

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)
SOUTHEAST DAVIESS COUNTY WATER)
DISTRICT AND WEST DAVIESS COUNTY) CASE NO. 2020-00287
WATER DISTRICT FOR AN ORDER)
APPROVING THEIR MERGER)
AGREEMENT)

VERIFIED JOINT APPLICATION

Pursuant to KRS 278.020(6) and (7), 807 KAR 5:001, and other applicable laws and regulations, Southeast Daviess County Water District (“Southeast”) and West Daviess County Water District (“West”) (collectively, the “Joint Applicants”) apply to the Kentucky Public Service Commission (the "Commission") for approval of their Merger Agreement. In support of this Verified Joint Application, the Joint Applicants state:¹

GENERAL INFORMATION

1. The full name and post office address of Southeast is: Southeast Daviess County Water District, 3400 Bittel Road, Owensboro, Kentucky 42301. Its email address is whigdon@oolwireless.net.

2. The full name and post office address of West is: West Daviess County Water District, 3400 Bittel Road, Owensboro, Kentucky 42301. Its email address is

¹ See Transfers Filing Requirements Checklist attached to this Verified Joint Application.

whigdon@oolwireless.net.

3. Southeast was established by an Order of the Daviess County Court on July 29, 1964 and is a water district organized under the provisions of KRS Chapter 74. A copy of the Order is attached hereto and incorporated herein by reference as **Exhibit 1**.

4. Southeast is not a corporation, limited liability company, or limited partnership. It has no articles of incorporation or partnership agreements.

5. The governing body of Southeast is its Board of Commissioners, which is currently comprised of three (3) members. The Board of Commissioners is a public body corporate, with the power to enter into contracts on behalf of the water district in furtherance of its lawful and proper purposes as provided in KRS 74.070 and all other applicable laws.

6. West was established by an Order of the Daviess County Court on January 11, 1966 and is a water district organized under the provisions of KRS Chapter 74. A copy of the Order is attached hereto and incorporated herein by reference as **Exhibit 2**.

7. West is not a corporation, limited liability company, or limited partnership. It has no articles of incorporation or partnership agreements.

8. The governing body of West is its Board of Commissioners, which is currently comprised of three (3) members. The Board of Commissioners is a public body corporate, with the power to enter into contracts on behalf of the water district in

furtherance of its lawful and proper purposes as provided in KRS 74.070 and all other applicable laws.

9. Pursuant to 807 KAR 5:001, Section 4(8), copies of all orders, pleadings, and other communications related to this proceeding should be directed to:²

Southeast Daviess County Water District

William G. Higdon, General Manager
3400 Bittel Road
Owensboro, KY 42301
(270) 685-5594
whigdon@oolwireless.net

West Daviess County Water District

William G. Higdon, General Manager
3400 Bittel Road
Owensboro, KY 42301
(270) 685-5594
whigdon@oolwireless.net

Damon R. Talley
Stoll Keenon Ogden PLLC
P.O. Box 150
Hodgenville, KY 42748
(270) 358-3187
damon.talley@skofirm.com

Katelyn L. Brown
Stoll Keenon Ogden PLLC
500 West Jefferson Street, Suite 2000
Louisville, KY 40202
(270) 568-5711
katelyn.brown@skofirm.com

² On August 26, 2020, Southeast and West's Notice of Election of Use of Electronic Filing Procedures, pursuant to 807 KAR 5:001, Section 8, was filed on the Commission's website.

BACKGROUND

10. Southeast is engaged in the distribution and sale of water in Daviess County, Kentucky. As of December 31, 2019, Southeast provided retail water service to approximately 7,603 customers in Daviess County, Kentucky.³ It has no wastewater customers.

11. West is engaged in the distribution and sale of water in Daviess County, Kentucky. As of December 31, 2019, West provided retail water service to approximately 5,342 customers in Daviess County, Kentucky.⁴ It has no wastewater customers.

12. Both Southeast and West are wholesale water customers of Owensboro Municipal Utilities (“OMU”). They each purchase water from OMU pursuant to the provisions of separate long-term water supply contracts with OMU. These contracts are on file with the Commission.

13. The existing service areas of Southeast and West are not contiguous. The territorial boundary descriptions of both Southeast and West are attached hereto and incorporated herein by reference as **Exhibits 3 and 4**, respectively. A map depicting the respective service areas of Southeast and West is attached hereto and incorporated herein by reference as **Exhibit 5**.

³ *Annual Report of Southeast Daviess County Water District to the Kentucky Public Service Commission for the Year Ending December 31, 2019* (“Southeast’s Annual Report”) at 27.

⁴ *Annual Report of West Daviess County Water District to the Kentucky Public Service Commission for the Year Ending December 31, 2019* (“West’s Annual Report”) at 27.

14. Southeast currently owns and operates water distribution facilities (“Southeast System”). A map depicting the location of the water storage tanks, booster pump stations, water lines, and other assets contained within the Southeast System is contained in **Exhibit 6**.

15. West currently owns and operates water distribution facilities (“West System”). **Exhibit 6** also depicts the location of the water storage tanks, booster pump stations, water lines, and other assets contained within the West System.

16. Although Southeast and West have separate governing bodies, they have historically shared office space and employees. Indeed, both districts have always “shared” the services of a General Manager. The first General Manager was Jan Kuegel. He was hired as General Manager by the Southeast Board of Commissioners in 1965. Then, when West was formed, the West Board of Commissioners also hired Jan Kuegel as its General Manager. Mr. Kuegel continued to serve as General Manager of both districts until his death in 2004. Then, the districts hired William G. Higdon to be the General Manager of both Southeast and West. He continues to serve as the General Manager for each district. Hence, the Board of Commissioners of both Southeast and West are very familiar with the operations of the other district.

17. The Southeast Board of Commissioners and the West Board of Commissioners have independently determined that consolidating and merging Southeast and West into a single water district will result in many benefits, including enabling the single water district to manage, operate, and maintain the combined

system in a more cost-effective manner.

18. On August 18, 2020, Southeast and West entered into a Merger Agreement (the “Merger Agreement”) whereby West will merge with and into Southeast and Southeast will be the surviving water district. A copy of the Merger Agreement is attached hereto and incorporated herein by reference as **Exhibit 7**.

19. On August 11, 2020, Southeast adopted Resolution No. 2020-08-01 authorizing the merger of Southeast and West, approving the Merger Agreement, and authorizing the Chairman to execute the Merger Agreement and file an Application for approval of the merger with the Commission. A copy of Southeast’s Resolution is attached hereto and incorporated herein by reference as **Exhibit 8**.

20. On August 18, 2020, West adopted Resolution No. 2020-08-01 authorizing the merger of Southeast and West, approving the Merger Agreement, and authorizing the Chairman to execute the Merger Agreement and file an Application for approval of the merger with the Commission. A copy of West’s Resolution is attached hereto and incorporated herein by reference as **Exhibit 9**.

THE PROPOSED TRANSACTION

21. The Merger Agreement provides that West will merge with and into Southeast and the separate existence of West shall cease. The title to all property, whether real, personal, or intangible, owned by West will automatically be vested in Southeast by operation of law. All investment accounts maintained by West will become Southeast’s investment accounts. Southeast will also assume all the

liabilities of West.

22. As of the Effective Date of the merger, Southeast's name shall be changed to the "Daviness County Water District." Also, the territorial boundaries of Southeast shall be expanded to include the entire existing territorial boundaries of West.

23. Pursuant to KRS 74.363(2), the current members of Southeast's Board of Commissioners and the current members of West's Board of Commissioners will serve as members of the Daviness County Water District Board of Commissioners until one (1) year after approval of the merger by the Commission. Thereafter, the Board of Commissioners of the Daviness County Water District will be composed of six (6) members.⁵ The Daviness County Judge/Executive, with approval of the Daviness County Fiscal Court, will appoint two (2) commissioners to serve a two (2) year term, two (2) commissioners to serve a three (3) year term, and two (2) commissioners to serve a four (4) year term. Thereafter, all commissioners of the Daviness County Water District will be appointed for a term of four (4) years.

24. Southeast and West already share office space and employees. The merged district, Daviness County Water District, will maintain the same office and will retain all the current employees. No new employees will be added.

⁵ See Article 1, Section 1.4(d) of Merger Agreement.

FINANCIAL, TECHNICAL, AND MANAGERIAL ABILITIES

25. Southeast and West are required to obtain Commission approval for the proposed merger. KRS 278.020(6) and (7) state that the Commission must authorize the transfer of ownership or control of any entity under its jurisdiction prior to the transaction taking place. KRS 278.020(6) further states that the Commission **shall** grant its approval if the acquiring entity has the “financial, technical, and managerial abilities to provide reasonable service.”

26. Southeast, as the surviving water district in the merger, has the financial, technical, and managerial abilities to provide reasonable service to West’s customers in addition to continuing to provide adequate service to its own customers. Southeast’s 2019 audited financial statements are attached hereto and incorporated herein by reference as **Exhibit 10**. West’s audited 2019 financial statements are attached hereto and incorporated herein by reference as **Exhibit 11**.

27. **Neither Southeast nor West has any outstanding debt whatsoever**, except for current invoices incurred in the ordinary course of business.

28. As of December 31, 2019, Southeast had total assets of \$12,433,974 and total liabilities of \$591,427. Its net assets were \$11,842,547. See **Exhibit 10**.

29. As of December 31, 2019, Southeast had cash and cash equivalents of \$2,877,426. See **Exhibit 10**.

30. As of December 31, 2019, West had total assets of \$10,376,768 and total liabilities of \$326,609. Its net assets were \$10,050,159. See **Exhibit 11**.

31. As of December 31, 2019, West had cash and cash equivalents of \$2,279,663. See **Exhibit 11**.

32. As of June 30, 2020, Southeast and West had investments in Certificates of Deposit totaling \$5,357,604 as shown below and in **Exhibits 12** and **13**:

Southeast	\$3,006,195
West	\$2,351,409
Total	\$5,357,604

33. The Joint Applicants believe that the financial information submitted with this Verified Joint Application is sufficient to show that both Southeast and West are financially sound water districts on their own. Upon merger, their combined financial strength will be enhanced. Their combined Net Assets will exceed \$21,800,000.

34. Both Southeast and West have certified water distribution system operators who hold valid water certification licenses issued by the Kentucky Board of Certification of Water System Operators. A list of the names, qualifications, and license numbers is attached as **Exhibit 14**.

35. The combined district will have approximately 13,000 water customers and will be the sixth largest water district in Kentucky by customer count. Managing a single district with one (1) Board of Commissioners will be much simpler for the General Manager and other management staff.

BENEFITS OF PROPOSED MERGER

36. Southeast and West have determined that it is economically feasible, desirable, beneficial, and in the best interests of the general public for the proposed merger to take place.

37. The Southeast Board of Commissioners and the West Board of Commissioners have determined that consolidating and merging Southeast and West into a single water district will enhance customer service, will eliminate wasteful duplication of efforts, will eliminate the preparation of many duplicate reports that are currently being generated by each separate district, will streamline numerous administrative tasks, will eliminate the need to maintain separate inventories of water meters and replacement parts, and will enable the single water district to manage, operate, and maintain the combined system in a more cost-effective manner.

38. The public policy of the Commonwealth of Kentucky, as declared in KRS 224A.300(1) and KRS 74.361(1), is to encourage regionalization, consolidation, and merger of water districts wherever feasible. In addition, KRS 74.361(1) further states that mergers of water districts are in the public interest because “mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that public policy favors the merger of water districts wherever feasible.” The proposed merger of Southeast and West is consistent with, and in furtherance of, this public

policy.

39. Currently, all employees receive two (2) W-2's: one from Southeast and one from West. After the proposed merger, each employee will only receive one W-2 because they will only have one employer – Daviess County Water District.

CUSTOMER DEPOSITS

40. Both Southeast and West currently hold customer deposits for its customers who receive water service. As of June 30, 2020, Southeast was holding customer deposits in the sum of \$171,309. As of June 30, 2020, West was holding customer deposits in the sum of \$112,950. Prior to closing, West will furnish Southeast with a current list that shows the name, address, account number, and amount still on deposit for each of these customers. West will be responsible for paying, or crediting its customers' accounts, for all accrued interest on the customer deposits through the closing date. After the closing, Southeast will be responsible for the refund of these deposits in accordance with Southeast's rules and regulations.

SCHEDULED CLOSING DATE

41. The proposed merger of Southeast and West will not become effective until and unless the Commission grants approval of the proposed Merger Agreement. If the Merger Agreement is timely approved by the Commission, the Effective Date of the merger will be 11:59 PM on December 31, 2020.

RATES

42. The current water rates of both Southeast and West are much lower than the rates of most water districts and associations in Kentucky. The current average monthly bill of a Southeast customer (one using 4,000 gallons per month) is \$20.09 and that of a West customer is \$25.29.

43. Both Southeast and West have Alternative Rate Filing (“ARF”) Applications pending before the Commission.⁶ **Exhibit 15** attached hereto and incorporated herein by reference contains Southeast’s current rates and the rates proposed in its ARF case. **Exhibit 16** attached hereto and incorporated herein by reference contains West’s current rates and the rates proposed in its ARF case.

44. Southeast’s current and proposed rates are less than the current and proposed rates of West. **Exhibit 17** attached hereto and incorporated herein by reference is a chart which compares the **current** water rates of Southeast and West at various usage amounts. For the average Southeast customer (one using 4,000 gallons per month), the monthly bill is **\$5.20 less** than that of a West customer who uses the same amount.

45. **Exhibit 18** attached hereto and incorporated herein by reference is a chart which compares the **proposed** water rates of Southeast and West at various usage amounts. If the Commission approves the proposed rates, the average Southeast

⁶ *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment*, Case No. 2020-00195; *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment*, Case No. 2020-00196.

customer will pay **\$5.03** less than the West customer who uses the same amount of water.

46. The substantial difference in the rates between the two (2) districts will prevent the merged district from having a unified rate schedule when it commences operations on January 1, 2021. Instead, it will initially have two (2) rate schedules: (1) the customers in the current Southeast service area will pay the rates that are in force for Southeast customers on the Closing Date; and (2) the customers in the current West service area will pay the rates that are in force for West customers on the Closing Date.

47. Bridging the gap between the lower Southeast rates and the higher West rates was the most difficult issue to be resolved by the parties during negotiations. A compromise was reached. To avoid “rate shock,” to promote the principle of gradualism, to avoid undue hardship on the existing Southeast customers, and to promote a spirit of cooperation and goodwill among all customers, the parties agreed to the initial “two rate schedule” approach set forth in the preceding paragraph.

48. It is anticipated that significant cost savings will result from combining the two (2) districts. These savings will not be “known and measurable,” however, until the combined district has been in operation for at least one (1) full year. Therefore, the combined district, Daviess County Water District, will perform a Cost of Service Study (the “COSS”) once it has been in operation for one (1) full year. The COSS will commence within 90 days following the completion of the first Audit

Report for the Daviess County Water District. It is contemplated that the Daviess County Water District will then timely file a rate adjustment with the Commission and propose a **unified rate** schedule for all its retail water customers. Thereafter, all its retail water customers will pay the same rates regardless of their location.⁷

JOINT REPRESENTATION

49. Damon R. Talley has separately represented Southeast and West for nearly 30 years on a number of legal matters, including contract negotiations with OMU and matters before the Commission. This representation continued after Mr. Talley became affiliated with Stoll Keenon Ogden, PLLC (“Stoll Keenon Ogden”) in 2015. Stoll Keenon Ogden continues to separately represent Southeast and West on a number of matters. Southeast and West are fully aware of, and hereby independently acknowledge, this representation.

50. Southeast and West both desire for Damon R. Talley and Stoll Keenon Ogden to represent them in the proposed merger. Damon R. Talley has fully informed Southeast and West that such joint representation presents an inherent conflict of interest. Nevertheless, the Board of Commissioners of Southeast and the Board of Commissioners of West, acting independently, each gave their written, informed consent to permit Stoll Keenon Ogden to jointly represent both Southeast and West in the proposed merger and waived the conflict of interest. Southeast and

⁷ See Article 5, Section 5.3 of Merger Agreement.

