are an integral part of the financial statements.*

## Warren County Water District

### Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31,	2019	2018
<b>Operating Expenses (Continued)</b>		
<b>Customer accounts expense</b>		
Salaries and benefits	1,052,644	1,070,502
Contractual services	233,584	259,660
Uncollectible accounts	13,950	16,651
Rental expense	28,837	28,988
Transportation	96,522	100,774
Insurance	7,630	7,392
Miscellaneous	6,997	7,095
Materials and supplies	6,886	9,044
<b>Total customer accounts expense</b>	<b>1,447,050</b>	<b>1,500,106</b>
<b>Administrative and general expense</b>		
Salaries and benefits	712,443	822,640
Office supplies	28,436	34,885
Commissioner fees	30,000	29,500
Contractual services	284,416	289,834
Insurance	12,720	12,362
Rental expense	4,944	4,945
Regulatory commission expense	30,171	28,898
Miscellaneous	17,799	29,491
Transportation	2,958	12,776
<b>Total administrative and general expense</b>	<b>1,123,887</b>	<b>1,265,331</b>
<b>Depreciation</b>	<b>3,808,361</b>	<b>3,636,673</b>
<b>Total operating expenses</b>	<b>15,788,743</b>	<b>14,804,762</b>
<b>Operating income</b>	<b>1,059,231</b>	<b>627,241</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	267,424	209,840
Rental income	146,336	148,207
Non-utility income	121,435	130,915
Loss on disposal of assets	(84,961)	-
Interest expense	(328,774)	(332,852)
<b>Total non-operating revenues (expenses) - net</b>	<b>121,460</b>	<b>156,110</b>

*The accompanying notes are an integral part of the financial statements.*

## Warren County Water District Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended December 31,</i>	<b>2019</b>	<b>2018</b>
Income before capital contributions	<b>1,180,691</b>	783,351
Capital contributions	<b>10,946,930</b>	7,013,198
Change in net position	<b>12,127,621</b>	7,796,549
Total net position – beginning of year, as previously reported	<b>124,794,663</b>	117,798,763
Effect of adoption of GASB 75	-	(800,649)
Total net position – beginning of year, as restated	<b>124,794,663</b>	116,998,114
Total net position – end of year	<b>\$ 136,922,284</b>	\$ 124,794,663

*The accompanying notes are an integral part of the financial statements.*

## Warren County Water District Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2019</b>	2018
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 16,309,089	\$ 15,169,002
Receipts from rental and non-utility income	267,771	279,122
Payments to suppliers for goods and services	(7,527,412)	(8,217,704)
Payments to employees	(1,529,180)	(1,457,298)
Net cash provided by operating activities	<b>7,520,268</b>	5,773,122
<b>Cash Flows from Noncapital Financing Activities</b>		
Interest paid on customer deposits	(35,041)	(17,976)
Net cash used in noncapital financing activities	<b>(35,041)</b>	(17,976)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal repayment on long-term debt	(557,960)	(629,307)
Interest paid on long-term debt	(300,964)	(322,045)
Acquisition and construction of capital assets	(7,453,587)	(4,015,762)
Net cash used in capital and related financing activities	<b>(8,312,511)</b>	(4,967,114)
<b>Cash Flows from Investing Activities</b>		
Purchase of short-term investments	(2,569,142)	(3,305,414)
Maturity of short-term investments	3,234,005	3,953,472
Interest income	273,493	202,524
Net cash provided by investing activities	<b>938,356</b>	850,582
Net increase in cash and cash equivalents	<b>111,072</b>	1,638,614
Balances – beginning of year	<b>11,150,260</b>	9,511,646
Balances – end of year	<b>\$ 11,261,332</b>	\$ 11,150,260

*The accompanying notes are an integral part of the financial statements.*

## Warren County Water District Statements of Cash Flows

Years Ended December 31,	2019	2018
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>		
Operating income	\$ 1,059,231	\$ 627,241
<b>Adjustments to reconcile net operating income to net cash provided by operating activities:</b>		
Depreciation expense	3,951,912	3,777,083
Amortization of debt premium / discount	3,567	4,547
Rental and non-utility income	267,771	279,122
Loss on disposal of assets	(84,961)	-
<b>Changes in assets and liabilities:</b>		
Net decrease in accounts receivable	24,473	16,542
Net increase in other receivables	(538,885)	(263,001)
Net (increase)/decrease in prepaid expenses	1,638	(6,232)
Net increase in materials and supplies inventory	(35,900)	(62,310)
Net decrease in retirement security plan costs	161,410	161,410
Net decrease in other assets	6,329	1,547
Net increase in accounts payable	1,308,196	61,582
Net increase in accrued liabilities	140,704	78,097
Net increase/(decrease) in contractor advances	171,113	(25,700)
Net increase in customer deposits	44,090	61,676
Net increase in rebates payable	982,300	525,748
Net increase in other liabilities	1,122	1,046
Net increase in other post employment benefit obligation	56,158	534,724
<b>Net cash provided by operating activities</b>	<b>\$ 7,520,268</b>	<b>\$ 5,773,122</b>
<b>Non-Cash Capital and Financing Activities</b>		
Expiration of Rebates Payable to Contributed Capital	\$ 3,526,903	\$ 2,890,187
Contributed constructed water and sewer lines at cost	7,420,027	4,123,011
<b>Total non-cash investing, capital, and financing activities</b>	<b>\$ 10,946,930</b>	<b>\$ 7,013,198</b>

*The accompanying notes are an integral part of the financial statements.*

## Warren County Water District Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Nature of Operations***

The Warren County Water District ("District") is a tax-exempt division of Warren County, Kentucky organized under KRS 74.010. The District operates water and sewer services for the residents of Warren County, Kentucky and surrounding areas.

#### ***Reporting Entity***

The District is governed by a five-member board of commissioners (the "Board"). The criteria for determining the District as a component unit of Warren County, Kentucky, the primary government, is financial accountability. As set forth in GASB No. 14, *The Financial Reporting Entity*, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to impose its will on that organization. The commissioners of the Board are appointed by the Warren County Judge Executive. Warren County is able to impose its will on the District through the ability to remove appointed members of the Board at will.

#### ***Measuring Focus, Basis of Accounting, and Financial Statement Presentation***

The District's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the District conform to applicable generally accepted accounting principles as defined in the pronouncements of the Governmental Accounting Standards Board (GASB). The District's basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity. The financial statements of the District include the accounts of the Water Division and the Sewer Division after elimination of all significant inter-division accounts and transactions.

The District operates as an enterprise activity, using the flow of economic resources measurement focus. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses for the enterprise funds include the cost of sales and service, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## Warren County Water District Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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, expenses, and other changes in net position during the reporting period. Actual results could differ from the estimates.

#### ***Cash and Cash Equivalents***

The District's cash equivalents are considered to be liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of restricted and unrestricted cash and cash equivalents.

#### ***Accounts Receivable***

Trade receivables result from unpaid billings for service to customers and from unpaid billings related to work performed or materials sold to certain entities. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the District is based on past history of uncollectible accounts and management's analysis of current accounts.