West signed an “Informed Consent to Joint Representation,” which is attached hereto and incorporated herein by reference as **Exhibit 19**.

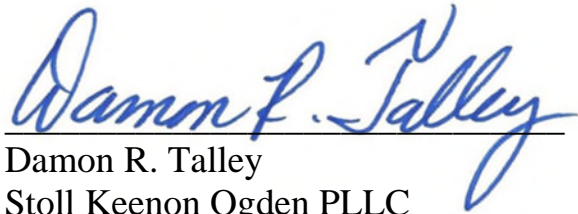
CONCLUSION

WHEREFORE, the Joint Applicants respectfully request that the Commission take the following actions:

1. Place this Verified Joint Application at the head of the docket so this proceeding may be expedited;
2. Issue an Order approving the proposed merger of Southeast and West pursuant to the provisions of the Merger Agreement as set forth in Exhibit 7;
3. Issue the Order within 60 days as provided in KRS 278.020(7), if possible, but no later than December 15, 2020 so the proposed merger can occur on the scheduled Closing Date of **December 31, 2020**;
4. Process this Verified Joint Application without a formal hearing in order to save time and expense. The Joint Applicants will promptly respond to any inquiries or information requests by the Commission Staff; and
5. Grant the Joint Applicants any and all other appropriate relief.

Dated: September 4, 2020

Respectfully submitted,



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Counsel for the Joint Applicants

SOUTHEAST VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF DAVIESS)

The undersigned, Christina V. O’Bryan, being duly sworn, deposes and states that she is the Chairman of Southeast Daviess County Water District, one of the Joint Applicants in the above proceeding; that she has read this Verified Joint Application and has noted its contents; that the same is true of her own knowledge, except as to those matters which are therein stated on information or belief, and as to those matters, she believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this 3rd day of September, 2020.

Christina V. O'Bryan

Christina V. O’Bryan, Chairman
Southeast Daviess County Water District

Subscribed and sworn to before me, a Notary Public in and for said County and State, by Christina V. O’Bryan, in her capacity as Chairman of Southeast Daviess County Water District, on this 3rd day of September, 2020.

Kath Kruger

Notary Public, State at Large

Notary ID: KYNP2940

My Commission expires: 2-11-2024

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001 Section 8(7) and the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085, this is to certify that the Joint Applicants' electronic filing was transmitted to the Commission on September 4, 2020; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a physical copy of the filing will be submitted to the Commission once the State of Emergency has ceased.


Damon R. Talley

TRANSFERS

Filing Requirements Checklist

(Applicable Authority: KRS 278.020(5) and (6) and 807 KAR 5:001, Section 14)

Case No. 2020-00287 Applicant Name Southeast Daviess County Water District & West Daviess County Water District Received Date _____ Form Circulation Date _____

Instructions:

- 1) Each division noted by checkmark () is to complete its review and pass on within two days of receipt.
- 2) This form is to list only the specific filing deficiencies as identified in the regulations. If additional information is needed, an information request must be issued.
- 3) Staff member should use initials and list date review is completed.
- 4) Return to Docket Section following review by all divisions.

Reviewed by following Divisions: Date Staff Member

_____ Filings _____ _____

_____ Legal _____ _____

Division Responsible	Law/Regulation	Filing Requirement	Requirement Met		Waiver Requested	Approve Waiver?	
			Yes	No		Yes	No
Filings	KRS 278.020(6) <u>807 KAR 5:001:</u>	Application verified by oath or affirmation.	Pages S-1 and S-2				
Filings	Section 14(1)	Full name, mailing address, and e-mail address of applicant and a reference to KRS 278.020(5) or KRS 278.020(6) or both.	Pages 1 and 2				
Filings	Section 7(1)	The application and 10 copies.	N/A electronic case				
Legal	Section 4(3)	Paper signed by submitting party or attorney.	Page 16				

Division Responsible	Law/Regulation	Filing Requirement	Requirement Met		Waiver Requested	Approve Waiver?	
			Yes	No		Yes	No
Legal	Section 4(3)	Name, address, telephone number, fax number, and e-mail address of submitting party or attorney.	Pages 3, 16				
Legal	Section 4(10)	Has submitting party redacted –	Yes				
All filings with the Kentucky Public Service Commission which contain personal information must be redacted by the filer pursuant to 807 KAR 5:001 Sec. 4 (10). Filings which are not in compliance will be <u>rejected</u> .		<ul style="list-style-type: none"> - All social security numbers - All birthdates - All financial account numbers - All other personal identification information 	Yes				
			Yes				
			Yes				
			Yes				
Legal	Section 8(4)(b)	Has submitting party optimized pdf document –	Yes				
(Electronic Case Filing only)		<ul style="list-style-type: none"> - Making all text pages searchable or OCR'd. - Bookmarks added to distinguish sections of the paper. 	Yes				
			Yes				
Legal	Section 14(2)	If applicant is a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state whether it is authorized to transact business in Kentucky.	N/A				
Legal	Section 14(3)	If applicant is a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state whether it is authorized to transact business in Kentucky.	N/A				
Legal	Section 14(4)	If applicant is a limited partnership, a certified copy of the	N/A				

Division
Responsible Law/Regulation Filing Requirement

limited partnership agreement and all amendments, or a written statement that its partnership agreement and all amendments have been filed with the Commission in a prior proceeding and a reference to the case number of that proceeding.

Requirement Met		Waiver Requested	Approve Waiver?	
Yes	No		Yes	No

The following is a checklist of items which are not required to be filed with an Application for Transfer but which ideally should be filed with an application to expedite review of the application:

Legal		1. Signed Purchase/Sale Agreement, or other writing memorializing the terms of transfer.	Exhibit 7 to Application				
Legal		2. If a sewer, the buyer must have a 3rd party beneficiary agreement or other evidence of financial integrity deemed sufficient by the PSC.	N/A				
Legal	KRS 278.020(5)	3. The names and qualifications of operating personnel, and any other evidence to show new owners have financial, technical, and managerial abilities to operate system, e.g. income tax records, financial statements, etc.	Pages 8 and 9; Exhibits 10, 11, and 14 to Application				

EXHIBIT LIST

SOUTHEAST DAVIESS COUNTY WATER DISTRICT– WEST DAVIESS COUNTY WATER DISTRICT MERGER

1. Daviess County Court Order – Southeast
2. Daviess County Court Order – West
3. Territorial Boundary Description – Southeast
4. Territorial Boundary Description – West
5. Service Area Map
6. Asset Map
7. Merger Agreement
8. Resolution Authorizing Merger – Southeast
9. Resolution Authorizing Merger – West
10. 2019 Audited Financial Statements – Southeast
11. 2019 Audited Financial Statements – West
12. Investment Accounts – Southeast
13. Investment Accounts – West
14. List of Certified Water Distribution System Operators
15. Current and Proposed Rate Schedule – Southeast
16. Current and Proposed Rate Schedule – West
17. Monthly Water Bill Comparison – Current Rates
18. Monthly Water Bill Comparison – Proposed Rates
19. Informed Consent to Joint Representation

EXHIBIT 1

EXHIBIT "A"

DAVISS COUNTY COURT

Your Petitioners:)	<u>Ex Parte Southeast Daviess</u>
)	<u>County Water District</u>
John D. Reid, et al)	

ORDER ESTABLISHING SOUTHEAST DAVIESS
COUNTY WATER DISTRICT AND APPOINTING
BOARD OF COMMISSIONERS PURSUANT TO
KRS CHAPTER 74

It appearing to the Court that a petition was filed on June 11, 1964, praying for a merger of the Thruston Water District and the Masonville-Habit Water District and for annexation of additional territory, all under the name of SOUTHEAST DAVIESS COUNTY WATER DISTRICT,

AND IT FURTHER APPEARING that due notice was given of said petition as required by KRS 74.010(2) by advertisement in three separate issues of the Owensboro Messenger & Inquirer, a newspaper of general circulation throughout Daviess County, Kentucky, which three issues appeared on the days of June 12 and 13, 1964,

AND IT FURTHER APPEARING that more than thirty days have elapsed since the giving of said notice and that no objections have been filed in response to said petition,

AND IT FURTHER APPEARING that after merging the Thruston Water District and Masonville-Habit Water District a certain portion of the land sought to be annexed by the petition herein should be annexed and a certain portion should not be annexed for reason that the latter is already served, or will be so served in the immediate

future, with sufficient water by the City of Owensboro, Kentucky,

AND IT FURTHER APPEARING to the Court that the establishment of a new water district by the merging of the Thruston Water District and the Masonville-Habit Water District and the annexation of additional territory is both economically expediant and reasonably necessary for the public health, convenience, fire protection and comfort of the residents of the area,

AND IT FURTHER APPEARING that the petition herein contained the resignation of the present Boards of Commissioners of the aforementioned Thruston Water District and the Masonville-Habit Water District,

AND IT FURTHER APPEARING that John D. Reid, O. D. Hazelrigg, Jr., and Aubrey Pendley, each a freehold resident of the water district sought to be established, have consented to act as commissioners for the proposed district to serve for the terms of four, three and two years respectively, and that said commissioners have this day, in open court, taken and assumed the following oath prescribed by law, to-wit:

"I do solemnly swear that I will support the Constitution of the United States and the Constitution of this Commonwealth, and be faithful and true to the Commonwealth of Kentucky so long as I continue a citizen thereof, and that I will faithfully execute to the best of my ability, the office of commissioner for the Southeast Daviess County Water District according to law; and I do further solemnly swear that since the adoption of the present Constitution, I, being a citizen of this State, have not fought a duel with deadly weapons within this State nor out of it, nor have I sent or accepted a challenge to fight a duel with deadly weapons, nor have I acted as second in carrying a challenge, nor aided or assisted any person thus offending, so help me God."

AND IT FURTHER APPEARING that the said John D. Reid, O. D. Hazelrigg, Jr. and Aubrey Pendley have posted good and sufficient bond as required by KRS 74.020(3),

NOW THEREFORE, the court having been sufficiently advised of all matters herein, be it ordered and adjudged as follows:

I. That the Thruston Water District and the Masonville-Habit Water District be, and they are, hereby merged in a single water district under the name of SOUTHEAST DAVIESS COUNTY WATER DISTRICT, and additional territory is hereby ordered annexed after which the said district conforms to the following boundary:

Beginning at a point in the Owensboro City Limit line adjacent to the southern boundary of the General Electric Tube Plant, such point being 600 feet east of the centerline of the Old Hartford Road, and proceeding as follows:

1. In a southwardly direction along a line parallel to and 600 feet east of the Old Hartford Road a distance of 5600 feet, more or less, to a point in the centerline of Johnson Road; thence,
2. Continuing on Johnson Road in an eastwardly direction a distance of 1420 feet, more or less, to a point in the centerline of Johnson Road; thence,
3. Southeastwardly along the northeast boundary of Hillcrest Park, this being the Alco Barnes property, a distance of 810 feet, more or less, to a corner; thence,
4. Southwardly along the east boundary of Hillcrest Park area a distance of 1850 feet, more or less, to a point in the centerline of the Old Hartford Road; thence,
5. Southeastwardly a distance of 600 feet, more or less, to a point west of Old Hartford Road; thence,
6. Southwardly along a line parallel to and 600 feet west of the Old Hartford Road a distance of 10,400 feet, more or less, to a point in the centerline of the North Fork Panther Creek; thence,
7. Proceeding downstream along the centerline of the North Fork Panther Creek a distance of 8000 feet, more or less, to the confluence of the South Fork Panther Creek and the North Fork Panther Creek; thence,
8. Upstream along the centerline of the South Fork Panther Creek realigned, 35,000 feet, more or less, to a point in the centerline of a road, said point being approximately 3600 feet southwest from the centerline of Highway 231; thence,

9. Proceeding across said road along the centerline of South Fork Panther Creek a distance of 2000 feet; thence,
10. Leaving said creek and proceeding in a northeastwardly direction 1500 feet, more or less, to a point in the centerline of Highway 231, said point being at the intersection of a road crossing and approximately 1000 feet northeast of the South Fork Panther Creek; thence,
11. Continuing in a northeastwardly direction a distance of 7000 feet to a point 2000 feet northwest of Sweepstakes Branch and 4600 feet southeast of the centerline of Highway 142; thence,
12. Proceeding in a northeastwardly direction parallel to and 4600 feet from Highway 142, a distance of 10,000 feet to a point in the centerline of Miller's Mill Road; thence,
13. Proceeding in a northerly direction a distance of 8000 feet to a point 4500 feet southwest of Highway 142, said point being at a 90-degree turn in a county road; thence,
14. Northeastwardly parallel to and 4500 feet east of Highway 142 a distance of 6100 feet to a point in the centerline of North Fork Panther Creek straightened; thence,
15. Northwestwardly 2500 feet to a point which is the intersection of the Illinois Central Railroad and Highway 54; thence, proceeding in the same northwestwardly direction 2100 feet to a point which is 600 feet east of Winkler Road; thence,
16. Proceeding in a northeastwardly direction parallel to and 600 feet east of Winkler Road a distance of 2100 feet to the centerline of King Road; thence,
17. Westwardly on a line parallel to and 600 feet north of Pleasant Grove Road a distance of 2700 feet to a point 600 feet east of King Road; thence,
18. Northwardly along a line parallel to and 600 feet east of King Road a distance of 5800 feet to the centerline of Pleasant Valley Road and proceeding across said road 600 feet to a point; thence,
19. Proceeding westwardly parallel to and 600 feet north of Pleasant Valley Road a distance of 900 feet, more or less, to a point 600 feet east of the centerline of Dee Acre Road; thence,

20. Northwardly parallel to and 600 feet east of Dee Acre Road a distance of 5000 feet to a point in the centerline of South Hampton Road extended; thence,
21. Northwardly a distance of 5700 feet to a point 600 feet east of the intersection of Highways 142 and 144; thence,
22. Westwardly along a line parallel to and 600 feet north of Highway 144 a distance of 4200 feet to a point 600 feet east of Jones Road; thence,
23. Northwardly along a line parallel to and 600 feet east of Jones Road a distance of 6000 feet to a point 600 feet north of Wright's Landing Road; thence,
24. Westwardly along a line parallel to and 600 feet north of Wright's Landing Road to a point in the east right-of-way of the Louisville and Nashville Railway, a distance of 14,700 feet; thence,
25. Southwardly along the east right-of-way of the Louisville and Nashville Railway a distance of 13,100 feet, more or less, to the centerline of Highway 144, thence eastwardly to the intersection of the centerlines of Highway 144 and Reid Road, thence southwardly along the centerline of Reid Road to a point 600 feet east of the right-of-way of the Louisville and Nashville Railway; thence,
26. Southwestwardly along a line parallel to and 600 feet east of the east right-of-way of the Louisville and Nashville Railway a distance of 9000 feet, more or less, to a point, said point being 600 feet west of the centerline of the Pleasant Valley Road; thence,
27. Southwardly parallel to and 600 feet west of Pleasant Valley Road a distance of 5000 feet to a point in the centerline of Daniel Lane extended; thence,
28. Southwestwardly along a line of Daniel Lane extended and crossing Highway 54, a distance of 6000 feet to a point 1300 feet south of the Owensboro City Limits; thence,
29. Southwardly 3800 feet, more or less, to a point in the City Limits line and Southeast of the General Electric plant; said point being the southeast corner of the City Limits line east of the General Electric Tube Plant; thence,
30. Westwardly along the City Limits line a distance of 2100 feet, more or less, to the point of beginning.

Revised as of July 23, 1964

a plat of which is attached hereto and incorporated herewith;
marked Exhibit "C".

II. The resignations of John D. Reid, Goebel Yeiser and George Bender, constituting the Board of Commissioners of the Thruston Water District, and O. D. Hazelrigg, Jr., M. H. Taylor and Paul H. McHale, constituting the Board of Commissioners of the Masonville Water District, are hereby accepted and John D. Reid, O. D. Hazelrigg, Jr., and Aubrey Pendley are hereby appointed to act as the Board of Commissioners of the Southeast Daviess County Water District for the terms of four, three and two years, respectively, which Commissioners shall have all the powers conferred upon them by law, including the employing of legal counsel to represent, counsel and advise them in any legal matters pertinent to the district.

This the 29 day of July, 1964.

I. B. Zwickel
Judge, Daviess County Court

A COPY ATTEST:

CHARLES W. WARE, CLERK

By Charles W. Ware C. W.

EXHIBIT 2

DAVIESS COUNTY COURT

IN THE MATTER OF THE FORMATION OF THE)
WEST DAVIESS COUNTY WATER DISTRICT)

ORDER

It appearing to the Court that a Petition was filed on December 7, 1965 signed by more than seventy-five (75) resident freeholders of the area set out in said Petition requesting the creation of a water district to be known as West Daviess County Water District,

AND IT FURTHER APPEARING that said Petition contained a complete description of the territory to be included in the creation of said water district,

AND IT FURTHER APPEARING that the residents within said area were suffering from water supplies which were inadequate, unreliable and unsanitary, and that said residents of the district find it reasonably necessary for their public health, convenience, fire protection and comfort to create a water district in West Daviess County,

AND IT FURTHER APPEARING to the Court that notice was given to the public of the filing of said Petition by publication in three (3) issues of the Owensboro Messenger-Inquirer newspaper appearing on December 8, 9, and 10, 1965,

AND IT FURTHER APPEARING that a hearing was held more than thirty (30) days from the date of publication at which time no objections were raised to the creation of the water district as described in the Petition filed on December 7, 1965,

NOW THEREFORE, the Court having been sufficiently advised of all these matters, it is ORDERED and ADJUDGED as follows:

1. There shall be created in West Daviess County a water district under the name of WEST DAVIESS COUNTY WATER DISTRICT which shall include that area within the following description:


Beginning at a point approximately 1800 feet due east of the intersection of River Road and the Griffith Road, said point being the water mark on the bank of the Ohio River; thence along the water line of the Ohio River with the flow of the river to the Henderson County-Daviess County boundary; thence south and west with the Daviess County boundary to a point near Delaware, Kentucky, and being the intersection of the Henderson, Daviess and McLean County boundaries; thence with the Daviess-McLean County boundary to a point 2000 feet east of the intersection of U. S. Highway 431 and the Daviess-McLean County boundary; thence northwardly and parallel to U. S. Highway 431 and 2000 feet to its east to a point 2000 feet east of the intersection of U. S. Highway 431 and the L & N Railroad at Browns Valley; thence north and parallel to the L. & N. Railroad and 2000 feet east of the eastern boundary of said railroad to the center of the proposed Owensboro Belt-Line; thence Westwardly following the center of the proposed Owensboro Belt-Line to a point 1000 feet north of the center of the intersection of the proposed Owensboro Belt-Line and U. S. Highway 60 West; thence parallel to and 1000 feet due north of U. S. Highway 60 westwardly to a point 200 feet east of that road known as Overstreet Road; thence parallel with Overstreet Road and 200 feet to its east to the intersection of Medley Road and Overstreet Road; thence parallel to Medley Road and 200 feet to its northeast to the intersection of Medley Road and Willett Road; thence parallel to Willett Road and 200 feet to its east to a point 500 feet south of the Griffith Road and 200 feet west of Willett Road; thence parallel to Griffith Road and 500 feet to its south and in an eastwardly direction to a point 500 feet west of the intersection of Griffith Road and River Road; thence east approximately 2300 feet to the point of beginning.

2. That Allen W. Haley is hereby appointed as Commissioner of West Daviess County Water District for a term of four (4) years beginning on January 11, 1966, and that J. H. Mackey, Sr. is appointed a Commissioner of West Daviess County Water District for a term of three (3) years beginning on January 11, 1966, and that Walter H. Newton is appointed a Commissioner of West Daviess County Water District for a term of two (2) years beginning on January 11, 1966, and that said Commissioners have this day in Open Court taken and assumed the following oath prescribed by law:

"I do solemnly swear that I will support the Constitution of the United States and the Constitution of this Commonwealth, and be faithful and true to the Commonwealth of Kentucky so long as I continue a citizen thereof, and that I will faithfully execute to the best of my ability, the office of commissioner for the West Daviess County Water District according to law; and I do further solemnly swear that since the adoption of the present Constitution, I, being a citizen of this State, have not fought a duel with deadly weapons within this State nor out of it, nor have I sent or accepted a challenge to fight a duel with deadly weapons, nor have I acted as second in carrying a challenge, nor aided or assisted any person thus offending, so help me God."

and said Commissioners shall have all the powers conferred upon them by law, including the employing of legal counsel to represent counsel and advise them in any legal matters pertinent to the district.

This the 11th day of January, 1966.



Judge, Daviess County Court

EXHIBIT 3

TERRITORIAL BOUNDARY DESCRIPTION

SOUTHEAST DAVIESS COUNTY WATER DISTRICT

Beginning at a point in the Owensboro City Limit line adjacent to the southern boundary of the General Electric Tube Plant, such point being 600 feet east of the centerline of the Old Hartford Road, and proceeding as follows:

1. In a southwardly direction along a line parallel to and 600 feet east of the Old Hartford Road a distance of 5600 feet, more or less, to a point in the centerline of Johnson Road; thence,
2. Continuing on Johnson Road in an eastwardly direction a distance of 1420 feet, more or less, to a point in the centerline of Johnson Road; thence,
3. Southeastwardly along the northeast boundary of Hillcrest Park, this being the Alco Barnes property, a distance of 810 feet, more or less, to a corner; thence,
4. Southwardly along the east boundary of Hillcrest Park area a distance of 1850 feet, more or less, to a point in the centerline of the Old Hartford Road; thence,
5. Southeastwardly a distance of 600 feet, more or less, to a point west of Old Hartford Road; thence,
6. Southwardly along a line parallel to and 600 feet west of the Old Hartford Road a distance of 10,400 feet, more or less, to a point in the centerline of the North Fork Panther Creek; thence,
7. Proceeding downstream along the centerline of the North Fork Panther creek a distance of 8000 feet, more or less, to the confluence of the South Fork Panther Creek and the North Fork Panther Creek; thence,
8. Upstream along the centerline of the South Fork Panther Creek realigned, 35,000 feet, more or less, to a point in the centerline of a road, said point being approximately 3600 feet southwest from the centerline of Highway 231; thence,
9. Proceeding across said road along the centerline of South Fork Panther Creek a distance of 2000 feet; thence,
10. Leaving said creek and proceeding in a northeastwardly direction 1500 feet, more or less, to a point in the centerline of Highway 231, said point being at the intersection of a road crossing and approximately 1000 feet northeast of the South Fork Panther Creek; thence,

11. Continuing in a northeastwardly direction a distance of 7000 feet to a point 2000 feet northwest of Sweepstakes Branch and 4600 feet southeast of the centerline of Highway 142; thence,
12. Proceeding in a northeastwardly direction parallel to and 4600 feet from Highway 142, a distance of 10,000 feet to a point in the centerline of Miller's Mill Road; thence,
13. Proceeding in a northerly direction a distance of 8000 feet to a point 4500 feet southwest of Highway 142, said point being at a 90-degree turn in a county road; thence,
14. Northeastwardly parallel to and 4500 feet east of Highway 142 a distance of 6100 feet to a point in the centerline of North Fork Panther Creek straightened; thence,
15. Northwestwardly 2500 feet to a point which is the intersection of the Illinois Central Railroad and Highway 54; thence, proceeding in the same northwest-wardly direction 2100 feet to a point which is 600 feet east of Winkler Road; thence,
16. Proceeding in a northeastwardly direction parallel to and 600 feet east of Winkler Road a distance of 2100 feet to the centerline of King Road; thence,
17. Westwardly on a line parallel to and 600 feet north of Pleasant Grove Road a distance of 2700 feet to a point 600 feet east of King Road; thence,
18. Northwardly along a line parallel to and 600 feet east of King Road a distance of 5800 feet to the centerline of Pleasant Valley Road and proceeding across said road 600 feet to a point; thence,
19. Proceeding westwardly parallel to and 600 feet north of Pleasant Valley Road a distance of 900 feet, more or less, to a point 600 feet east of the centerline of Dee Acre Road; thence,
20. Northwardly parallel to and 600 feet east of Dee Acre Road a distance of 5000 feet to a point in the centerline of South Hampton Road extended; thence,
21. Northwardly a distance of 5700 feet to a point 600 feet east of the intersection of Highways 142 and 144; thence,
22. Westwardly along a line parallel to and 600 feet north of Highway 144 a distance of 4200 feet to a point 600 feet east of Jones Road; thence,

23. Northwardly along a line parallel to and 600 feet east of Jones Road a distance of 6000 feet to a point 600 feet north of Wright's Landing Road; thence,
24. Westwardly along a line parallel to and 600 feet north of Wright's Landing Road to a point in the east right-of-way of the Louisville and Nashville Railway, a distance of 14,700 feet; thence,
25. Southwardly along the east right-of-way of the Louisville and Nashville Railway a distance of 13,100 feet, more or less, to the centerline of Highway 144, thence eastwardly to the intersection of the centerlines of Highway 144 and Reid Road, thence southwardly along the centerline of Reid Road to a point 600 feet east of the right-of-way of the Louisville and Nashville Railway; thence,
26. Southwestwardly along a line parallel to and 600 feet east of the east right-of-way of the Louisville and Nashville Railway a distance of 9000 feet, more or less, to a point, said point being 600 feet west of the centerline of the Pleasant Valley Road; thence,
27. Southwardly parallel to and 600 feet west of Pleasant Valley Road a distance of 5000 feet to a point in the centerline of Daniel Lane extended; thence,
28. Southwestwardly along a line of Daniel Lane extended and crossing Highway 54, a distance of 6000 feet to a point 1300 feet south of the Owensboro City Limits; thence,
29. Southwardly 3800 feet, more or less, to a point in the City Limits line and Southeast of the General Electric plant; said point being the southeast corner of the City Limits line east of the General Electric Tube Plant; thence,
30. Westwardly along the City Limits line a distance of 2100 feet, more or less, to the point of beginning.

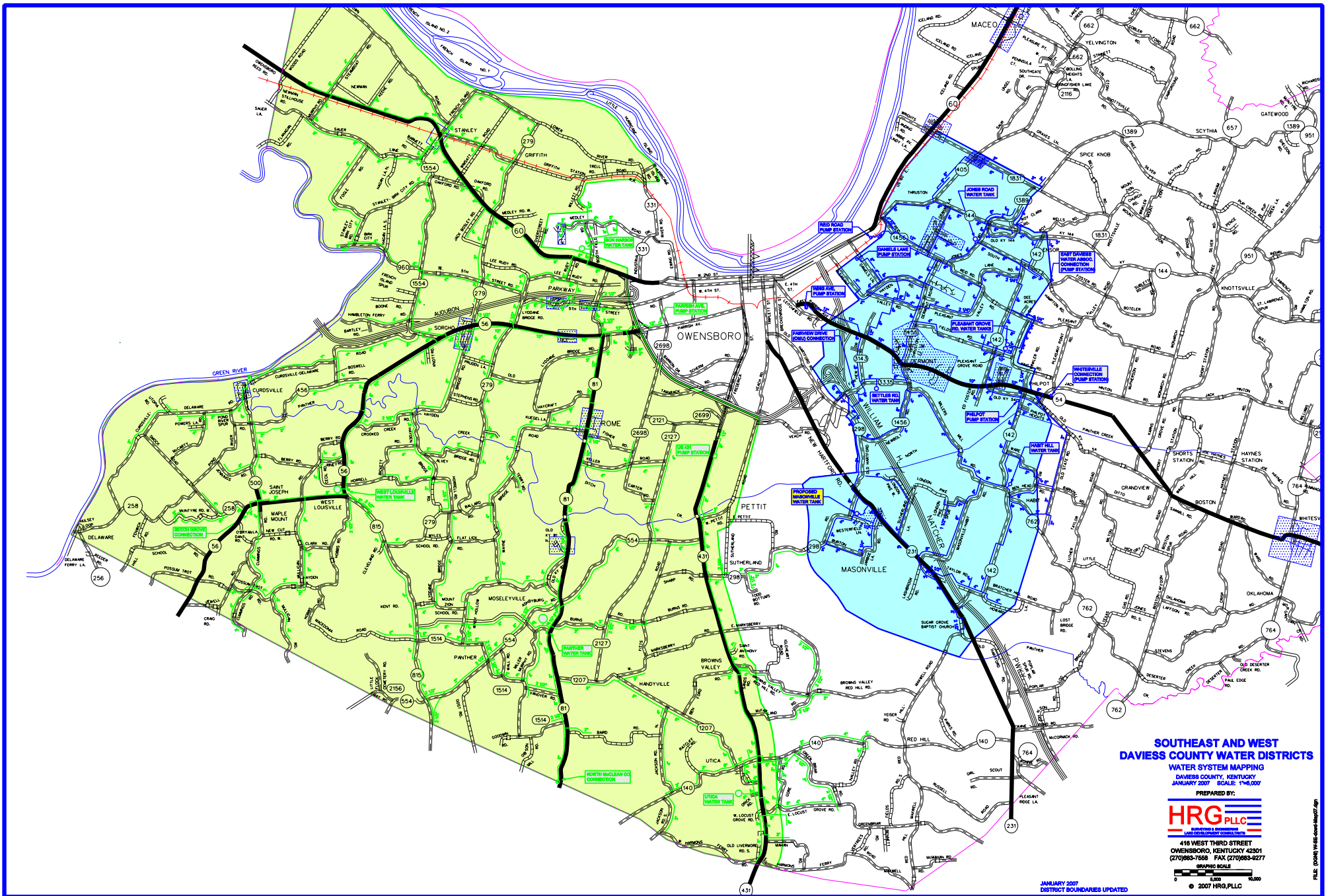
EXHIBIT 4

TERRITORIAL BOUNDARY DESCRIPTION

WEST DAVIESS COUNTY WATER DISTRICT

Beginning at a point approximately 1800 feet due east of the intersection of River Road and the Griffith Road, said point being the water mark on the bank of the Ohio River; thence along the water line of the Ohio River with the flow of the river to the Henderson County-Daviess County boundary; thence south and west with the Daviess County boundary to a point near Delaware, Kentucky, and being the intersection of the Henderson, Daviess and McLean County boundaries; thence with the Daviess-McLean County boundary to a point 2000 feet east of the intersection of U. S. Highway 431 and the Daviess-McLean County boundary; thence northwardly and parallel to U. S. Highway 431 and 2000 feet to its east to a point 2000 feet east of the intersection of U. S. Highway 431 and the L & N Railroad at Browns Valley; thence north and parallel to the L. & N. Railroad and 2000 feet east of the eastern boundary of said railroad to the center of the proposed Owensboro Belt-Line; thence Westwardly following the center of the proposed Owensboro Belt-Line to a point 1000 feet north of the center of the intersection of the proposed Owensboro Belt-Line and U. S. Highway 60 West; thence parallel to and 1000 feet due north of U. S. Highway 60 westwardly to a point 200 feet east of that road known as Overstreet Road; thence parallel with Overstreet Road and 200 feet to its east to the intersection of Medley Road and Overstreet Road; thence parallel to Medley Road and 200 feet to its northeast to the intersection of Medley Road and Willett Road; thence parallel to Willett Road and 200 feet to its east to a point 500 feet south of the Griffith Road and 200 feet west of Willett Road; thence parallel to Griffith Road and 500 feet to its south and in an eastwardly direction to a point 500 feet west of the intersection of Griffith Road and River Road; thence east approximately 2300 feet to the point of beginning.