#### ***Materials and Supplies***

All materials and supplies inventories are valued using the weighted average cost method.

#### ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

#### ***Restricted Assets***

Certain proceeds of the bond issues and certain resources set aside for their repayment along with reserves for depreciation of plant are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

## Warren County Water District Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Investments***

Investments consist of non-brokered certificates of deposit and are recorded at cost. The cost of investments approximates their fair value. KRS 66.480 permits the Utility to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool.

#### ***Utility Plant***

Utility plant, which include property, plant, equipment, and construction in progress, are recorded at historical cost or estimated historical cost if purchased or constructed. Original cost includes materials, labor, transportation, and such other indirect costs as engineering, supervision, and employee fringe benefits.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the years ended December 31, 2019 and 2018, there was no capitalized interest.

As property units are retired in the ordinary course of business, the cost of the property plus removal cost less salvage, is charged to accumulated depreciation. Property, plant, and equipment of the Utility are depreciated using the straight-line method over the following useful lives: transmission and distribution reservoirs, tanks, and mains – 50 years; buildings – 50 years; equipment – 10 years; service trucks, software and hardware – 5 to 10 years; tools – 12.5 years; and furniture and fixtures – 10 years.

#### ***Long Term Debt***

Debt is a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

#### ***Retirement Security Plan Costs***

In 1999, the District was given the opportunity to lower the retirement age of their employees to sixty two. The cost of reducing the retirement age of the District's retirement plan has been deferred and is being amortized using the straight-line method over a thirty-year period as allowed by the agreement with the retirement group.



## Warren County Water District Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Retirement Security Plan Costs (Continued)***

On August 2, 2017, the District made a prepayment of \$1,556,940 to the District's retirement plan in order to achieve a lower annual required contribution ("ARC") requirement along with making various modifications to the District's retirement plan. The payment will lower the ARC over a ten-year period ending in 2028; therefore, the payment will be amortized over a ten-year period as a component of the District's pension costs.

#### ***Total Other Post-Employment Benefits (OPEB) Liability***

For purposes of measuring the total OPEB liability and OPEB expense, information about the District's employees and contributions made have been determined on the same basis as they are reported to the District's actuary. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Note 8 provides further detail on the total OPEB liability.

For defined benefit OPEB, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The District has implemented the new requirements of this Statement for the fiscal year ended December 31, 2018. The implementation of GASB Statement No. 75 resulted in a reduction of beginning net position and an increase in the total OPEB liability by \$800,649, respectively.

#### ***Rebates Payable***

Rebates payable are amounts paid by contractors to improve property by adding water and/or sewer connections which are eligible to be refunded to the contractor either entirely or in part, dependent upon the number of future residents attaching to the water and/or sewer connections. Amounts not refunded are transferred to capital contributions after the ten-year eligibility period has lapsed or when it is highly unlikely that the rebate will be requested by contractors.

#### ***Long-term Obligations***

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Contributions***

The donor cost of contributed property and equipment is included in capital contributions. Contributions are recognized in the statements of revenues, expenses, and changes in net position when earned. Contributions may include connect fees; developer contributed utility systems; capital grants and other supplemental support by other utilities and industrial customers; and federal, state, and local grants in support of system improvements. Assets acquired through contributions from developers or other customers are capitalized at donor cost at the date of donations.

***Net Position***

The District classifies its net position into the following three categories:

*Net investment in capital assets* - This component of net position represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - The restricted component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets will be reduced by liabilities and deferred inflows of resources related to those assets in the determination of restricted net position. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Unrestricted* - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

## Warren County Water District Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Concentration of Credit Risk***

The majority of the District's business activity is with customers located within Warren County, Kentucky. The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses are usually minimal and are generally within management's expectations.

#### ***Reclassifications***

Amounts in the 2018 financial statements have been reclassified to be comparable with the 2019 financial statements' presentation. The reclassifications had no impact on the 2018 change in net position.

#### ***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through May 13, 2020, which was the date the financial statements were made available.

#### ***Recently Issued and Adopted Accounting Pronouncements***

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District has implemented the new requirements of this Statement for the fiscal year ended December 31, 2019.

#### ***Recent Accounting Pronouncements Not Yet Adopted***

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the requirements of this Statement.

## Warren County Water District Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Recent Accounting Pronouncements Not Yet Adopted (Continued)***

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the requirements of this Statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District is evaluating the requirements of this Statement.

**Warren County Water District**  
**Notes to the Financial Statements**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

***Deposits and Certificates of Deposit***

At December 31, 2019 and 2018, the District's deposits and certificates of deposit consisted of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 8,308,872	\$ 9,232,680
Restricted cash and cash equivalents	2,948,610	1,914,730
Investments	469,000	894,000
Restricted investments	4,869,847	5,109,710
	<b>\$ 16,596,329</b>	<b>\$ 17,151,120</b>

The District maintains its deposits and certificates of deposit with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2019 and 2018, the carrying amount of the District's deposits and certificates of deposit totaled \$16,596,329 and \$17,151,120, respectively, and the bank balances totaled \$16,600,179 and \$17,164,159, respectively. Of the bank balances, \$16,600,179 and \$17,164,159, respectively, were covered by FDIC insurance or by collateral held by an institution for the pledging bank in the District's name.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's formal deposit policy for custodial credit risk requires deposits in banks which are in excess of the FDIC insurance coverage to be secured by the bank pledging securities in direct obligations of the United States of America or by approved security bonds. As of December 31, 2019 and 2018, none of the District's deposits and certificates of deposit were exposed to custodial credit risk.

***Credit Risk***

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. However, the District's bond agreement further limits its investment choices.

**Warren County Water District**  
**Notes to the Financial Statements**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

***Concentration of Credit Risk***

The District places no limit on the amount the District may invest in any one issuer. At December 31, 2019 and 2018, there are no investments in any one issuer that represents 5% or more of the total investments.

***Interest Rate Risk***

The District's investment policy limits investment maturities of less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Restricted Cash and Cash Equivalents and Investments***

Restricted cash and cash equivalents and investments consisted of the following at December 31, 2019 and 2018:

<i>December 31,</i>	<b>2019</b>	2018
Sinking funds	\$ 717,966	\$ 654,686
Depreciation funds	5,368,472	4,684,828
Debt service reserve funds	372,140	372,140
Customer deposits	1,359,879	1,312,786
	<b>\$ 7,818,457</b>	<b>\$ 7,024,440</b>

The sinking funds and debt service reserve funds are restricted to the payment of principal and interest on long-term debt.

The depreciation funds are restricted to payment for improvements and approved repairs.

The customer deposits fund is restricted to hold customer deposits until service is terminated.