EXHIBIT 5



**SOUTHEAST AND WEST
DAVIESS COUNTY WATER DISTRICTS**

WATER SYSTEM MAPPING
DAVIESS COUNTY, KENTUCKY
JANUARY 2007 SCALE: 1"=600'

PREPARED BY:



416 WEST THIRD STREET
OWENSBORO, KENTUCKY 42301
(270)983-7558 FAX: (270)983-8277

GRAPHIC SCALE
0 100 200
Feet

JANUARY 2007
DISTRICT BOUNDARIES UPDATED

© 2007 HRG, PLLC

FILE: D:\MS\GIS\Map\Map07.dwg

EXHIBIT 6

NOTE:
SEE DISTRICT DETAIL MAPS
FOR SUBDIVISION WATER LINES

WEST DAVIESS COUNTY WATER DISTRICT			
TANK SITE	CAPACITY	TYPE	OVERFLOW
BON HARBOR TANK	300,000 GAL.	GROUND STORAGE	615 MSL
WEST LOUISVILLE TANK	500,000 GAL.	ELEVATED STORAGE	615 MSL
PANTHER TANK	500,000 GAL.	ELEVATED STORAGE	615 MSL
UTICA TANK	510,000 GAL.	GROUND STORAGE	615 MSL
PUMP STATION/CONNECTION	CAPACITY		
US 431 PUMP STATION	350 GPM		
PARRISH AVE. PUMP STATION	800 GPM		
CARTER ROAD PUMP STATION	500 GPM		
BEECH GROVE CONNECTION	N/A (METER)		
NORTH McLEAN COUNTY WATER ASSOCIATION CONNECTION	N/A (METER)		

SOUTHEAST DAVIESS COUNTY WATER DISTRICT			
SITE	CAPACITY	TYPE	OVERFLOW
JONES ROAD TANK	300,000 GAL.	ELEVATED STORAGE	620 MSL
SETTLES ROAD TANK	300,000 GAL.	ELEVATED STORAGE	620 MSL
HABIT HILL TANK	150,000 GAL.	ELEVATED STORAGE	640 MSL
PLEASANT GROVE RD. TANKS	2 AT 510,000 EACH	GROUND STORAGE	620 MSL
DEER VALLEY TANK	500,000 GAL.	ELEVATED STORAGE	620 MSL
PUMP STATION/CONNECTION	CAPACITY		
WING AVENUE PUMP STATION	1,100 GPM		
DANIELS LANE PUMP STATION	520 GPM		
FAIRVIEW DRIVE (OMU) CONNECTION	OUT OF SERVICE		
PHILPOT PUMP STATION	350 GPM		
RED ROAD PUMP STATION	600 GPM		
EAST DAVIESS COUNTY ASSOCIATION CONNECTION	N/A (METER)		
CITY OF WHITESVILLE CONNECTION	N/A (METER)		

NOTE:
SEE DISTRICT DETAIL MAPS
FOR SUBDIVISION WATER LINES

SOUTHEAST AND WEST DAVIESS COUNTY WATER DISTRICTS
WATER SYSTEM MAPPING
 DAVIESS COUNTY, KENTUCKY
 MAY 2011 SCALE: 1"=1.00"

PREPARED BY:

 3037 ALVEY PARK DRIVE WEST
 OWENSBORO, KENTUCKY 42303
 (270)983-7558 FAX: (270)983-9277

GRAPHIC SCALE
 0 100 200
 FEET

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JANUARY 2007
 DISTRICT BOUNDARIES UPDATED

EXHIBIT 7

MERGER AGREEMENT

BETWEEN

SOUTHEAST DAVIESS COUNTY

WATER DISTRICT

AND

WEST DAVIESS COUNTY

WATER DISTRICT

August 18, 2020

TABLE OF CONTENTS

Merger Agreement

Southeast Daviess County Water District – West Daviess County Water District

Article 1. Plan of Merger	1
Article 2. Closing.....	2
Article 3. Representations and Warranties of Southeast	4
Article 4. Representations and Warranties of West	8
Article 5. Covenants.....	11
Article 6. Conditions to Obligation of Each Party	12
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Appendix:

Exhibit A	Articles of Merger
Exhibit B	Current and Proposed Rate Schedule of Southeast
Exhibit C	Current and Proposed Rate Schedule of West
Schedule 2.2(c)	Required Third Party Consents
Schedule 3.13	Insurance Summary – Southeast
Schedule 3.14	Investment Accounts – Southeast
Schedule 3.15	Material Agreements – Southeast
Schedule 4.13	Insurance Summary – West
Schedule 4.14	Investment Accounts – West
Schedule 4.15	Material Agreements – West

MERGER AGREEMENT

This **MERGER AGREEMENT** (this “*Agreement*”) is entered into as of August 18, 2020 by and between

SOUTHEAST DAVIESS COUNTY WATER DISTRICT, a water district organized pursuant to KRS Chapter 74 (“*Southeast*”); and

WEST DAVIESS COUNTY WATER DISTRICT, a water district organized pursuant to KRS Chapter 74 (“*West*”).

RECITALS:

WHEREAS, the respective Boards of Commissioners of Southeast and West deem it desirable and in the best interest of their respective water districts that Southeast and West merge into one water district, on the terms and conditions set forth in this Agreement and subject to the approvals noted herein.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties agree as follows:

ARTICLE 1 PLAN OF MERGER

1.1. The Merger. Subject to approval by the Kentucky Public Service Commission (the “*PSC*”), West will merge with and into Southeast (the “*Merger*”) upon the terms and subject to the conditions of this Agreement, and in accordance with KRS Chapter 74 (the “*Applicable Statutes*”). Southeast will be the surviving water district in the Merger.

1.2. Name Change. In conjunction with the Merger, Southeast shall change its name to the “*Daviess County Water District*.”

1.3. Effective Time. The Merger will become effective as of 11:59 P.M. on December 31, 2020; provided, however, if the PSC has not approved the Merger prior to such time, the Merger will become effective as of 11:59 P.M. on the last day of the calendar quarter after the PSC approves the Merger (the “*Effective Time*”).

1.4. Effects of Merger. At and after the Effective Time, the Merger will have the following effects:

(a) West shall merge into Southeast and the separate existence of West shall cease;

(b) The title to all property, whether real, personal, or intangible, owned by West shall be vested in Southeast without reversion or impairment;

(c) Southeast shall have all liabilities of West; and

(d) The current members of the Board of Commissioners of Southeast and the current members of the Board of Commissioners of West will serve as members of the Daviess County Water District Board of Commissioners until one (1) year after approval of the merger by the PSC. Thereafter, the Board of Commissioners of the Daviess County Water District shall be composed of six (6) members, who shall be appointed in accordance with the Applicable Statutes.

ARTICLE 2 CLOSING

2.1. Time and Place. The closing of the transactions contemplated by this Agreement (the “*Closing*”) will take place at the shared office of Southeast and West, on such date and at such time after the date on which the conditions set forth in Section 6.4 have been satisfied or waived, or on such other date and at such other time and place as the parties may mutually agree. The parties anticipate the Closing to occur on or prior to December 31, 2020. The date on which the Closing actually occurs is herein referred to as the “*Closing Date*.”

2.2. Deliveries by Southeast. On the Closing Date, Southeast will deliver to West the following:

(a) *Closing Certificate.* An accurate certificate, dated the Closing Date, of Southeast certifying that:

- (1) the representations and warranties of Southeast contained in this Agreement are true and accurate on and as of the Closing Date with the same force and effect as if made on the Closing Date;
- (2) Southeast has performed and complied with all covenants, obligations, and agreements to be performed

or complied with by it on or before the Closing Date pursuant to this Agreement; and

- (3) attached thereto are true and complete copies of Resolutions adopted by Southeast's Board of Commissioners approving this Agreement and the Merger.

(b) *Articles of Merger.* Articles of Merger in the form attached hereto as **Exhibit A**, duly executed by an officer of Southeast.

(c) *Consents.* Duly executed consents, authorizations, orders, or approvals of any third party which are required under any material Southeast Agreement (as defined below) in order for Southeast not to be in default or subject to acceleration, each of which will be in full force and effect on the Closing Date, including each of the consents listed on **Schedule 2.2(c)**.

2.3. Deliveries by West. On the Closing Date, West will deliver to Southeast the following:

(a) *Closing Certificate.* An accurate certificate, dated the Closing Date, of West certifying that:

- (1) the representations and warranties of West contained in this Agreement are true and accurate on and as of the Closing Date with the same force and effect as if made on the Closing Date;
- (2) West has performed and complied with all covenants, obligations, and agreements to be performed or complied with by it on or before the Closing Date pursuant to this Agreement; and
- (3) attached thereto are true and complete copies of Resolutions adopted by West's Board of Commissioners approving this Agreement and the Merger.

(b) *Articles of Merger.* The Articles of Merger referred to in Section 2.2(b) duly executed by an officer of West.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF SOUTHEAST

Southeast represents and warrants to West as follows:

3.1. Organization. Southeast is a duly organized, validly existing water district organized under the provisions of the Applicable Statutes.

3.2. Authority. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of Southeast. This Agreement has been duly and validly executed and delivered by Southeast, and is a valid and binding obligation of Southeast, enforceable in accordance with its terms. Subject to approval by the PSC, neither the execution, delivery, and performance of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance by Southeast with any of the provisions hereof will:

(a) violate any statute, rule or regulation or judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental body, in each case applicable to Southeast or any of its properties or assets; or

(b) subject to obtaining the consents referred to on **Schedule 2.2(c)**, cause a default (or give rise to any right of termination, cancellation, or acceleration) under any of the terms, conditions, or provisions of any agreement, instrument, or obligation to which Southeast is a party, or by which any of its properties or assets may be bound.

Except for the approval of the PSC, no filing with, and no permit, authorization, consent, or approval of, any public body or authority is necessary for the consummation by Southeast of the transactions contemplated by this Agreement.

3.3. Current and Proposed Water Rates. **Exhibit B** attached hereto depicts both the current water rates and the rates that Southeast has proposed to the PSC in Case No. 2020-00195.

3.4. Customer Deposits. Southeast collects a customer deposit in the amount of \$35.00 from each new customer. Southeast represents that, as of June 30, 2020, it was holding customer deposits for its customers in the sum of **\$171,309**. Southeast pays interest on the customer deposits as required by KRS

278.460 and the applicable PSC regulations. Interest is paid in December of each year by crediting the interest earnings to each customer's account.

3.5. Financial Statements. Southeast has provided to West true and complete copies of the audited financial statements of Southeast as of December 31, 2019, and the unaudited balance sheet of Southeast at June 30, 2020 and the related statement of income for the six (6) months ending June 30, 2020 (collectively, the "*Southeast Financial Statements*"). Except as otherwise noted in the Southeast Financial Statements, and except for the exclusion of depreciation expense and accrued expenses on the unaudited balance sheet, the Southeast Financial Statements are complete and present fairly the financial position of Southeast and the results of its operations as of the dates thereof and for the periods covered thereby in conformity with generally accepted accounting principles applied on a consistent basis.

3.6. Absence of Material Change. Since December 31, 2019, there has been no material adverse change, or development involving a reasonably foreseeable prospective material adverse change, in or affecting the financial condition, operations, properties, or results of operations of Southeast.

3.7. Absence of Material Undisclosed Liability. Southeast has no material liabilities other than those liabilities disclosed on or provided for in the balance sheet as of December 31, 2019, and liabilities incurred since such date in the ordinary course of business consistent with past practices.

3.8. Title to Property. Southeast has good and marketable title to all its property and assets, subject to no liens, mortgages, pledges, encumbrances, or charges of any kind.

3.9. Litigation. There are no (a) audits, inspections, actions, suits, claims, investigations, or legal, administrative or arbitration proceedings pending or, to Southeast's knowledge, threatened against Southeast or its assets, or that otherwise relates to or may affect the business of Southeast or that challenges or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with the Merger, nor, to the knowledge of Southeast, does any basis exist therefor; or (b) judgments, decrees, injunctions, or orders of any court, governmental department, commission, agency, instrumentality, or arbitrator against Southeast. Southeast is in compliance with all such judgments, decrees, injunctions, and orders and such compliance does not, and will not, have a material adverse effect on the business, operations, assets, condition, or prospects of Southeast.

3.10. Compliance; Governmental Authorization. Except as otherwise disclosed in this Agreement or in any Schedule or Exhibit to this Agreement, Southeast has materially complied with all laws, ordinances, regulations, or orders applicable to its business or assets, including, by way of description, and not limitation, matters relating to the environment, hazardous materials, and health and safety. Southeast has all governmental licenses and permits necessary in the conduct of its business as currently conducted, which licenses and permits are in full force and effect, and no violations are outstanding or uncured with respect to any such licenses or permits and no proceeding is pending or, to Southeast's knowledge, threatened to revoke or limit any of them.

3.11. Tax Matters.

(a) For purposes of this Agreement, the term "Taxes" means all taxes, levies, or other assessments of any kind or nature, including but not limited to withholding taxes, branch profit taxes, gross receipts taxes, franchise taxes, transfer taxes, sales and use taxes, business and occupation taxes, license taxes, property taxes, VAT, custom duties or imposts, stamp taxes, excise taxes, payroll taxes, employment taxes, estimated taxes, severance taxes, occupancy taxes, intangible taxes, and capital taxes, and any penalties or interest thereon.

(b) Southeast has filed within the time and in the manner prescribed by law all tax returns and reports required to be filed by it. All such returns and reports are true and complete. Southeast has paid all Taxes which are due and payable and set up in its financial records adequate reserves for all taxes not yet due and payable.

(c) There are no liens for Taxes, whether imposed by the United States, any state, local, or other taxing authority, outstanding against Southeast or its assets.

(d) All Taxes and assessments that Southeast is required to withhold or to collect have been duly withheld or collected and all withholdings and collections have either been duly and timely paid over to the appropriate governmental authorities or are, together with the payments due or to become due in connection therewith, duly reflected in Southeast's financial records in accordance with generally accepted accounting principles.

(e) No deficiency for any Taxes has been proposed, asserted, or assessed against Southeast which has not been resolved and paid in full.

(f) There are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or returns that have been given by Southeast.

(g) No federal, state, local, or other taxing authority audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or returns.

3.12. Employment Matters. Southeast is in material compliance with all applicable Federal, state and local laws and regulations respecting labor, employment and employment practices, employment eligibility verification, discrimination in employment, harassment, terms and conditions of employment, wages and hours, and employee benefits (including welfare benefits and retirement benefits). There is no unfair labor practice complaint against Southeast pending before the National Labor Relations Board or any state, local, or other agency. There is (a) no labor strike, dispute, slowdown, stoppage or organizational effort or similar activity actually pending or threatened involving Southeast; (b) no representation question exists respecting the employees of Southeast; and (c) no collective bargaining agreement presently covers any employees of Southeast, nor is any currently being negotiated.

3.13. Insurance. Schedule 3.13 attached hereto is a Summary of Insurance for all policies of liability, property, casualty, fire, theft, fidelity, umbrella, worker's compensation, and other forms of insurance (other than health and life) held by Southeast (specifying the insurer, insured, amount of coverage, type of insurance, and policy number) and any pending claims thereunder. Southeast has not received any notice from an insurer declining coverage or reserving the insurer's rights with respect to any pending claim or liability.

3.14. Investment Accounts. Schedule 3.14 lists all investment accounts maintained by Southeast.

3.15. Material Agreements. Schedule 3.15 lists all of the following agreements or contracts which are currently in effect and to which Southeast is a party:

(a) promissory note, loan agreement, or other contract for the borrowing of money, whether or not any sums are currently outstanding; and

(b) except for leases of real estate and equipment, any other agreement that requires payments by Southeast of more than \$5,000 per year and cannot be terminated by Southeast without charge on 60 days or less notice.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF WEST

West represents and warrants to Southeast as follows:

4.1. Organization. West is a duly organized, validly existing water district organized under the provisions of the Applicable Statutes.

4.2. Authority. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of West. This Agreement has been duly and validly executed and delivered by West, and is a valid and binding obligation of West, enforceable in accordance with its terms. Subject to approval by the PSC, neither the execution, delivery, and performance of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance by West with any of the provisions hereof will:

(a) violate any statute, rule or regulation or judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental body, in each case applicable to West or any of its properties or assets; or

(b) cause a default (or give rise to any right of termination, cancellation, or acceleration) under any of the terms, conditions, or provisions of any agreement, instrument, or obligation to which West is a party, or by which any of its properties or assets may be bound.

Except for the approval of the PSC, no filing with, and no permit, authorization, consent, or approval of, any public body or authority is necessary for the consummation by West of the transactions contemplated by this Agreement.

4.3. Current and Proposed Water Rates. Exhibit C attached hereto depicts both the current water rates and the rates that West has proposed to the PSC in Case No. 2020-00196.

4.4. Customer Deposits. West collects a customer deposit in the amount of \$35.00 from each new customer. West represents that, as of June 30, 2020, it

was holding customer deposits for its customers in the sum of **\$112,950**. West pays interest on the customer deposits as required by KRS 278.460 and the applicable PSC regulations. Interest is paid in December of each year by crediting the interest earnings to each customer's account.

4.5. Financial Statements. West has provided to Southeast true and complete copies of the audited financial statements of West as of December 31, 2019, and the unaudited balance sheet of Southeast at June 30, 2020 and the related statement of income for the six (6) months ending June 30, 2020 (collectively, the "*West Financial Statements*"). Except as otherwise noted in the West Financial Statements, and except for the exclusion of depreciation expense and accrued expenses on the unaudited balance sheet, the West Financial Statements are complete and present fairly the financial position of West and the results of its operations as of the dates thereof and for the periods covered thereby in conformity with generally accepted accounting principles applied on a consistent basis.

4.6. Absence of Material Change. Since December 31, 2019, there has been no material adverse change, or development involving a reasonably foreseeable prospective material adverse change, in or affecting the financial condition, operations, properties, or results of operations of West.

4.7. Absence of Material Undisclosed Liability. West has no material liabilities other than those liabilities disclosed on or provided for in the balance sheet as of December 31, 2019, and liabilities incurred since such date in the ordinary course of business consistent with past practices.

4.8. Title to Property. West has good and marketable title to all its property and assets, subject to no liens, mortgages, pledges, encumbrances, or charges of any kind.

4.9. Litigation. There are no (a) audits, inspections, actions, suits, claims, investigations, or legal, administrative, or arbitration proceedings pending or threatened against West or its assets, or that otherwise relates to or may affect the business of West or that challenges or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with the Merger, nor, to the knowledge of West, does any basis exist therefor; or (b) judgments, decrees, injunctions, or orders of any court, governmental department, commission, agency, instrumentality, or arbitrator against West. West is in compliance with all such judgments, decrees, injunctions, and orders and such compliance does not, and will not, have a material adverse effect on the business, operations, assets, condition, or prospects of West.

4.10. Compliance; Governmental Authorization. Except as otherwise disclosed in this Agreement or in any Schedule or Exhibit to this Agreement, West has materially complied with all laws, ordinances, regulations, or orders applicable to its business or assets, including, by way of description, and not limitation, matters relating to the environment, hazardous materials, and health and safety. West has all governmental licenses and permits necessary in the conduct of its business as currently conducted, which licenses and permits are in full force and effect, and no violations are outstanding or uncured with respect to any such licenses or permits and no proceeding is pending or threatened to revoke or limit any of them.

4.11. Tax Matters.

(a) West has filed within the time and in the manner prescribed by law all tax returns and reports required to be filed by it. All such returns and reports are true and complete. West has paid all Taxes which are due and payable and set up in its financial records adequate reserves for all taxes not yet due and payable.

(b) There are no liens for Taxes, whether imposed by the United States, any state, local, or other taxing authority, outstanding against West or its assets.

(c) All Taxes and assessments that West is required to withhold or to collect have been duly withheld or collected and all withholdings and collections have either been duly and timely paid over to the appropriate governmental authorities or are, together with the payments due or to become due in connection therewith, duly reflected in West's financial records in accordance with generally accepted accounting principles.

(d) No deficiency for any Taxes has been proposed, asserted, or assessed against West which has not been resolved and paid in full.

(e) There are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or returns that have been given by West.

(f) No federal, state, local, or other taxing authority audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or returns.

4.12. Employment Matters. West is in material compliance with all applicable Federal, state and local laws and regulations respecting labor, employment and employment practices, employment eligibility verification, discrimination in employment, harassment, terms and conditions of employment, wages and hours, and employee benefits (including welfare benefits and retirement benefits). There is no unfair labor practice complaint against West pending before the National Labor Relations Board or any state, local, or other agency. There is (a) no labor strike, dispute, slowdown, stoppage, or organizational effort or similar activity actually pending or threatened involving West; (b) no representation question exists respecting the employees of West; and (c) no collective bargaining agreement presently covers any employees of West, nor is any currently being negotiated.

4.13. Insurance. Schedule 4.13 attached hereto contains a Summary of Insurance for all policies of liability, property, casualty, fire, theft, fidelity, umbrella, worker's compensation, and other forms of insurance (other than health and life) held by West (specifying the insurer, insured, amount of coverage, type of insurance, and policy number), and any pending claims thereunder. West has not received any notice from an insurer declining coverage or reserving the insurer's rights with respect to any pending claim or liability.

4.14. Investment Accounts. Schedule 4.14 lists all investment accounts maintained by West.

4.15. Material Agreements. Schedule 4.15 lists all of the following agreements or contracts which are currently in effect and to which West is a party:

(a) promissory note, loan agreement, or other contract for the borrowing of money, whether or not any sums are currently outstanding; and

(b) except for leases of real estate and equipment, any other agreement that requires payments by West of more than \$5,000 per year and cannot be terminated by West without charge on 60 days or less notice.

ARTICLE 5 COVENANTS

Southeast and West each hereby covenants and agrees with the other as follows:

5.1. Conduct of Business. Each party covenants and agrees that, from the date of this Agreement through the Closing Date, it will:

(a) operate its business only in the normal course and in a normal manner consistent with past practice, including maintaining its fire, casualty, and liability insurance coverage;

(b) advise the other party promptly in writing of any material adverse change in its financial condition or assets, and if it discovers any material breach of any representation, warranty, covenant, or agreement made by it in this Agreement; and

(c) advise the other party promptly in writing of any fact of which it becomes aware, which, if known at the date hereof, would have been required to be set forth or disclosed in or pursuant to this Agreement.

5.2. Access to Properties and Records. Each party will give to the other and to its counsel, accountants, environmental consultants, and other representatives reasonable access during normal business hours to its properties, personnel, books, tax returns, contracts, commitments, and records.

5.3. Post-Closing Rate Review. Within ninety (90) days after the first audit following the Closing of the Merger, the newly merged entity (to be known as the Daviess County Water District) will undertake a rate review and, if appropriate, file for a rate adjustment with the PSC.

5.4. Articles of Merger. Promptly after closing, the parties shall file the Articles of Merger in the Daviess County Clerk records.

ARTICLE 6 CONDITIONS TO OBLIGATION OF EACH PARTY

The obligation of each party to perform under this Agreement is subject to the satisfaction at or prior to the Closing Date of the following conditions unless waived by each party in its sole discretion:

6.1. Accuracy of Representations and Warranties. Each representation and warranty of the other party contained in this Agreement must have been true and accurate as of the date of this Agreement, and must be true and accurate on and as of the Closing Date, with the same force and effect as if made on the Closing Date.

6.2. Performance of Agreements. The other party will have performed and complied with all covenants, obligations, and agreements to be performed or complied with by it on or before the Closing Date pursuant to this Agreement, including, but not limited to, each obligation under Section 2.2 or Section 2.3, as applicable.

6.3. Governmental Action. No Federal, state or local statute, rule, or regulation will have been enacted after the date of this Agreement which prohibits, restricts, delays, or materially adversely affects the business of the other party or the consummation of the transactions contemplated by this Agreement or any of the conditions to the consummation of such transactions. No temporary restraining order or injunction will be in effect, or threatened by a governmental agency, restraining, delaying, or making illegal the consummation of the transactions contemplated hereby or seeking damages or other relief.

6.4. Approval. This Agreement and the Merger will have been approved by the PSC.

6.5. Name Change and Territorial Boundaries. The Daviess County Judge/Executive shall have entered an Order with the following provisions to be effective as of the Closing Date: (a) changing the name of the Southeast Daviess County Water District to the "Daviess County Water District" and (b) expanding the territorial boundaries of the Southeast Daviess County Water District to include the entire existing territorial boundaries of the West Daviess County Water District. Thus, as of the Closing Date, the territorial boundaries of the Daviess County Water District shall include the existing territorial boundaries of the Southeast Daviess County Water District and the existing territorial boundaries of the West Daviess County Water District.

6.6. Casualty. There will have not occurred any fire, flood, earthquake, or other casualty to assets of Southeast or West resulting in a cost of repair or replacement of more than \$5,000 in excess of applicable insurance coverage.

6.7. Due Diligence. Each party will have provided to the other party all documents, information, and access referred to in Section 5.2 or otherwise reasonably requested by the other party. A party may terminate this Agreement prior to Closing if such review discloses any material inaccuracy in any representation or warranty of the other party contained in this Agreement.

ARTICLE 7 TERMINATION

7.1. Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by Southeast or West at any time after June 30, 2021, provided that the failure to close is not due to the terminating party's failure to fulfill any obligation under this Agreement;

(b) by West, if there has been a violation or breach by Southeast of any material agreement, representation, or warranty of Southeast contained in this Agreement and such violation or breach has not been waived by West, or with respect to a violation or breach of an agreement, cured within ten (10) business days after West gives written notice thereof; or

(c) by Southeast, if there has been a violation or breach by West of any material agreement, representation, or warranty of West contained in this Agreement and such violation or breach has not been waived by Southeast or, with respect to a violation or breach of an agreement, cured within ten (10) business days after Southeast gives written notice thereof.

In the event of termination of this Agreement and abandonment of the transactions contemplated hereby pursuant to this Section, written notice thereof will forthwith be given to the other party and this Agreement will terminate and the transactions contemplated hereby will be abandoned, without further action by any of the parties hereto.

ARTICLE 8 GENERAL PROVISIONS

8.1. Non-Survival of Representations and Warranties. The representations and warranties contained in this Agreement will not survive the Closing.

8.2. Expenses. Each party will bear all fees, costs, and expenses incurred by such party in connection with the negotiation and preparation of this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, legal and accounting fees and expenses.

8.3. Binding Effect. This Agreement will become binding and effective in accordance with its terms when executed by West and Southeast. None of the

agreements, covenants, representations, or warranties contained herein is for the benefit of any individual member of either party, or any other third party not a party to this Agreement.

8.4. Entire Agreement; Amendments. This Agreement (including the Schedules and Exhibits attached hereto) contains the entire understanding of the parties with respect to its subject matter. This Agreement supersedes all prior negotiations, agreements, and understandings between the parties with respect to the subject matter hereof. This Agreement may be amended only by a written instrument duly executed by the parties.

8.5. Notices. All notices, claims, certificates, requests, demands, and other communications hereunder will be in writing and will be deemed given if delivered personally, if mailed (by registered or certified mail, return receipt requested and postage prepaid), if sent by reputable overnight courier service for next business day delivery, or if sent by facsimile transmission, as follows:

if to Southeast, to: Southeast Daviess County Water District
Attn: Christina V. O'Bryan
3400 Bittel Road
Owensboro, KY 42301

Fax: 270-683-6324

if to West, to: West Daviess County Water District
Attn: Scott Kuegel
3400 Bittel Road
Owensboro, KY 42301

Fax: 270-683-6324

or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such communication will be effective on the date of receipt (or, if received on a non-business day, on the first business day after the date of receipt).

8.6. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Kentucky without regard to conflicts of laws principles.

8.7. Waivers. Any provision of this Agreement may be waived only by a written instrument executed by the party to be charged with such waiver. The

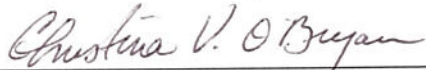
waiver by any party hereto of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach. Any condition to a party's obligations under this Agreement may be waived only in writing by such party.

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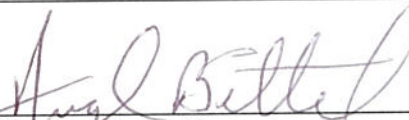
Signature Page to Follow

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered on the date first above written.

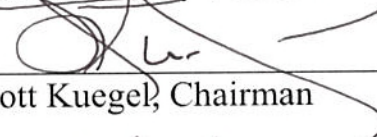
Southeast Daviess County Water District

By: 
Christina V. O'Bryan, Chairman

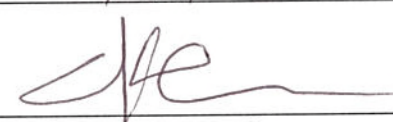
Date: 8-18-2020

Attest: 
Hugh Bittel, Secretary

West Daviess County Water District

By: 
Scott Kuegel, Chairman

Date: 8/18/20

Attest: 
Stanley K. Conn, Secretary

Appendix:

- | | |
|-----------------|-------------------------------------------------|
| Exhibit A | Articles of Merger |
| Exhibit B | Current and Proposed Rate Schedule of Southeast |
| Exhibit C | Current and Proposed Rate Schedule of West |
| Schedule 2.2(c) | Required Third Party Consents |
| Schedule 3.13 | Insurance Summary – Southeast |
| Schedule 3.14 | Investment Accounts – Southeast |
| Schedule 3.15 | Material Agreements – Southeast |
| Schedule 4.13 | Insurance Summary – West |
| Schedule 4.14 | Investment Accounts – West |
| Schedule 4.15 | Material Agreements – West |

EXHIBIT A

ARTICLES OF MERGER

**ARTICLES OF MERGER
OF
WEST DAVIESS COUNTY WATER DISTRICT
WITH AND INTO
SOUTHEAST DAVIESS COUNTY WATER DISTRICT**

The undersigned submit these Articles of Merger as follows:

1. Plan of Merger. The Plan of Merger is as follows:

A. Constituent Water Districts. The entities to be merged are:

- (i) Southeast Daviess County Water District, a water district organized pursuant to KRS Chapter 74; and
- (ii) West Daviess County Water District, a water district organized pursuant to KRS Chapter 74.

B. Merger. As of the Effective Date, West Daviess County Water District is merged with and into Southeast Daviess County Water District, which is the surviving water district resulting from the merger.

C. Name Change. As of the Effective Date, Southeast Daviess County Water District shall change its name to Daviess County Water District.

D. Board of Commissioners.

- (i) As of the Effective Date, and pursuant to KRS 74.363(2), the current members of the Board of Commissioners of Southeast Daviess County Water District and the current members of the Board of Commissioners of West Daviess County Water District will serve as members of the Daviess County Water District Board of Commissioners until one (1) year after approval of the merger by the Kentucky Public Service Commission (the "PSC"). Thereafter, the Board of Commissioners of the Daviess County Water District shall be composed of six (6) members.
- (ii) Commencing one (1) year after approval of the merger by the PSC and pursuant to KRS 74.363(3), the Daviess County Judge/Executive, with approval of the Daviess County Fiscal Court, shall appoint two (2) commissioners to serve a two (2) year term, two (2) commissioners to serve a three (3) year term, and two (2) commissioners to serve a four (4)

year term. Thereafter, all commissioners of the Daviess County Water District shall be appointed for a term of four (4) years.

2. **Approval.** The merger was approved by the Kentucky Public Service Commission on _____.
3. **Effective Date.** The merger will be effective as of 11:59 P.M. on December 31, 2020 (the “Effective Date”).

[signature page follows]

IN WITNESS WHEREOF, these Articles of Merger are executed by an authorized officer of each constituent water district.

Southeast Daviess County Water District

By: _____
Christina V. O'Bryan, Chairman

Date: _____

Attest: _____
Hugh Bittel, Secretary

West Daviess County Water District

By: _____
Scott Kuegel, Chairman

Date: _____

Attest: _____
Stanley K. Conn, Secretary

Prepared by:

Damon R. Talley
Stoll Keenon Ogden PLLC
P.O. Box 150
Hodgenville, Kentucky 42748

EXHIBIT B

CURRENT AND PROPOSED RATE SCHEDULE OF SOUTHEAST

CURRENT AND PROPOSED WATER RATES
SOUTHEAST DAVIESS COUNTY WATER DISTRICT

Volumetric Rates

Usage	Current Rates	Proposed Rates*
First 20,000 Gallons	\$ 4.39 per 1,000 gallons	\$ 5.07 per 1,000 gallons
Over 20,000 Gallons	\$ 3.54 per 1,000 gallons	\$ 4.09 per 1,000 gallons

Customer Charge

Meter Size	Current Rates	Proposed Rates*
5/8 x 3/4 inch	\$2.53	\$2.92
1 inch	\$3.54	\$4.09
1 1/2 inch	\$4.55	\$5.26
2 inch	\$7.34	\$8.49
3 inch	\$27.83	\$32.17
4 inch	\$35.42	\$40.95
6 inch	\$53.13	\$61.42
8 inch	\$73.37	\$84.82

Wholesale Rate

	Current Rate	Proposed Rate*
For All Water Purchased	\$2.80	\$3.24

*All Proposed Rates were proposed in Southeast's Alternative Rate Filing (ARF) Application in Case No. 2020-00195 pending before the PSC.