**Warren County Water District**  
**Notes to the Financial Statements**

**NOTE 3: UTILITY PLANT**

Utility plant activity for the year ended December 31, 2019 is as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Utility plant, not being depreciated				
Land and land rights	\$ 1,393,954	\$ -	\$ -	\$ 1,393,954
Construction in progress	3,966,304	9,773,168	6,830,963	6,908,509
<b>Total utility plant, not being depreciated</b>	<b>5,360,258</b>	<b>9,773,168</b>	<b>6,830,963</b>	<b>8,302,463</b>
Utility plant, being depreciated				
Buildings and improvements	11,834,754	675,350	-	12,510,104
Mains and pumping	125,649,851	5,447,529	36,064	131,061,316
Meters and hydrants	27,884,643	5,328,340	61,927	33,151,056
Office furniture and equipment	2,827,926	135,646	2,413	2,961,159
Equipment	2,086,068	484,747	45,947	2,524,868
<b>Total utility plant, being depreciated</b>	<b>170,283,242</b>	<b>12,071,612</b>	<b>146,351</b>	<b>182,208,503</b>
<b>Less accumulated depreciation</b>	<b>53,576,444</b>	<b>3,951,912</b>	<b>172,004</b>	<b>57,356,352</b>
<b>Total utility plant, being depreciated, net</b>	<b>116,706,798</b>	<b>8,119,700</b>	<b>(25,653)</b>	<b>124,852,151</b>
<b>Total utility plant, net</b>	<b>\$ 122,067,056</b>	<b>\$ 17,892,868</b>	<b>\$ 6,805,310</b>	<b>\$ 133,154,614</b>

## Warren County Water District Notes to the Financial Statements

### NOTE 3: UTILITY PLANT (CONTINUED)

Utility plant activity for the year ended December 31, 2018 is as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Utility plant, not being depreciated				
Land and land rights	\$ 1,393,954	\$ -	\$ -	\$ 1,393,954
Construction in progress	2,418,012	4,828,504	3,280,212	3,966,304
<b>Total utility plant, not being depreciated</b>	<b>3,811,966</b>	<b>4,828,504</b>	<b>3,280,212</b>	<b>5,360,258</b>
Utility plant, being depreciated				
Buildings and improvements	11,434,293	400,461	-	11,834,754
Mains and pumping	121,437,485	4,212,366	-	125,649,851
Meters and hydrants	26,375,938	1,556,638	47,933	27,884,643
Office furniture and equipment	2,634,188	193,738	-	2,827,926
Equipment	1,858,790	227,278	-	2,086,068
<b>Total utility plant, being depreciated</b>	<b>163,740,694</b>	<b>6,590,481</b>	<b>47,933</b>	<b>170,283,242</b>
Less accumulated depreciation	49,847,295	3,777,082	47,933	53,576,444
<b>Total utility plant, being depreciated, net</b>	<b>113,893,399</b>	<b>2,813,399</b>	<b>-</b>	<b>116,706,798</b>
<b>Total utility plant, net</b>	<b>\$ 117,705,365</b>	<b>\$ 7,641,903</b>	<b>\$ 3,280,212</b>	<b>\$ 122,067,056</b>

### ***Non-operating Property***

During 1999, the District closed its water treatment plant. The related equipment was reclassified as non-operating property and is no longer being depreciated. The building was repurposed for District storage space; therefore, as of December 31, 2018 the plant is still classified as operating property and is being depreciated. This property was disposed during the year ended December 31, 2019.



## Warren County Water District Notes to the Financial Statements

### NOTE 4: LONG-TERM DEBT

Long-term debt consists of the following:

<i>December 31,</i>	<b>2019</b>	2018
Revenue bonds, U.S. Department of Agriculture Series 1993, with a 4.5% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2033.	<b>\$ 446,500</b>	\$ 468,500
Water refunding revenue bonds, Series 2004A, with varying interest rates commencing at 2.00% and increasing to 4.50% over the life of the bond issue, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2025.	<b>765,000</b>	865,000
Revenue bonds, U.S. Department of Agriculture Series 2005A, with a 4.25% interest rate, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2045.	<b>1,026,000</b>	1,048,000
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C11-02, with a 3.00% interest rate, payable monthly. Principal payments are due monthly until payoff June 1, 2033.	<b>608,061</b>	644,063
Note payable/direct borrowing, Kentucky Infrastructure Association Loan C15-003, with a 3.00% interest rate, payable semiannually. Principal payments are due semiannually every December 1 and June 1, until payoff December 1, 2036.	<b>964,920</b>	1,007,878
Refunding revenue bonds, Kentucky Rural Water Finance Corporation Series 2012B, with varying interest rates commencing at 2.20% and increasing to 4.20% over the life of the loan, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2039.	<b>1,490,000</b>	1,545,000
Revenue bonds, Kentucky Rural Water Finance Corporation Series 2013B, with varying interest rates commencing at 2.30% and increasing to 3.30% over the life of the loan, payable semiannually. Principal payments are due annually every February 1, and vary until payoff on February 1, 2028.	<b>1,200,000</b>	1,335,000

# Warren County Water District

## Notes to the Financial Statements

### NOTE 4: LONG-TERM DEBT (CONTINUED)

<i>December 31,</i>	<b>2019</b>	2018
Refunding revenue bonds, Kentucky Rural Water Finance Corporation Series 2016B, with varying interest rates between 2.25% and 3.25% over the life of the loan, payable semiannually. Principal payments are due annually every January 1, and vary until payoff on January 1, 2030.	<b>1,885,000</b>	2,030,000
Total bonds and notes payable/direct borrowings	<b>8,385,481</b>	8,943,441
Less unamortized premium (discount) on bonds - net	<b>(22,986)</b>	(26,553)
Less current portion of bonds and notes payable	<b>(591,853)</b>	(557,960)
Net long-term debt	<b>\$ 7,770,642</b>	\$ 8,358,928

The District has various financial and non-financial debt covenants and restrictions as set forth in the bond and loan agreements. Failure to fulfill any of the debt covenants and restrictions, or failure to cure any such failure within 30 days, constitute an event of default. In the event of default, the respective owners of the bonds may enforce and compel the duties and obligations set forth within the bond agreement.

The District's outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the District is unable to make a payment at the times specified in the agreement.

Unamortized net premiums and discounts on the debt issuances noted previously totaled \$22,986 and \$26,553 as of December 31, 2019 and 2018, respectively. Related amortization expenses for the years ended December 31, 2019 and 2018 totaled \$3,567 and \$4,547, respectively.