EXHIBIT C

CURRENT AND PROPOSED RATE SCHEDULE OF WEST

CURRENT AND PROPOSED WATER RATES
WEST DAVIESS COUNTY WATER DISTRICT

Volumetric Rates

Usage	Current Rates	Proposed Rates*
First 20,000 Gallons	\$ 5.51 per 1,000 gallons	\$ 6.15 per 1,000 gallons
Over 20,000 Gallons	\$ 4.43 per 1,000 gallons	\$ 4.95 per 1,000 gallons

Customer Charge

Meter Size	Current Rates	Proposed Rates*
5/8 x 3/4 inch	\$3.25	\$3.63
1 inch	\$4.55	\$5.08
1 1/2 inch	\$5.85	\$6.53
2 inch	\$9.43	\$10.53
3 inch	\$35.75	\$39.93
4 inch	\$45.50	\$50.82
6 inch	\$68.25	\$76.24
8 inch	\$94.25	\$105.28

Wholesale Rate

	Current Rate	Proposed Rate*
For All Water Purchased	\$3.85	\$4.30

*All Proposed Rates were proposed in West's Alternative Rate Filing (ARF) Application in Case No. 2020-00196 pending before the PSC.

SCHEDULE 2.2(c)

CONSENTS BY THIRD PARTIES

Neither Southeast nor West has any material agreements, as described in Sections 3.15 and 4.15 of this Agreement, which will require the consent of any third party.

SCHEDULE 3.13

INSURANCE SUMMARY – SOUTHEAST

Summary of Insurance

Coverages as of: 7/21/2020
Prepared: 7/21/2020

For: Southeast & West Daviess County Water
 District
 3400 Bittel Road
 Owensboro KY 42301

By: Houchens Insurance Group
 2009 Frederica Street
 Owensboro KY 42301

Coverage	Company	Policy Number	Eff Date	Exp Date
Commercial Automobile	Travelers Indemnity Company	BA-2L929721-19-PUB	10/1/2019	10/1/2020

Coverage Detail

Description	Coverage Symbol	Limit
Liability	1	CSL – Each Accident: \$1,000,000
Personal Injury Protection	5	Limit: \$10,000
Uninsured Motorist	2	CSL – Each Accident: \$60,000
Underinsured Motorist	2	CSL – Each Accident: \$60,000
Comprehensive	7	Physical Damage – See Schedule
Collision	7	Physical Damage – See Schedule

Covered Auto Symbols					
1	Any auto	4	Owned autos other than private passenger	7	Autos specified on schedule
2	All owned autos	5	All owned autos which require no-fault coverage	8	Hired autos
3	Owned private passenger autos	6	Owned autos subject to compulsory U.M. law	9	Non-owned autos

Vehicle Schedule

Veh#	Year	Make and Model	Vehicle ID	Comp Ded	Coll Ded
1	2006	Chevrolet C-1500	1GCEC14Z96Z247081	\$1,000	\$1,000
2	2013	Chevrolet Silverado	1GCNCPEA1DZ160591	\$1,000	\$1,000
3	2013	Chevrolet Silverado	1GCNCPEA9DZ160645	\$1,000	\$1,000
4	2015	Toyota Tacoma	5TFTX4CN5FX051226	\$1,000	\$1,000
5	2015	GMC Sierra	1GTN1TEHXFZ177789	\$1,000	\$1,000
6	2015	GMC Sierra	1GTN1TEH7FZ177930	\$1,000	\$1,000
7	2013	GMC Sierra	1GCNCPEA5DZ161453	\$1,000	\$1,000
8	2017	GMC Sierra 1500	1GTN1MEC8HZ171504	\$1,000	\$1,000
9	2005	Toyota Tundra	5TBJU32115S453671		
10	2019	GMC Sierra	1GTR8AEH7KZ198711	\$1,000	\$1,000

Driver Schedule

Driver#	Name	Lic State
1	William G. Higdon	KY
2	Perry S. Higdon	KY
3	Adam Mills	KY
4	Thomas E. Cecil	KY
5	Jeffrey L. Johnson	KY
6	Chris Hagan	KY
7	Patricia Anderson	KY
8	Nicholas Horsman	KY
9	Joe M Lane	

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District
3400 Bittel Road
Owensboro KY 42301

By: Houchens Insurance Group
2009 Frederica Street
Owensboro KY 42301

Coverage	Company	Policy Number	Eff Date	Exp Date
Crime	Travelers Property Casualty Company of America	H-630-2L929721-TIL-19	10/1/2019	10/1/2020

Coverage Detail

Coverage Form	Limit	Deductible
Employee Theft	\$250,000	\$2,500
ERISA		
Forgery or Alteration	\$25,000	\$1,000
Inside premises: Theft of money and securities	\$25,000	\$1,000
Inside premises: Robbery or burglary of other property		
Outside premises: Money and securities	\$25,000	\$1,000
Outside premises: Other property		
Computer fraud		
Funds transfer fraud		
Money orders and counterfeit paper currency	\$25,000	\$1,000

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District
3400 Bittel Road
Owensboro KY 42301

By: Houchens Insurance Group
2009 Frederica Street
Owensboro KY 42301

Coverage	Company	Policy Number	Eff Date	Exp Date
Cyberspace Privacy	Travelers Indemnity Company	ZPL-71N03429-19-PB	10/1/2019	10/1/2020

Coverage Detail

Description	Limits
Policy Subject to Maximum / Shared Limit:	\$25,000
Coverage Form:	CLAIMS MADE
Limit:	\$25,000
Aggregate Limit:	\$25,000
Pending and Prior Litigation Date:	10/1/2018
Extended Reporting Period 12 Month Annualized Premium:	%
Retention Per Claim	\$1,000
Defense (In/Out):	Inside
Defense Limit:	Subject to Pol Agg. /

NOTE: Higher liability limits may be available. Defense Coverage **is included** in the limits shown above, not in addition to them. Please let us know if you would like a quote for higher limits.

Claims/Reporting Provisions: Note that your coverage may have very strict claim reporting requirements. If you are aware of **any** written or verbal incident or claim, including EEOC or any other federal or state regulatory agency complaints or notices, please call our office **immediately** to discuss the next steps in making your carrier aware of the circumstances. If you have a preference of attorney to be used in the event of a claim, please let us know as soon as possible so we can work on getting them approved with the carrier.

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District 3400 Bittel Road Owensboro KY 42301	By: Houchens Insurance Group 2009 Frederica Street Owensboro KY 42301
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Coverage	Company	Policy Number	Eff Date	Exp Date
Employment Practices Liability Insurance (EPLI)	Charter Oak Fire Insurance Company	ZLP-91N04587-19-PB	10/1/2019	10/1/2020

Coverage Detail

Description	Limits
Policy Subject to Maximum / Shared Limit - Not Specified	
Coverage Form:	Claims Made
Limit:	\$2,000,000
Aggregate Limit:	\$2,000,000
Third Party Liability:	Not Specified
Retention Per Claim:	\$2,500
Retention for Third Party Liability:	
Immigration Coverage Sublimit-Defense Only:	
Wage and Hour Coverage Sublimit-Defense Only:	
Workplace Violence Coverage Sublimit-Defense Only:	\$250,000
Violation of Employee Privacy Sublimit-Defense Only:	
Pending and Prior Litigation Date:	
Retroactive Date:	7/1/2010 (Full Prior Acts Not Specified)
Continuity Date:	
Extended Reporting Period 12 Month Annualized Premium:	75 %
Duty of Defend:	
Hammer Clause (Carrier/Insured):	
Defense(In/Out):	Inside
Defense Limit:	IN

NOTE: Higher liability limits may be available. Defense Coverage **is included** in the limits shown above, not in addition to them. Please let us know if you would like a quote for higher limits.

Claims/Reporting Provisions: Note that your coverage may have very strict claim reporting requirements. If you are aware of **any** written or verbal incident or claim, including EEOC or any other federal or state regulatory agency complaints or notices, please call our office **immediately** to discuss the next steps in making your carrier aware of the circumstances. If you have a preference of attorney to be used in the event of a claim, please let us know as soon as possible so we can work on getting them approved with the carrier.

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District 3400 Bittel Road Owensboro KY 42301	By: Houchens Insurance Group 2009 Frederica Street Owensboro KY 42301
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Coverage	Company	Policy Number	Eff Date	Exp Date
Property	Travelers Property Casualty Company of America	H-630-2L929721-TIL-19	10/1/2019	10/1/2020

Coverage Detail

Subject	Amount	Coins %	Deduct	Val	Cause of Loss
Prem#: 0 Bldg#: 0 ; Description:					
Blanket	\$12,243,773		2,500	R	Special (Including theft)
Prem#: 1 Bldg#: 1 Pleasant Grove Road; Owensboro KY Description: Water Tank #1					
Building	\$385,332		2,500	R	Special (Including theft)
Business Personal Property	\$8,489		2,500	R	Special (Including theft)
Prem#: 1 Bldg#: 2 Pleasant Grove Road; Owensboro KY Description: Water Tank #2					
Building	\$385,332		2,500	R	Special (Including theft)
Business Personal Property	\$8,489		2,500	R	Special (Including theft)
Prem#: 2 Bldg#: 1 3400 Bittel Road; Owensboro KY Description: Backhoe Storage Building					
Building	\$17,982		2,500	R	Special (Including theft)
Prem#: 2 Bldg#: 2 3400 Bittel Road; Owensboro KY Description: Office					
Building	\$391,070		2,500	R	Special (Including theft)
Business Personal Property	\$181,572		2,500	R	Special (Including theft)
Business Income with Extra Expense	\$500,000		72 Hours		Special (Including theft)
Prem#: 2 Bldg#: 3 3400 Bittel Road; Owensboro KY Description: Daviess Co Airport Storage					
Building	\$27,578		2,500	R	Special (Including theft)
Business Personal Property	\$39,795		2,500	R	Special (Including theft)
Prem#: 3 Bldg#: 1 Wing Avenue; Owensboro KY Description: Wing Avenue Pump Station- Storage Bldg					
Building	\$16,548		2,500	R	Special (Including theft)
Business Personal Property	\$5,306		2,500	R	Special (Including theft)
Prem#: 3 Bldg#: 2 Wing Avenue; Owensboro KY Description: Pump House					

Building	\$439,692		2,500	R	Special (Including theft)
Prem#: 4	Bldg#: 1	Highway 142; Philpot KY Description: Philpot Pump Station			
Building	\$282,000		2,500	R	Special (Including theft)
Prem#: 5	Bldg#: 1	Daniels Lane; Owensboro KY Description: Pump Station			
Building	\$200,000		2,500	R	Special (Including theft)
Prem#: 6	Bldg#: 1	Millers Mill Road; Philpot KY Description: Habit Hill Water tank			
Building	\$675,573		2,500	R	Special (Including theft)
Business Personal Property	\$7,323		2,500	R	Special (Including theft)
Prem#: 7	Bldg#: 1	Jones Road; Owensboro KY Description: Jones Rd Water Tank			
Building	\$1,124,668		2,500	R	Special (Including theft)
Business Personal Property	\$57,747		2,500	R	Special (Including theft)
Prem#: 8	Bldg#: 1	Settles Road; Owensboro KY Description: Settles Rd Water Tank			
Building	\$1,137,906		2,500	R	Special (Including theft)
Business Personal Property	\$56,630		2,500	R	Special (Including theft)
Prem#: 9	Bldg#: 1	Highway 60 East; Owensboro KY Description: Reid Rd Pump Station			
Building	\$240,130		2,500	R	Special (Including theft)
Prem#: 10	Bldg#: 1	2060 Hill Bridge Road; Utica KY Description: Masonville Water Tank			
Building	\$1,700,185		2,500	R	Special (Including theft)
Business Personal Property	\$8,596		2,500	R	Special (Including theft)
Prem#: 11	Bldg#: 1	9989 Highway 56; Owensboro KY Description: West Louisville Water Tank			
Building	\$1,583,581		2,500	R	Special (Including theft)
Business Personal Property	\$57,853		2,500	R	Special (Including theft)
Prem#: 12	Bldg#: 1	Parrish Avenue; Owensboro KY Description: Parrish Ave Pump Station			
Building	\$380,000		2,500	R	Special (Including theft)
Prem#: 13	Bldg#: 1	Highway 431; Owensboro KY Description: Hwy 431 Pump Station			
Building	\$87,150		2,500	R	Special (Including theft)
Business Personal Property	\$96,463		2,500	R	Special (Including theft)
Prem#: 14	Bldg#: 1	Bon Harbor Hills; Owensboro KY Description: Bon Harbor Water Tank			
Building	\$577,834		2,500	R	Special (Including theft)
Business Personal Property	\$54,457		2,500	R	Special (Including theft)
Prem#: 15	Bldg#: 1	Panther Hill Road; Owensboro KY Description: Panther Hill Water Tank			
Building	\$1,304,703		2,500	R	Special (Including theft)
Business Personal Property	\$57,429		2,500	R	Special (Including theft)

Prem#: 16	Bldg#: 1	Orick Road; Utica KY			
Description: Orick Water Tank					
Building	\$385,332		2,500	R	Special (Including theft)
Business Personal Property	\$56,528		2,500	R	Special (Including theft)
Prem#: 17	Bldg#: 1	4620 Carter Road; Owensboro KY			
Description: Carter Rd Pump Station					
Building	\$120,134		2,500	R	Special (Including theft)
Business Personal Property	\$84,366		2,500	R	Special (Including theft)

Remarks

Description	Notes
Utility Service:	<p>Direct Damage - in any one occurrence Limit \$50,000</p> <p>Coverage is provided for the following: Water Supply Communication Supply Power Supply</p> <p>Coverage for Overhead Transmission Lines is EXCLUDED</p> <p>Direct Damage Deductible is \$2,500, any one occurrence</p>
Flood Insurance	<p>Sublimit \$5,000,000 Bldg 3-5,14,15 -\$25,000 Deductible</p> <p>Sublimit \$1,000,000 Bldg 21 - \$100,000 Deductible</p>
Earthquake Coverage	<p>Earthquake \$5,000,000</p> <p>\$100,000 Deductible</p>

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District
3400 Bittel Road
Owensboro KY 42301

By: Houchens Insurance Group
2009 Frederica Street
Owensboro KY 42301

	Company	Policy Number	Eff Date	Exp Date
General Liability	Charter Oak Fire Insurance Company	ZLP-91N04587-19-PB	10/1/2019	10/1/2020

Coverage Detail

Coverage Written On: Occurrence

Description	Limit
General Aggregate	\$2,000,000
Products and Completed Operations Aggregate	\$2,000,000
Personal and Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000
Damage to Rented Premises (Each Occurrence)	\$100,000
Medical Expense (Any One Person)	\$10,000
Employee Benefits	\$3,000,000

Location Schedule

Loc #	Address
1	3400 Bittel Road Owensboro KY 42301

Schedule of Hazards

Loc #	Classification & Code	Prem Basis	Prem Exposure
1	99943: Water Utility Company	Per \$1,000/Payroll	\$730,000

Remarks

Description	Notes
Employee Benefits Liability	Based on 14 employees
GL Coverages	Failure to Supply - Limited Coverage - Limit \$250,000 Each Occurrence Public Entites Xtend Endorsement: (includes but not limited to the following - see endt for full list of coverages

	<ul style="list-style-type: none">-Who is an Insured -Employees and Volunteer Workers-Blanket Additional Insured - Owners, Managers, or Lessors of Premises-Blanket Additional Insured - Lessors of Leased Equipment-Blanket Additional Insured - Ongoing Ops - when required by a written contract (NO Primary/NonContributory listed)-Contractual Liability -Railroads-Blanket Waiver of Subrogation
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Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District 3400 Bittel Road Owensboro KY 42301	By: Houchens Insurance Group 2009 Frederica Street Owensboro KY 42301
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Coverage	Company	Policy Number	Eff Date	Exp Date
Equipment Floater / Inland Marine	Travelers Property Casualty Company of America	H-630-2L929721-TIL-19	10/1/2019	10/1/2020

Coverage/Deductible/Coinsurance: Actual cash value/1,000 deductible/80%

Scheduled Equipment

Item#	Manufacturer – Model Type – Description	Year	ID/Serial#	Amt of Insurance
1	Kubota - - - Tractor/Backhoe	2013	13460	\$17,000
2	Cummins - 42LW - - Natural Gas Generator	2009	H090027595	\$15,500
3	Jerry Jones - 6x16 - Maintenance - Double Axle Trailer	2004	4BXUE16244S306290	\$1,100
4	John Deere - - Maintenance - 310 G	2005	T031GX947359	\$64,000
5	Carry On - 5X10 - Maintenance - Single Axle Trailer	2006	5X10GW2K	\$1,100
6	Generac - 4.5L (125kw) - Maintenance - Diesel Generator	2009	182420059	\$40,000
7	Generac - 20KW - Office - Generator	2009	5261943	\$10,000
8	Cummins - 60 KW - - Generator	2014	130598606	\$35,000
9	Cummins - 60KW - - Generator	2014	130598604	\$35,000
10	Cummins - 100KW - - Generator	2014	130598594	\$65,000
11	Cummins - 60KW - - Generator	2014	130598603	\$35,000
12	Cummins - 60KW - - Generator	2014	130598605	\$35,000
13	Generac - 4.5L 125KW - - Generator	2009	TBD	\$40,000
14	Hustler - X-One 60' - - Mower	2018	18057960	\$7,500
15	Stihl - TS400 - - Chop Saw	2003	4223-967-3402 C S	\$1,200
16	Mueller - D-5 - - Tapping Machine	2000		\$2,000
17	Mueller - D-5 - - Tapping Machine	2012	BO91400/036758	\$2,000
18	Pipehorn - - - Pipe Locator	2004	8405987	\$1,200
19	Metrotech - Loc3-5Tx - - Pipe Locator Base	2020	21905152488	\$2,400

20	Metrotech - VLocPro2 - - Pipe Locator Hand Help		20401130883	\$2,000
21	Briggs & Stratton - 030426 - - 8000 W Generator	2009	1016698131	\$1,200
22	Sensus - M4600 - - Drive by reading unit	2019	PCSM460019090012	\$30,000
23	Trimble Nomad - Ranger/TSC3WN2 - - Data Collector	2018	VS1UC12240	\$2,600
24	Trimble Nomad - Ranger/TSC3WN2 - - Data Collector	2018	VS1UC12227	\$2,600
25	Trimble Geo 7x - TRM.88180-01 - - GIS Handheld	2016	5445447080	\$8,200
26	Dynasonics - DXNP-ABS-NN - - Ultrasonic Flow Meter	2018	135555	\$6,000
27	Waterpoint PLD - - - Listening Device	2018	PLD10689	\$3,000

Remarks

Description	Notes
Limits of Insurance - per Travelers IM form	<p>Contractors Equipment: \$81,000</p> <p>Coverage Extensions: Newly Acquired "Contractors Equipment" 250,000 Replacement Items - Rental Cost - \$5,000 per item Loss to any one "Replacement Item" - \$100,000 per item</p> <p>Scheduled Property: \$320,200</p> <p>Deductible \$1,000</p>

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District
3400 Bittel Road
Owensboro KY 42301

By: Houchens Insurance Group
2009 Frederica Street
Owensboro KY 42301

Coverage	Company	Policy Number	Eff Date	Exp Date
Commercial Umbrella	Travelers Indemnity Company	ZUP-51N0530A-19-PB	10/1/2019	10/1/2020

Coverage Provided

This type of liability insurance is an extra layer of blanket catastrophe excess liability protection and accomplishes this purpose for your business:

- Excess coverage over the other liability insurance carried by you which is called the 'underlying insurance'.

Coverage Detail

Limit	Description
\$5,000,000	Per Occurrence
\$5,000,000	Annual Aggregate Limit
\$10,000	Self-Insured Retention

Underlying Coverages

This policy is excess over the underlying coverage(s) as indicated below:

Policy Type	Coverage	Limit
Automobile Liability	CSL each accident Bodily Injury each accident Bodily Injury each person Property Damage each accident	\$1,000,000
General Liability	Each Occurrence General Aggregate Products & Comp Operations Aggregate Personal & Advertising Injury	\$1,000,000 \$2,000,000 \$2,000,000 \$1,000,000
Employers Liability	Each Accident Disease Each Employee Disease Policy Limit	\$1,000,000 \$1,000,000 \$1,000,000
Other	EBL EPLI	

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District 3400 Bittel Road Owensboro KY 42301	By: Houchens Insurance Group 2009 Frederica Street Owensboro KY 42301
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Coverage	Company	Policy Number	Eff Date	Exp Date
Workers Compensation	Bridgefield Casualty Insurance Company	196-39721	10/1/2019	10/1/2020

Coverage Detail

Coverage (A) Workers' Compensation States: KY

Coverage (B) Description	Limit
Employers Liability: Each Accident	\$1,000,000
Employers Liability: Disease – Policy Limit	\$1,000,000
Employers Liability: Disease – Each Employee	\$1,000,000
Workers Compensation	Statutory Benefit

Coverage (C) Limited Incidental Other States: No Coverage Applies

Locations & Classifications

Loc#	Address	City State Zip
1		KY

Loc#	Classification	Code/State	Payroll
1	Waterworks operations& drivers	7520 / KY	\$404,087
1	Professional Employees-Utility Mgr	8742 / KY	\$105,698
1	Clerical office employees	8810 / KY	\$240,279

Remarks

Description	Notes
FEIN #'s	Southeast [REDACTED] West [REDACTED]
Directors/Officers	West Daviess: James Scott Kuegel, Stanley Conn, Phillip Haire Southeast Daviess: Hugh Bittel, Christina O'Bryan, John Bell

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District
3400 Bittel Road
Owensboro KY 42301

By: Houchens Insurance Group
2009 Frederica Street
Owensboro KY 42301

Coverage	Company	Policy Number	Eff Date	Exp Date
D & O Coverage (Southeast)	Cincinnati Insurance	EMN0507362	10/1/2018	10/1/2021

Coverage Detail

Claims Made

Limit: \$3,000,000

Investigative Cost Sublimit - \$100,000

Excess Benefit Transaction Tax Sublimit - \$20,000

Deductible: \$5,000 (Agreement B & C)

Defense Outside Limits (Additional Defense Limit of Insurance - Unlimited in the aggregate)

Professional Liability Exclusion

Full Prior Acts

Prior or Pending Date - 10/1/2015

Continuity Date - 10/1/2015

NOTE: Higher liability limits may be available. Defense Coverage **is included** in the limits shown above, not in addition to them. Please let us know if you would like a quote for higher limits.

Claims/Reporting Provisions: Note that your coverage may have very strict claim reporting requirements. If you are aware of **any** written or verbal incident or claim, including EEOC or any other federal or state regulatory agency complaints or notices, please call our office **immediately** to discuss the next steps in making your carrier aware of the circumstances. If you have a preference of attorney to be used in the event of a claim, please let us know as soon as possible so we can work on getting them approved with the carrier.

Summary of Insurance

Coverages as of: 7/21/2020

Prepared: 7/21/2020

For: Southeast & West Daviess County Water District
3400 Bittel Road
Owensboro KY 42301

By: Houchens Insurance Group
2009 Frederica Street
Owensboro KY 42301

Coverage	Company	Policy Number	Eff Date	Exp Date
D & O Coverage (West)	Cincinnati Insurance	EMN0507363	10/1/2018	10/1/2021

Coverage Detail

Claims Made

Limit: \$3,000,000
Investigative Costs Sublimit - \$100,000
Excess Benefit Transaction Tax Sublimit - \$20,000

Deductible: \$5,000 (Insuring Agreement B & C)

Defense Outside Limits (Additional Defense Limit unlimited in the aggregate)

Prior or Pending Date 7/1/2003
Continuity Date 7/1/2003

NOTE: Higher liability limits may be available. Defense Coverage **is included** in the limits shown above, not in addition to them. Please let us know if you would like a quote for higher limits.

Claims/Reporting Provisions: Note that your coverage may have very strict claim reporting requirements. If you are aware of **any** written or verbal incident or claim, including EEOC or any other federal or state regulatory agency complaints or notices, please call our office **immediately** to discuss the next steps in making your carrier aware of the circumstances. If you have a preference of attorney to be used in the event of a claim, please let us know as soon as possible so we can work on getting them approved with the carrier.

SCHEDULE 3.14

INVESTMENT ACCOUNTS – SOUTHEAST

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
CERTIFICATES OF DEPOSIT

	NAME OF BANK	CD #	PRINCIPAL AMOUNT	INTEREST RATE	MATURITY DATE
1	South Central Bank	1018	\$203,478	2.25%	10/17/2020
2	South Central Bank	1445	\$250,049	2.05%	10/30/2020
3	South Central Bank	2110	\$598,402	1.85%	11/21/2020
4	South Central Bank	5128	\$608,925	2.47%	2/13/2021
5	South Central Bank	7270	\$207,169	2.81%	4/13/2021
6	South Central Bank	7157	\$512,772	1.00%	5/18/2021
7	South Central Bank	3853	\$625,400	1.70%	7/14/2021
	TOTAL		\$3,006,195		

NOTE: Outstanding Principal Balances as of June 30, 2020

SCHEDULE 3.15

MATERIAL AGREEMENTS – SOUTHEAST

Southeast is a party to the following material agreements as described in Section 3.15 of the Merger Agreement:

1. Agreement between Owensboro Municipal Utilities and Southeast (the “OMU Agreement”), effective May 14, 1992, as amended by:
 - A. Amendment No. 1, dated December 1, 2008
 - B. Amendment No. 2, dated March 1, 2014
 - C. Amendment No. 3, dated June 1, 2018
2. Tank Maintenance Agreements with Utility Service Co., Inc. for the following water storage tanks:
 - A. Jones Road: \$14,209.82 (Annual Fee)
 - B. Settles Road: \$14,209.82 (Annual Fee)
 - C. Habit Hill: \$11,240.67 (Annual Fee)

SCHEDULE 4.13

**INSURANCE SUMMARY –
WEST**

See Schedule 3.13 for combined Insurance Summary

SCHEDULE 4.14

INVESTMENT ACCOUNTS – WEST

WEST DAVIESS COUNTY WATER DISTRICT
CERTIFICATES OF DEPOSIT

	NAME OF BANK	CD #	PRINCIPAL AMOUNT	INTEREST RATE	MATURITY DATE
1	South Central Bank	1431	\$177,132	2.05%	10/30/2020
2	South Central Bank	2117	\$481,577	1.85%	11/21/2020
3	South Central Bank	5121	\$490,041	2.47%	2/13/2021
4	South Central Bank	7921	\$207,169	2.81%	4/19/2021
5	South Central Bank	7150	\$492,158	1.00%	5/18/2021
6	South Central Bank	3846	\$503,331	1.70%	7/14/2021
	TOTAL		\$2,351,409		

NOTE: Outstanding Principal Balances as of June 30, 2020

SCHEDULE 4.15

MATERIAL AGREEMENTS – WEST

West is a party to the following material agreements as described in Section 4.15 of the Merger Agreement:

1. Agreement between Owensboro Municipal Utilities and West (the “OMU Agreement”), effective May 14, 1992, as amended by:
 - A. Amendment No. 1, dated December 1, 2008
 - B. Amendment No. 2, dated March 1, 2014
 - C. Amendment No. 3, dated June 1, 2018
2. Tank Maintenance Agreement with Utility Service Co., Inc. for the following water storage tank:

Bon Harbor: \$9,128.81 (Annual Fee)

EXHIBIT 8

RESOLUTION NO. 2020-08-01

RESOLUTION OF THE SOUTHEAST DAVIESS COUNTY WATER DISTRICT AUTHORIZING THE MERGER OF SOUTHEAST DAVIESS COUNTY WATER DISTRICT AND WEST DAVIESS COUNTY WATER DISTRICT; APPROVING THE MERGER AGREEMENT BETWEEN SOUTHEAST DAVIESS COUNTY WATER DISTRICT AND WEST DAVIESS COUNTY WATER DISTRICT; AND AUTHORIZING THE CHAIRMAN TO EXECUTE THE MERGER AGREEMENT AND FILE AN APPLICATION FOR APPROVAL OF THE MERGER WITH THE PUBLIC SERVICE COMMISSION.

WHEREAS, Southeast Daviess County Water District (“Southeast”) is a water district organized under the provisions of KRS Chapter 74;

WHEREAS, Southeast currently owns and operates water distribution facilities (“Southeast System”);

WHEREAS, West Daviess County Water District (“West”) is a water district organized under the provisions of KRS Chapter 74;

WHEREAS, West currently owns and operates water distribution facilities (“West System”);

WHEREAS, the public policy of the Commonwealth of Kentucky, as declared in KRS 224A.300(1) and KRS 74.361(1), is to encourage regionalization,

consolidation, and merger of water districts wherever feasible. In addition, KRS 74.361(1) further states that mergers of water districts are in the public interest because “mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.”

WHEREAS, it appears that consolidating and merging Southeast and West into a single water district will enhance customer service, will eliminate wasteful duplication of efforts, will eliminate the preparation of many duplicate reports that are currently being generated by each separate district, will streamline numerous administrative tasks, will eliminate the need to maintain separate inventories of water meters and replacement parts, and will enable the single water district to manage, operate, and maintain the combined system in a more cost-effective manner;

WHEREAS, Southeast and West executed a Statement of Intent, effective July 22, 2020, whereby Southeast expressed its intent to merge with West and West expressed its intent to merge with Southeast, subject to the broad terms, conditions, and provisions set forth in the Statement of Intent;

WHEREAS, Southeast has the authority, pursuant to KRS Chapter 74 and other applicable laws, to merge with West; and

WHEREAS, certain representatives of Southeast and certain representatives of West have negotiated the detailed terms of a Merger Agreement (the “Agreement”) whereby West will merge with and into Southeast and Southeast will be the surviving water district (the “Merger”), subject to the approval and execution of the Agreement by West, the approval and execution of the Agreement by Southeast, and the approval by the Kentucky Public Service Commission (the “PSC”).

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE SOUTHEAST DAVIESS COUNTY WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. It is hereby determined and declared to be in the public interest for Southeast to merge with West pursuant to the terms, conditions, and provisions contained in the Agreement. The Agreement, in substantially the form submitted to Southeast with such modifications as the Chairman may subsequently approve, as evidenced by her signature thereon, is hereby approved, and the Chairman is

authorized and directed to execute and deliver the Agreement for and on behalf of Southeast.

Section 3. The Chairman is also hereby authorized and directed to file an application requesting approval of the Merger with the PSC.

Section 4. The Chairman and all other appropriate officers, officials, employees, or representatives of Southeast are hereby authorized and directed to take any further actions and to execute and deliver all documents as may be reasonably necessary to effectuate the Merger and consummation of the transactions contemplated by the Agreement.

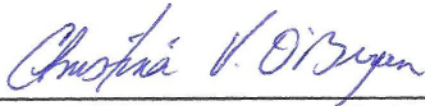
Section 5. Effective with the closing of the Merger, West shall merge into Southeast; the separate existence of West shall cease; and Southeast shall change its name to the “Daviness County Water District.”

Section 6. This Resolution shall take effect upon its adoption.