**Warren County Water District**  
**Notes to the Financial Statements**

**NOTE 4: LONG-TERM DEBT (CONTINUED)**

The following is a summary of long-term debt transactions for the year ended December 31, 2019:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 1993	\$ 468,500	\$ -	\$ 22,000	\$ 446,500	\$ 22,500
Refunding Series 2004A	865,000	-	100,000	765,000	115,000
USDA Series 2005A	1,048,000	-	22,000	1,026,000	23,000
KIA C11-02	644,063	-	36,002	608,061	37,097
KIA C15-003	1,007,878	-	42,958	964,920	44,256
KRWFC 2012B	1,545,000	-	55,000	1,490,000	55,000
KRWFC 2013B	1,335,000	-	135,000	1,200,000	140,000
KRWFC 2016B	2,030,000	-	145,000	1,885,000	155,000
	<b>\$ 8,943,441</b>	<b>\$ -</b>	<b>\$ 557,960</b>	<b>\$ 8,385,481</b>	<b>\$ 591,853</b>

The following is a summary of long-term debt transactions for the year ended December 31, 2018:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due in Less than 1 Year
USDA Series 1993	\$ 489,000	\$ -	\$ 20,500	\$ 468,500	\$ 22,000
Refunding Series 2004A	965,000	-	100,000	865,000	100,000
USDA Series 2005A	1,069,000	-	21,000	1,048,000	22,000
KIA A97-04	68,496	-	68,496	-	-
KIA A98-02	17,673	-	17,673	-	-
KIA C11-02	679,003	-	34,940	644,063	36,002
KIA C15-003	1,049,576	-	41,698	1,007,878	42,958
KRWFC 2012B	1,595,000	-	50,000	1,545,000	55,000
KRWFC 2013B	1,465,000	-	130,000	1,335,000	135,000
KRWFC 2016B	2,175,000	-	145,000	2,030,000	145,000
	<b>\$ 9,572,748</b>	<b>\$ -</b>	<b>\$ 629,307</b>	<b>\$ 8,943,441</b>	<b>\$ 557,960</b>

## Warren County Water District Notes to the Financial Statements

### NOTE 4: LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2019 are as follows:

Year(s)	Principal	Interest	Total
2020	\$ 591,853	\$ 278,893	\$ 870,746
2021	601,820	259,972	861,792
2022	616,361	240,954	857,315
2023	646,479	221,092	867,571
2024	661,175	200,221	861,396
2025-2029	2,654,284	703,853	3,358,137
2030-2034	1,436,067	355,486	1,791,553
2035-2039	845,442	152,280	997,722
2040-2044	284,000	41,439	325,439
2045	48,000	1,020	49,020
<b>Total</b>	<b>\$ 8,385,481</b>	<b>\$ 2,455,210</b>	<b>\$ 10,840,691</b>

The District has pledged future water customer revenues, net of specified operating expenses, to repay \$8,385,481 in water system long-term debt. Proceeds from the borrowings provided financing for the construction of the utility plant. The bonds are payable solely from water customer net revenues and are payable through 2045. The total principal and interest remaining to be paid on the bonds is \$10,840,691. Principal and interest paid for the current year and total customer net revenues were \$886,734 and \$16,874,974 respectively.

On May 28, 2019 the District adopted a Bond Resolution authorizing and providing for the issuance and sale of \$645,000 in Sewer System Revenue Bonds, Series 2019, to finance the cost of sewer system extensions, additions, and improvements. On June 25, 2019 the board received and opened bids for the Bond Sale for the Plum Springs Sewer Rehab Project. One bid was received from the Rural Development Administration at an interest rate of 3.875% for 40 years. No interim financing will be obtained from the Kentucky Rural Water Association to complete the project. Proceeds from the sale of bonds will be issued upon completion of the project. Principal and interest payments will commence upon completed sale of the bonds, estimated June 2020, and vary through payoff in 2059.

On July 23, 2019 the District approved and authorized an assistance agreement with the Kentucky Infrastructure Authority. The assistance agreement is a \$2,000,000 revolving fund loan at an interest rate of 2.00% for 20 years. No draws on the revolving loan were made as of December 31, 2019. Full Principal and interest payments shall commence on June 1, 2020, and vary through payoff in 2039.

## Warren County Water District Notes to the Financial Statements

### NOTE 5: RELATED PARTIES

The District provides management, engineering, and repair and maintenance services to both, the Butler County Water System and Simpson County Water District as defined in the "Joint Operations Agreement" dated February 20, 2014. In the ordinary course of business, the District has and expects to continue to have transactions with Butler County Water Systems and Simpson County Water District.

In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2019:

	Accounts Receivable	Accounts Payable
Butler County Water Systems	\$ 254,137	\$ 5,647
Simpson County Water District	\$ 339,802	\$ 16,788

The following related party amounts were included in accounts receivable and accounts payable at December 31, 2018:

	Accounts Receivable	Accounts Payable
Butler County Water Systems	\$ 250,863	\$ 6,920
Simpson County Water District	\$ 184,243	\$ 7,874

## Warren County Water District Notes to the Financial Statements

### NOTE 5: RELATED PARTIES (CONTINUED)

For the year ended December 31, 2019, the District allocated expenses to related parties as follows:

Description	Butler County Water Systems	Simpson County Water District
Wages and benefits:		
Operation	\$ 429,406	\$ 235,752
Administrative:		
Supervision and administration	128,881	89,862
Accounting	37,582	26,204
Customer service	94,432	57,141
Engineering	15,244	10,784
Operations - other	150,210	102,923
Additions to plant	95,937	88,568
Special projects	48,724	126,273
Totals	\$ 1,000,416	\$ 737,507

For the year ended December 31, 2018, the District allocated expenses to related parties as follows:

Description	Butler County Water Systems	Simpson County Water District
Wages and benefits:		
Operation	\$ 476,768	\$ 243,723
Administrative:		
Supervision and administration	116,315	81,735
Accounting	40,238	28,275
Customer service	85,115	51,382
Engineering	12,014	11,706
Operations - other	144,470	83,863
Additions to plant	92,853	84,550
Special projects	134,112	57,832
Totals	\$ 1,101,885	\$ 643,066

**NOTE 6: MAJOR SUPPLIER**

The District purchases all water and sewer services from the Bowling Green Municipal Utilities ("BGMU"). The agreement was renewed on December 4, 2018 for an additional forty-five years. Any rate adjustments are approved by BGMU, the District, and the Kentucky Public Service Commission.

**NOTE 7: EMPLOYEE RETIREMENT PLAN**

***Plan Description***

Employees of the District are provided with a defined benefit retirement plan through the Retirement Security Plan ("RS Plan") administered by the National Rural Electric Cooperative Association ("NRECA"), which is a cost sharing multiple-employer plan that has the characteristics described in paragraph 2 of GASB Statement No. 78.

***Financial Information***

The RS Plan publishes a financial statement and a copy can be obtained by writing or calling the Plan Administrator, NRECA, PO Box 6007, Lincoln, NE, 68506; telephone number 866-NRECA99. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the search tool (EIN 530116145; PN 333).

***Benefits Provided***

The District had 61 and 58 employees participating in the RS Plan on December 31, 2019 and 2018, respectively. Upon retirement at the normal age of sixty-two, the annual estimated benefit is calculated as: Benefit Level (1.6% eligible service years from January 1, 1976 to April 1, 1999, 1.85% for service years from April 1, 1999 to January 1, 2018, and 1% for service years after January 1, 2018) multiplied by the number of continuous years in the plan multiplied by the average of the highest five salary years. Other plans were in effect prior to January 1, 1976 and benefit calculations will vary in accordance with an employee's hire date. The District decreased the normal retirement age to sixty-two and increased the benefit level. The District's Board of Commissioners has the authority to amend certain terms of the RS Plan, including benefit levels provided for each year of service, normal retirement age, eligibility for participation, and required employee contributions to the plan. Other terms such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by the District. Each employer in the RS plan elects to participate in the plan.

**NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)**

***Contribution Requirements***

The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payrolls over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each employer's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's pay level). The District must contribute annually in accordance with the terms of the RS Plan. The District's Board of Commissioners may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. The District's contribution rate for Year 2019 was 11.55% and for Year 2018 was 11.86% of employees' base pay for those employees who have been employed with the District for over one year and have worked the number of hours to qualify. The District can choose to withdraw from the RS Plan, subject to plan provisions that require the District to fully fund its share of the RS Plan liabilities before withdrawing.

**NOTE 8: POST EMPLOYMENT HEALTHCARE PLAN**

***Plan Description***

The District administers an Other Postemployment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired District employees and their dependents under certain conditions. A summary of retiree medical, prescription drug and dental insurance benefits are in the District's Operating Policy NO. 109, paragraph J. This Operating Policy may be obtained by writing to John Dix, General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. The District does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

***Benefits Provided***

Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement after reaching age 60 and meeting a combined age plus years of service of at least 75. Coverage during retirement continues in the group health plans. Employees covered by the plan make contributions toward the plan premiums.

***Plan Membership***

Plan membership consisted of the following:

December 31,	2019	2018
Inactive members currently receiving benefits	4	5
Active members	56	64
Total	60	69



## Warren County Water District Notes to the Financial Statements

### NOTE 8: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

#### ***Investment Policy***

The District's obligation is unfunded at December 31, 2019 and 2018. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

#### ***Contributions***

The contribution requirements of retired employees are established and may be amended by the District's Board of Commissioners. If an employee retires at a minimum age of 60 and their age plus years of service equals 75, the District will pay 70 percent of the premium for employee and spouse coverage for a period not to exceed 5 years. All retirees and their spouses may be allowed to retain the coverage as set forth with a 100 percent of the premium being paid by the retiree. For fiscal years 2019 and 2018 respectively, the District contributed \$91,962 and \$73,479 towards the healthcare plan.

#### ***Actuarial Assumptions***

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018. For 2019 assumes actuarial assumptions are exactly realized. Update procedures were used to roll forward the service cost and total OPEB liability to the December 31, measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Alternative Measurement Method (AMM)
Measurement Date	December 31, 2018
Valuation Date	December 31, 2018
Reporting Date	December 31, 2018
Measurement Period	January 1, 2018 to December 31, 2018
Discount Rate	4.10%
General Inflation	3.00%
Salary Increases	2.50%
Health Care Cost Trend Rates	5.00%
Mortality	2014 United States Life Tables

This AMM valuation reflects the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 3.78% to 4.10%.

This AMM valuation reflects a change in the benefit terms which expands the allowed coverage period from three years to five years. The retirement age assumption was changed from age 63 to age 62 in reflection of this change.

## Warren County Water District Notes to the Financial Statements

### NOTE 8: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

#### **Discount Rate**

The discount rate used to measure the OPEB liability was 4.10% for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods. The discount rate changed from the prior measurement date. The discount rate was 3.78% for the December 31, 2016 measurement date.

#### **Total OPEB Liability**

	As of December 31, 2018
<b>Actuarial Present Value of Future Benefits</b>	
Retired - Employees/Spouses	\$ 235,739
Actives - Employees/Spouses	2,438,551
Total	<u>\$ 2,674,290</u>
<b>Total OPEB Liability</b>	
Retired - Employees/Spouses	\$ 235,739
Actives - Employees/Spouses	1,223,551
Total	<u>\$ 1,459,290</u>

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the Net Fiduciary Position is \$0 and the Net OPEB Liability would be equal to the Total OPEB Liability.

#### **Changes in the Total OPEB Liability**

December 31,	2019	2018
Balance Forward	\$ 1,459,290	\$ 924,567
Changes for the year:		
Service cost	86,623	54,508
Interest in the total OPEB liability	61,497	35,620
Changes in benefits	-	406,050
Difference between expected and actual experience	-	136,938
Changes in assumptions	-	(24,914)
Benefit payments, including employee refunds	<u>(91,962)</u>	<u>(73,479)</u>
Net changes	<u>56,158</u>	<u>534,723</u>
Balance, December 31,	<u>\$ 1,515,448</u>	<u>\$ 1,459,290</u>

## Warren County Water District Notes to the Financial Statements

### NOTE 8: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

#### *OPEB Expense*

	<b>Fiscal Year Ending December 31, 2019</b>	<b>Fiscal Year Ending December 31, 2018</b>
Service Cost	\$ 86,623	\$ 54,508
Interest on Total OPEB Liability	61,497	35,620
Effect of Plan Changes	-	406,050
Economic/Demographic (Gains)/Losses	-	136,938
Assumption Changes	-	(24,914)
OPEB Expense	<u>\$ 148,120</u>	<u>\$ 608,202</u>

#### *Expected Remaining Service Lives*

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

However, if using AMM procedures changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors are immediately recognized in OPEB expense.

#### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (3.10%) and 1-percentage-point higher (5.10%) than the current discount rate:

	<b>1% Decrease (3.10%)</b>	<b>Current Discount Rate (4.10%)</b>	<b>1% Increase (5.10%)</b>
District's total OPEB liability	\$ 1,628,321	\$ 1,515,448	\$ 1,397,098

## Warren County Water District Notes to the Financial Statements

### NOTE 8: POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

#### *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (4.00%) and 1-percentage-point higher (6.00%) than the current healthcare cost trend rates:

	<b>1% Decrease (4.00%)</b>	<b>Current Healthcare Cost Trend Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
District's total OPEB liability	\$ 1,323,979	\$ 1,515,448	\$ 1,744,315

### NOTE 9: OTHER EMPLOYEE BENEFITS

The District currently participates in 401(a) and 457(b) retirement plans through Transamerica Retirement Solutions Corporation. Full-time employees meeting certain eligibility requirements can participate in the plan to the extent allowed under Internal Revenue Service rules. The District's contribution to the plan is limited to employees who have been employed for over one year and consists of a 3% contribution and a 100% matching contribution of up to 4% of the employee's base salary. For the years ended December 31, 2019 and 2018, respectively, the District contributed \$210,684 and \$200,474 to the 401(a) plan.

Employees with less than twenty-five years of continuous service shall accrue annual leave at the rate of fifteen days per year. Employees with more than twenty-five years of continuous service accrue annual leave at the rate of twenty days per year. Unused annual leave in excess of ten days accumulate at the end of the year and are payable upon request to employees with more than 240 accumulated annual leave days. All accumulated annual leave is payable to employees upon termination. At December 31, 2019 and 2018, the District's accrued compensated absences for annual leave totaled \$340,417 and \$324,005, respectively.

Employees accrue sick days at the rate of one sick day per month worked. The sick pay accumulation is unlimited and is payable upon retirement for all sick leave in excess of 800 hours at the rate of one day's pay for each 100 hours or fraction thereof. At December 31, 2019 and 2018, the District's accrued compensated absences for sick leave totaled \$32,116 and \$32,927, respectively.

**NOTE 10: RISKS OF LOSS**

The District's risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management and agents on an annual basis.

**NOTE 11: COMMITMENTS**

The District has entered into an agreement with an entity to develop the water and sewer system for their plant with a grant received from the Kentucky Cabinet for Economic Development ("KCED"). To meet the requirements of the KCED, the District had to place a surety with KCED for \$615,000 until July 1, 2025, which equals the cost of the grant. In turn, the Intermodal Transportation Authority agrees to return the surety in the form of water and sewer improvement if the entity does not meet the employment goals required by the grant agreement.

In August 2017, WCWD's Board of Commissioners approved the installation of an automated meter reading (AMR) system. The project will be installed on approximately 31,500 meters over a five year period and will collect consumption data using a radio based transmission system that will eliminate the need to physically read meters each month. The AMR system will include acoustic leak detection capabilities that will continuously monitor mains and service lines for water leaks. The estimated cost of the project is \$6,835,175 and will be funded by WCWD. The project started installation in February 2019 and is projected to be completed in December 2023. Total cost incurred as of December 31, 2019 is \$3,573,450.

The Morgantown Road Area Improvements and Small Line Replacements Project will replace the Briggs Hill standpipe with a new 200,000-gallon elevated tank at a higher elevation. The higher tank will result in more water pressure for customers in the area. 14,000 feet of new water line will be installed. There will also be a new pump station. The anticipated total cost of the project is \$2,300,000. Funding has been obtained through the Kentucky Infrastructure Authority. Total cost incurred as of December 31, 2019 is \$90,320.

The Plum Springs Area Sewer Rehabilitation Project will consist of lining approximately 32,000 linear feet of concrete and clay gravity sewer that has reached the end of its useful life. Approximately 18,000 feet of 8" sewer and 14,000 feet of large diameter sewer. The anticipated total cost of the project is \$3,056,000. Funding will consist of approximately \$645,000 from a Rural Development loan, \$2,000,000 from the Kentucky Infrastructure Authority, and \$411,000 of District funds. Total cost incurred as of December 31, 2019 is \$973,830.

The Memphis Junction Capacity Improvements Project will consist of installing approximately 5,500 linear feet of 16" PVC sewer force main to increase the pumping capacity of the Memphis Junction lift station, a new electrical building, and new pumps. The anticipated total cost of the project is \$1,040,000. Total cost incurred as of December 31, 2019 is \$889,888.

**NOTE 11: COMMITMENTS (CONTINUED)**

The Nashville Road Relocations Project will consist of relocating approximately 35,000 linear feet of water line and a pump station to accommodate a Kentucky Transportation Cabinet road widening project. The anticipated total cost of the project is \$2,950,000. The Transportation Cabinet will fund approximately \$2,850,000 of the project cost and the District will contribute approximately \$100,000. Total cost incurred as of December 31, 2019 is \$2,232,748.

Pump Station Upgrades & Relocation, Kelly Vance/ Louisville Road & Greenwood #2 Project will consist of upgrading 3 important pump stations. The Kelly Vance pump station will be completely replaced due to its age and degradation. Louisville Rd and Greenwood #2 will receive substantial upgrades. The anticipated total cost of the project is \$1,540,000. Total cost incurred as of December 31, 2019 is \$28,552.

**NOTE 12: SUBSEQUENT EVENTS**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

On March 16, 2020 the Kentucky Public Service Commission ordered all utilities under its jurisdiction to suspend, for at least 30 days and until further notice, all disconnections for non-payment, as well as late payment fees, in order to provide relief for customers during the coronavirus pandemic.

Warren County Water District  
Schedule of Employer Required Contributions

**RETIREMENT SECURITY PLAN**

	Year 1 2019	Year 2 2018	Year 3 2017	Year 4 2016	Year 5 2015	Year 6 2014	Year 7 2013	Year 8 2012	Year 9 2011	Year 10 2010
Contractually Required Contribution	\$ 343,827	\$ 335,398	\$ 782,066	\$ 785,396	\$ 674,876	\$ 658,698	\$ 689,385	\$ 626,233	\$ 587,412	\$ 557,139

NOTE: This schedule is intended to present a ten-year trend per GASB 78.

## Warren County Water District Notes to the Schedule of Employer Required Contributions

The table below summarized the District's contribution rates, contractually required contribution amounts, and factors significantly affecting contribution rates for the RS Plan.

Year	Contribution Rate	Contribution Amount Required and Paid	Average Age	Factors Significantly Affecting Contribution Rate
2010	23.53	\$ 557,139	42	Actual 2008 investment return was significantly lower than assumed 8.5% expected annual return.
2011	23.53	\$ 587,412	42	No new factors.
2012	23.98	\$ 626,233	43	Increase in the average age of District participants.
2013	25.89	\$ 689,385	43	Actual 2011 investment return was significantly lower than assumed 8.5% expected annual return.
2014	26.37	\$ 658,698	44	Increase in the average age of District participants.
2015	25.89	\$ 674,879	43	Decrease in the average age of District participants.
2016	27.17	\$ 785,396	44	Increase in the average age of District participants and lower than assumed 7.75% expected annual return.
2017	27.55	\$ 782,066	45	Increase in the average age of District participants.
2018	11.86	\$ 335,398	45	Decrease in the contribution rate due to prepayment of unfunded balance and reduction of benefits.
2019	11.55	\$ 343,827	43	Decrease in the average age of District participants.

NOTE: This schedule is intended to present a ten-year trend per GASB 78.



**Warren County Water District**  
**Schedule of Change in the District's Total OPEB Liability and Related Ratios**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 86,623	\$ 54,508
Interest	61,497	35,620
Changes of benefit terms	-	406,050
Difference between expected and actual experience	-	136,938
Changes of assumptions	-	(24,914)
Benefit payments	<u>(91,962)</u>	<u>(73,479)</u>
Net change in total OPEB liability	56,158	534,723
Total OPEB liability - beginning	<u>1,459,290</u>	924,567
Total OPEB liability - ending	<u><u>\$ 1,515,448</u></u>	<u><u>\$ 1,459,290</u></u>
Covered-employee payroll	3,409,453	3,326,296
District total OPEB liability as a percentage of covered-employee payroll	44.45%	43.87%

NOTE: This schedule is intended to present a ten-year trend per GASB 75. Additional years will be reported as incurred.

**Notes to Schedule**

**Changes of Benefit Terms**

In 2018 there was a change in the benefit terms which expands the allowed coverage period from three years to five years. The retirement age assumption was changed from age 63 to age 62 in reflection of this change. There was no change in the benefit terms for 2019.

**Changes of Assumptions**

In 2018, the discount rate was increased from 3.78% to 4.10%. There was no change in assumptions for 2019.

Warren County Water District  
Schedule of Budgetary Comparison

*For the Year Ended December 31, 2019*

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Metered water revenue	\$ 11,175,000	\$ 11,865,000	\$ 11,805,154	\$ (59,846)
Metered sewer revenue	4,282,000	4,517,000	4,506,579	(10,421)
Forfeited discounts	253,600	253,600	238,753	(14,847)
Miscellaneous service revenue	315,200	300,200	289,000	(11,200)
Other water revenue	8,000	8,000	7,888	(112)
Other sewer revenue	600	600	600	-
Interest income	268,800	268,800	267,424	(1,376)
Rental income - utility property	149,200	149,200	146,336	(2,864)
Non-utility income - recycling	52,800	52,800	53,097	297
Non-utility income - storm water	63,900	63,900	63,801	(99)
Non-utility income - miscellaneous	-	-	4,537	4,537
<b>Total revenues</b>	<b>16,569,100</b>	<b>17,479,100</b>	<b>17,383,169</b>	<b>(95,931)</b>
<b>Expenses</b>				
Salaries and wages	1,612,500	1,557,500	1,543,669	13,831
Commissioner fees	30,000	30,000	30,000	-
Fringe benefits	991,800	931,800	918,436	13,364
Purchased water	4,336,000	4,886,000	4,861,409	24,591
Sewage disposal	2,316,000	2,558,000	2,547,994	10,006
Purchased power	644,700	644,700	638,898	5,802
Chemicals	29,400	29,400	28,912	488
Materials and supplies	222,500	232,500	230,819	1,681
Contractual services - accounting	19,000	20,500	20,070	430
Contractual services - legal	12,000	7,000	4,088	2,912
Contractual services - other	716,600	701,600	693,779	7,821
Rental of building / property	60,000	60,000	57,675	2,325
Equipment expense	251,300	234,300	224,210	10,090
Insurance - general liability	77,800	76,800	78,039	(1,239)
Insurance - other	5,000	5,000	5,090	(90)
Regulatory expense	29,500	29,500	30,171	(671)
Bad debt expense	19,100	17,100	13,950	3,150
Miscellaneous expense	37,000	31,000	24,796	6,204
<b>Total expenses</b>	<b>11,410,200</b>	<b>12,052,700</b>	<b>11,952,005</b>	<b>100,695</b>

Warren County Water District  
Schedule of Budgetary Comparison

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
<b>Other (Revenues) and Expenses</b>				
Depreciation	3,814,000	3,817,700	3,811,928	5,772
Miscellaneous non-operating income	(5,000)	(5,000)	-	(5,000)
Interest expense	318,200	325,900	325,207	693
Unamortized debt expense	2,900	4,900	-	4,900
Disposition losses	-	85,000	84,961	39
OPEB expense	49,900	27,900	28,377	(477)
<b>Total other (revenues) expenses</b>	<b>4,180,000</b>	<b>4,256,400</b>	<b>4,250,473</b>	<b>5,927</b>
<b>Total expenses</b>	<b>15,590,200</b>	<b>16,309,100</b>	<b>16,202,478</b>	<b>106,622</b>
<b>Income before capital contributions</b>	<b>978,900</b>	<b>1,170,000</b>	<b>1,180,691</b>	<b>10,691</b>
<b>Capital contributions</b>	<b>4,455,900</b>	<b>4,455,900</b>	<b>10,946,930</b>	<b>6,491,030</b>
<b>Change in net position</b>	<b>\$ 5,434,800</b>	<b>\$ 5,625,900</b>	<b>\$ 12,127,621</b>	<b>\$ 6,501,721</b>

Warren County Water District  
Statement of Net Position by Division

<i>December 31, 2019</i>	Water Division	Sewer Division	Eliminating Entries	Total
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 3,761,565	\$ 4,551,157	\$ -	\$ 8,312,722
Accounts receivable:				
Customer accounts receivable, net of allowance for uncollectibles	483,753	198,635	-	682,388
Accounts receivable – Butler County Water System	110,768	-	-	110,768
Accounts receivable – Simpson County Water District	237,713	1,376	-	239,089
Accounts receivable – Water Division	-	481,214	(481,214)	-
Accounts receivable – Sewer Division	77,607	-	(77,607)	-
Other accounts receivable	447,714	106,474	-	554,188
Interest receivable	11,608	2,027	-	13,635
Materials and supplies inventory	656,735	-	-	656,735
Prepaid expenses	96,260	12,844	-	109,104
Total current assets	5,883,723	5,353,727	(558,821)	10,678,629
<b>Non-current assets</b>				
<b>Utility Plant</b>				
Utility plant in service	124,651,750	58,950,707	-	183,602,457
Construction in progress	4,714,629	2,193,880	-	6,908,509
Less accumulated depreciation	(43,369,266)	(13,987,086)	-	(57,356,352)
Total utility plant, net	85,997,113	47,157,501	-	133,154,614

Warren County Water District  
Statement of Net Position by Division

<i>December 31, 2019</i>	Water Division	Sewer Division	Eliminating Entries	Total
<b>Non-current assets (Continued)</b>				
Restricted cash and equivalents	1,716,449	1,232,161	-	2,948,610
Restricted investments	3,045,293	1,824,554	-	4,869,847
Investments	469,000	-	-	469,000
Accounts receivable:				
Accounts receivable – Butler County Water System	143,369	-	-	143,369
Accounts receivable – Simpson County Water District	100,713	-	-	100,713
Accounts receivable – Sewer Division	196,872	-	(196,872)	-
Unamortized retirement security plan costs	1,298,362	-	-	1,298,362
Other assets	124,608	30,597	-	155,205
<b>Total non-current assets</b>	<b>93,091,779</b>	<b>50,244,813</b>	<b>(196,872)</b>	<b>143,139,720</b>
<b>Total assets</b>	<b>\$ 98,975,502</b>	<b>\$ 55,598,540</b>	<b>\$ (755,693)</b>	<b>\$ 153,818,349</b>

Warren County Water District  
Statement of Net Position by Division

<i>December 31, 2019</i>	Water Division	Sewer Division	Eliminating Entries	Total
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 1,066,040	\$ 941,319	\$ -	\$ 2,007,359
Accounts payable – Butler County Water Systems	5,647	-	-	5,647
Accounts payable – Simpson County Water District	16,788	-	-	16,788
Accounts payable – Water Division	-	44,880	(44,880)	-
Accounts payable – Sewer Division	481,214	-	(481,214)	-
Accrued expenses	881,466	77,046	-	958,512
Contractor advances for construction	101,416	192,997	-	294,413
Current portion of long-term debt	357,240	234,613	-	591,853
Total current liabilities	2,909,811	1,490,855	(526,094)	3,874,572
<b>Non-current liabilities</b>				
<b>Long-term Obligations</b>				
Bonds and loans payable	1,791,000	446,500	-	2,237,500
Notes payable	4,496,033	1,651,948	-	6,147,981
Less: Net unamortized bond (discount) premium	(22,986)	-	-	(22,986)
Less: Current portion of long-term debt	(357,240)	(234,613)	-	(591,853)
Net long-term obligations	5,906,807	1,863,835	-	7,770,642
Accounts payable	-	229,599	(229,599)	-
Customer meter deposits	1,049,084	301,829	-	1,350,913
Rebates payable	1,330,597	981,757	-	2,312,354
Unearned revenue for cellular leases	72,136	-	-	72,136
Other post employment benefit obligation	1,515,448	-	-	1,515,448
Total non-current liabilities	9,874,072	3,377,020	(229,599)	13,021,493
Total liabilities	12,783,883	4,867,875	(755,693)	16,896,065

Warren County Water District  
Statement of Net Position by Division

<i>December 31, 2019</i>	Water Division	Sewer Division	Eliminating Entries	Total
<b>Net Position</b>				
Net investment in capital assets	79,733,066	45,059,053	-	124,792,119
Restricted	2,964,306	2,404,166	-	5,368,472
Unrestricted	3,494,247	3,267,446	-	6,761,693
<b>Total net position</b>	<b>86,191,619</b>	<b>50,730,665</b>	<b>-</b>	<b>136,922,284</b>
<b>Total liabilities and net position</b>	<b>\$ 98,975,502</b>	<b>\$ 55,598,540</b>	<b>\$ (755,693)</b>	<b>\$ 153,818,349</b>

Warren County Water District  
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>Year Ended December 31, 2019</i>	Water Division	Sewer Division	Eliminating Entries	Total
<b>Operating Revenues</b>				
<b>Metered sales</b>				
Residential	\$ 7,592,215	\$ 1,750,593	\$ -	\$ 9,342,808
Commercial	4,212,939	2,755,986	-	6,968,925
Total metered sales	11,805,154	4,506,579	-	16,311,733
Forfeited discounts	167,871	70,882	-	238,753
Miscellaneous service revenue	266,985	30,503	-	297,488
Total operating revenues	12,240,010	4,607,964	-	16,847,974
<b>Operating Expenses</b>				
<b>Source of supply expense</b>				
Purchased water	4,861,409	-	-	4,861,409
Sewage disposal	-	2,547,994	-	2,547,994
Total source of supply expense	4,861,409	2,547,994	-	7,409,403
<b>Pumping plant expense</b>				
Salaries and benefits	269	-	-	269
Power purchased	486,724	139,841	-	626,565
Chemicals	-	28,912	-	28,912
Contractual services	2,752	2,266	-	5,018
Rental expense	4,944	-	-	4,944
Insurance	10,805	3,826	-	14,631
Materials and supplies	42	-	-	42
Total pumping plant expense	505,536	174,845	-	680,381



Warren County Water District  
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>Year Ended December 31, 2019</i>	Water Division	Sewer Division	Eliminating Entries	Total
<b>Operating Expenses (Continued)</b>				
<b>Transmission and distribution expense</b>				
Salaries and benefits	630,460	94,666	-	725,126
Power purchased	12,333	-	-	12,333
Contractual services	136,031	58,888	-	194,919
Rental expense	18,950	-	-	18,950
Transportation	102,025	22,663	-	124,688
Insurance	45,920	2,228	-	48,148
Materials and supplies	155,952	39,545	-	195,497
<b>Total transmission and distribution expense</b>	<b>1,101,671</b>	<b>217,990</b>	<b>-</b>	<b>1,319,661</b>
<b>Customer accounts expense</b>				
Salaries and benefits	957,848	94,796	-	1,052,644
Contractual services	186,606	46,978	-	233,584
Uncollectible accounts	12,362	1,588	-	13,950
Rental expense	28,837	-	-	28,837
Transportation	96,420	102	-	96,522
Insurance	5,402	2,228	-	7,630
Miscellaneous	6,975	22	-	6,997
Materials and supplies	6,475	411	-	6,886
<b>Total customer accounts expense</b>	<b>1,300,925</b>	<b>146,125</b>	<b>-</b>	<b>1,447,050</b>

Warren County Water District  
Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>Year Ended December 31, 2019</i>	Water Division	Sewer Division	Eliminating Entries	Total
<b>Administrative and general expense</b>				
Salaries and benefits	602,842	109,601	-	712,443
Office supplies	24,395	4,041	-	28,436
Commissioner fees	15,000	15,000	-	30,000
Contractual services	243,256	41,160	-	284,416
Insurance	7,947	4,773	-	12,720
Rental expense	4,944	-	-	4,944
Regulatory commission expense	22,456	7,715	-	30,171
Miscellaneous	11,997	5,802	-	17,799
Transportation	2,934	24	-	2,958
Total administrative and general expense	935,771	188,116	-	1,123,887
Depreciation	2,653,726	1,154,635	-	3,808,361
Total operating expenses	11,359,038	4,429,705	-	15,788,743
Operating income	880,972	178,259	-	1,059,231
<b>Non-Operating Revenues (Expenses)</b>				
Interest income	153,583	113,841	-	267,424
Rental income	131,718	14,618	-	146,336
Non-utility income	121,427	8	-	121,435
Loss on disposal of assets	(84,961)	-	-	(84,961)
Interest expense	(250,171)	(78,603)	-	(328,774)
Total non-operating revenues (expenses) - net	71,596	49,864	-	121,460

Warren County Water District

Statement of Revenues, Expenses, and Changes in Net Position by Division

<i>Year Ended December 31, 2019</i>	Water Division	Sewer Division	Eliminating Entries	Total
Income before capital contributions	952,568	228,123	-	1,180,691
Capital contributions	5,200,958	5,745,972	-	10,946,930
Change in net position	6,153,526	5,974,095	-	12,127,621
Total net position – beginning of year	80,038,088	44,756,575	-	124,794,663
Total net position – end of year	\$ 86,191,614	\$ 50,730,670	\$ -	\$ 136,922,284

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Board of Commissioners  
Warren County Water District  
Bowling Green, 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 Warren County Water District (the "District"), a component unit of Warren County, Kentucky, 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, and have issued our report thereon dated May 13, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Bowling Green, Kentucky  
May 13, 2020



**THOUGHT LEADERSHIP**



## Join Our Conversation



### WEBSITE (CRIcpa.com)

CRI's website features financial calculators, current tax and estate tax guides, a record retention schedule, glossary of common financial terms, and hundreds of articles with topics ranging from current legislation to industry-specific news.



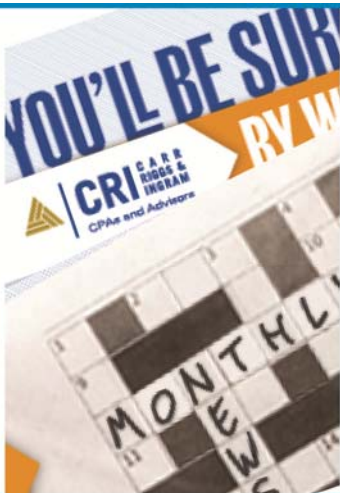
### BLOG SITE (blog.CRIcpa.com)

Featuring articles and videos, CRI's interactive blog site provides helpful tips for readers both personally and professionally. Written by our partners from their perspective and experiences, these plain English explanations of current regulations and trends exemplify our commitment to open dialogue.



### CRInsights (CRIcpa.com)

We understand that just because a topic makes perfect sense to a CPA doesn't mean that it will to our clients. That's why we developed CRInsights, our in-depth yet down-to-earth explanations of complex topics.



### NEWSLETTER (Sign up at CRIcpa.com)

Our team is dedicated to keeping our clients informed, and we prove it by creating a custom monthly e-newsletter with widely-applicable topics. The articles are designed to help you improve your business and personal finances. Popular recent topics include:

- Reportable Health Care Coverage on W-2s
- Navigating Alternative Minimum Tax (AMT)
- Key Considerations of Health Care Law
- Six Commandments of Estate Planning