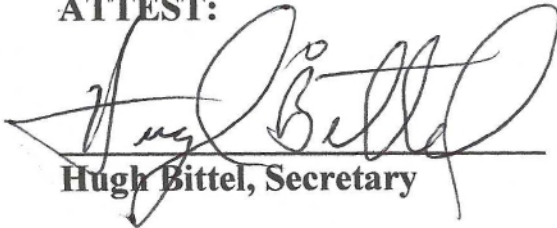
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Adopted by the Board of Commissioners of Southeast Daviess County Water District at a meeting held on August 11, 2020, signed by the Chairman, and attested by the Secretary.

**SOUTHEAST DAVIESS COUNTY
WATER DISTRICT**

By: 
Christina V. O'Bryan, Chairman

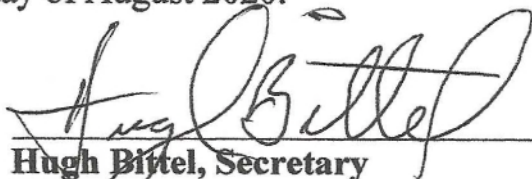
ATTEST:


Hugh Bittel, Secretary

CERTIFICATION

The undersigned Secretary of Southeast Daviess County Water District ("Southeast") does hereby certify that the foregoing is a true copy of a Resolution duly adopted by Southeast's Board of Commissioners at a meeting properly held on August 11, 2020, signed by the Chairman of the Board of Commissioners, attested by the Secretary of the Board of Commissioners, and is now in full force and effect.

WITNESS my hand this 11th day of August 2020.



Hugh Bittel, Secretary

EXHIBIT 9

RESOLUTION NO. 2020-08-01

RESOLUTION OF THE WEST DAVIESS COUNTY WATER DISTRICT AUTHORIZING THE MERGER OF SOUTHEAST DAVIESS COUNTY WATER DISTRICT AND WEST DAVIESS COUNTY WATER DISTRICT; APPROVING THE MERGER AGREEMENT BETWEEN SOUTHEAST DAVIESS COUNTY WATER DISTRICT AND WEST DAVIESS COUNTY WATER DISTRICT; AND AUTHORIZING THE CHAIRMAN TO EXECUTE THE MERGER AGREEMENT AND FILE AN APPLICATION FOR APPROVAL OF THE MERGER WITH THE PUBLIC SERVICE COMMISSION.

WHEREAS, West Daviess County Water District (“West”) is a water district organized under the provisions of KRS Chapter 74;

WHEREAS, West currently owns and operates water distribution facilities (“West System”);

WHEREAS, Southeast Daviess County Water District (“Southeast”) is a water district organized under the provisions of KRS Chapter 74;

WHEREAS, Southeast currently owns and operates water distribution facilities (“Southeast System”);

WHEREAS, the public policy of the Commonwealth of Kentucky, as declared in KRS 224A.300(1) and KRS 74.361(1), is to encourage regionalization,

consolidation, and merger of water districts wherever feasible. In addition, KRS 74.361(1) further states that mergers of water districts are in the public interest because “mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.”

WHEREAS, it appears that consolidating and merging Southeast and West into a single water district will enhance customer service, will eliminate wasteful duplication of efforts, will eliminate the preparation of many duplicate reports that are currently being generated by each separate district, will streamline numerous administrative tasks, will eliminate the need to maintain separate inventories of water meters and replacement parts, and will enable the single water district to manage, operate, and maintain the combined system in a more cost-effective manner;

WHEREAS, Southeast and West executed a Statement of Intent, effective July 22, 2020, whereby Southeast expressed its intent to merge with West and West expressed its intent to merge with Southeast, subject to the broad terms, conditions, and provisions set forth in the Statement of Intent;

WHEREAS, West has the authority, pursuant to KRS Chapter 74 and other applicable laws, to merge with Southeast; and

WHEREAS, certain representatives of Southeast and certain representatives of West have negotiated the detailed terms of a Merger Agreement (the “Agreement”) whereby West will merge with and into Southeast and Southeast will be the surviving water district (the “Merger”), subject to the approval and execution of the Agreement by West, the approval and execution of the Agreement by Southeast, and the approval by the Kentucky Public Service Commission (the “PSC”).

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WEST DAVIESS COUNTY WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. It is hereby determined and declared to be in the public interest for West to merge with Southeast pursuant to the terms, conditions, and provisions contained in the Agreement. The Agreement, in substantially the form submitted to West with such modifications as the Chairman may subsequently approve, as evidenced by his signature thereon, is hereby approved, and the Chairman is

authorized and directed to execute and deliver the Agreement for and on behalf of West.

Section 3. The Chairman is also hereby authorized and directed to file an application requesting approval of the Merger with the PSC.

Section 4. The Chairman and all other appropriate officers, officials, employees, or representatives of West are hereby authorized and directed to take any further actions and to execute and deliver all documents as may be reasonably necessary to effectuate the Merger and consummation of the transactions contemplated by the Agreement.

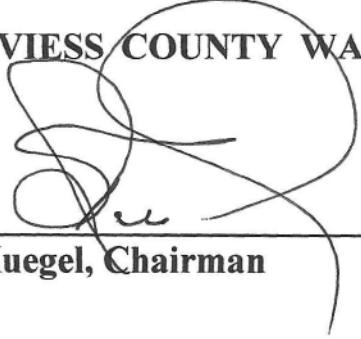
Section 5. Effective with the closing of the Merger, West shall merge into Southeast; the separate existence of West shall cease; and Southeast shall change its name to the “Daviness County Water District.”

Section 6. This Resolution shall take effect upon its adoption.

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Adopted by the Board of Commissioners of West Daviess County Water District at a meeting held on August 18, 2020, signed by the Chairman, and attested by the Secretary.

WEST DAVIESS COUNTY WATER DISTRICT

By: 

Scott Kuegel, Chairman

ATTEST:

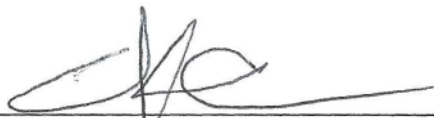


Stanley K. Conn, Secretary

CERTIFICATION

The undersigned Secretary of West Daviess County Water District ("West") does hereby certify that the foregoing is a true copy of a Resolution duly adopted by West's Board of Commissioners at a meeting properly held on August 18, 2020, signed by the Chairman of the Board of Commissioners, attested by the Secretary of the Board of Commissioners, and is now in full force and effect.

WITNESS my hand this 18th day of August 2020.

A handwritten signature in black ink, appearing to read 'SKC', is written over a horizontal line.

Stanley K. Conn, Secretary

EXHIBIT 10

SOUTHEAST DAVIESS COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

DECEMBER 31, 2019 AND 2018

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Contents
December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Southeast Daviess County Water District

Report on the Financial Statements

We have audited the accompanying financial statements of Southeast Daviess County Water District (District), a component unit of the Daviess County Fiscal Court, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Southeast Daviess County Water District as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeast Daviess County Water District's basic financial statements. The Budgetary Comparison Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Comparison Schedule is the responsibility of management and is 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020 on our consideration of Southeast Daviess County Water 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Daviess County Water District's internal control over financial reporting and compliance.

Alexander & Company CPAs PSC

Owensboro, Kentucky
March 19, 2020

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2019 and 2018

	2019	2018
Assets		
CURRENT ASSETS		
Cash	\$ 268,494	\$ 424,032
Accounts receivable	443,719	426,909
Investments	2,608,932	2,451,294
Interest receivable	2,846	2,216
Prepaid insurance	7,266	5,530
Inventory	139,071	179,354
TOTAL CURRENT ASSETS	3,470,328	3,489,335
 RESTRICTED ASSETS		
Cash - Meter Setting Fund	141,026	174,068
Cash - Medical Reimbursement Fund	81,175	22,969
Investments - customer deposits	163,834	157,745
Investments - medical reimbursement	201,197	196,228
Interest receivable	186	298
TOTAL RESTRICTED ASSETS	587,418	551,308
 CAPITAL ASSETS		
Land	56,350	56,350
Water plant	13,719,872	12,092,836
Construction in progress	19,182	1,056,215
	13,795,404	13,205,401
Less accumulated depreciation	(5,419,176)	(5,100,619)
NET CAPITAL ASSETS	8,376,228	8,104,782
TOTAL ASSETS	\$ 12,433,974	\$ 12,145,425

See accompanying notes.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	\$ 368,812	\$ 329,093
Accrued pension	24,392	20,931
Accrued school and sales taxes	7,116	6,748
Payroll taxes and withholding	8,532	7,286
Accrued payroll	13,224	11,409
Current liabilities payable from restricted assets:		
Accounts payable	5,517	63,292
TOTAL CURRENT LIABILITIES	427,593	438,759
NONCURRENT LIABILITIES		
Customer deposits payable from restricted assets	163,834	157,745
TOTAL LIABILITIES	591,427	596,504
NET POSITION		
Net investment in capital assets	8,376,228	8,104,782
Unrestricted	3,466,319	3,444,139
TOTAL NET POSITION	11,842,547	11,548,921
TOTAL LIABILITIES AND NET POSITION	\$ 12,433,974	\$ 12,145,425

See accompanying notes.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Water sales	\$ 2,406,540	\$ 2,132,325
Tap on fees	136,825	142,370
Miscellaneous service revenues	135,830	141,047
TOTAL OPERATING REVENUES	2,679,195	2,415,742
OPERATING EXPENSES		
Audit, accounting and legal	11,612	16,015
Bad debts	9,220	6,731
Depreciation	353,651	315,697
Education and seminars	965	975
Employee benefits	221,196	177,621
Engineering	1,948	-
Insurance	30,864	28,387
Materials, supplies, and repairs	118,409	121,213
Miscellaneous	7,564	8,406
Office supplies and expense	48,445	54,985
Payroll taxes	33,188	30,278
Phone and communication	6,508	5,492
PSC assessment	4,447	4,423
Rent of real estate	6,665	6,431
Salaries and wages	417,906	381,450
Transportation	32,711	29,240
Uniforms	3,883	2,927
Utilities	67,032	64,356
Water purchased	1,281,495	1,113,727
Water tests and meter service	13,475	11,110
TOTAL OPERATING EXPENSES	2,671,184	2,379,464
INCOME FROM OPERATIONS	8,011	36,278
NONOPERATING REVENUES (EXPENSES)		
Interest income	67,334	55,360
Interest expense	(4,563)	(2,316)
Loss on disposal of assets	(175)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	62,596	53,044
INCOME BEFORE CONTRIBUTIONS	70,607	89,322

See accompanying notes.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
CONTRIBUTED CAPITAL REVENUE		
Contributions in aid of construction	\$ 223,019	\$ 82,360
TOTAL CONTRIBUTED CAPITAL REVENUE	223,019	82,360
CHANGE IN NET POSITION	293,626	171,682
NET POSITION, BEGINNING OF YEAR	11,548,921	11,377,239
NET POSITION, END OF YEAR	\$ 11,842,547	\$ 11,548,921

See accompanying notes.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,668,474	\$ 2,389,637
Cash payments to employees for services	(586,729)	(590,544)
Cash payments for goods and services	(1,703,423)	(1,459,769)
NET CASH PROVIDED BY OPERATING ACTIVITIES	378,322	339,324
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(402,253)	(1,177,823)
Interest paid	(4,563)	(2,316)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(406,816)	(1,180,139)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments - net	(168,696)	475,658
Interest on investments	66,816	56,178
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(101,880)	531,836
NET DECREASE IN CASH	(130,374)	(308,979)
CASH AT BEGINNING OF YEAR	621,069	930,048
CASH AT END OF YEAR	\$ 490,695	\$ 621,069

See accompanying notes.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income from operations	\$ 8,011	\$ 36,278
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	353,651	315,697
(Increase) decrease in:		
Accounts receivable	(16,810)	(30,069)
Prepaid insurance	(1,736)	2,071
Inventory	40,283	(55,619)
Increase (decrease) in:		
Accounts payable	(18,056)	64,227
Accrued pension	3,461	654
Accrued school and sales tax	368	68
Accrued payroll	1,815	1,691
Payroll taxes and withholding	1,246	362
Customer deposits	6,089	3,964
Total adjustments	370,311	303,046
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 378,322	\$ 339,324

See accompanying notes.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Southeast Daviess County Water District (District) is a component unit of the Daviess County Fiscal Court, Kentucky and, therefore, is part of the financial reporting entity of the Daviess County Fiscal Court. The District is a water utility which operates in the rural section of Southeast Daviess County, Kentucky, and its sales are primarily to residential customers.

Proprietary Fund

The District is classified as a proprietary fund type. Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are the determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary funds' activities are included on its statement of net position.

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Government Accounting Standards Board (GASB) pronouncements.

The accrual basis of accounting is used for proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

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

Regulation

The District's utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the Commonwealth of Kentucky, Public Service Commission. The District's accounting policies recognize the financial effects of the rate making and accounting practices and policies of the Public Service Commission.

Management Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash Flows Information

For the purposes of the Statements of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Noncash financing activities for 2019 and 2018, representing water lines donated to the District, were \$206,377 and \$82,360, respectively.

Accounts Receivable

The District follows a monthly billing cycle. When meter reading is delayed, estimated bills are rendered based on the average of the three previous bills in order to promote consistency of water revenue. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established based on a favorable history over a substantial period of time. If an account becomes more than sixty days overdue, it will be charged to operations using the direct write-off method.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of materials and supplies and is stated at lower of cost (determined on the first-in, first-out basis) or net realizable value.

Water Plant

Water plant is stated at original cost (cost of the property to whoever first devoted it to public service). The cost of labor for additions to the water plant constructed by the District's employees is not capitalized.

Capital Assets

Utility plant assets are stated at cost. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized.

Depreciation is provided on the basis of the estimated useful lives of assets using the straight-line method. Depreciation expense was \$353,651 and \$315,697 for the years 2019 and 2018, respectively. Estimated useful lives of major class of the water plant in service are as follows:

Pumping system	10-50 years
Transmission and distribution system	30-70 years
General plant	5-30 years

Operating Revenue

Operating revenue is recognized upon completion of monthly meter readings. At the end of each month, water service which has been rendered from the latest meter reading to the end of the month is unbilled.

Nonoperating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE B – CASH DEPOSITS AND INVESTMENTS

Cash at year end consists of:

	2019	2018
Cash	\$ 268,494	\$ 424,032
Cash - Meter Setting Fund	141,026	174,068
Cash - Medical Reimbursement Fund	81,175	22,969
	\$ 490,695	\$ 621,069

Custodial Credit Risk – Deposits

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 does not have a deposit policy for custodial credit risk.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE B – CASH DEPOSITS AND INVESTMENTS (continued)

Investments

Investments consist of seven certificates of deposit at local banks as of December 31, 2019. The first certificate of deposit has a value of \$601,438. This certificate pays an interest rate of 2.47% with a maturity date of February 13, 2021. The second certificate of deposit has a value of \$592,882. This certificate pays an interest rate of 1.85% with a maturity date of November 21, 2020. The third certificate of deposit has a value of \$507,138. This certificate pays an interest rate of 2.42% with a maturity date of May 16, 2020. The fourth certificate of deposit has a value of \$619,540. This certificate pays an interest rate of 2.72% with a maturity date of January 13, 2020. The fifth certificate of deposit has a value of \$247,494. This certificate pays an interest rate of 2.05% with a maturity date of October 30, 2020. The sixth certificate of deposit has a value of \$201,197. This certificate pays an interest rate of 2.25% with a maturity date of October 17, 2020. The seventh certificate of deposit has a value of \$204,274. This certificate of deposit pays an interest rate of 2.81% with a maturity date of April 13, 2021.

Investments consist of six certificates of deposit at local banks as of December 31, 2018. The first certificate of deposit has a value of \$587,635. This certificate pays an interest rate of 1.59% with a maturity date of February 12, 2019. The second certificate of deposit has a value of \$584,572. This certificate pays an interest rate of 1.35% with a maturity date of November 15, 2019. The third certificate of deposit has a value of \$592,386. This certificate pays an interest rate of 1.60% with a maturity date of May 16, 2019. The fourth certificate of deposit has a value of \$602,935. This certificate pays an interest rate of 2.72% with a maturity date of January 13, 2020. The fifth certificate of deposit has a value of \$241,511. This certificate pays an interest rate of 2.52% with a maturity date of October 28, 2019. The sixth certificate of deposit has a value of \$196,228. This certificate pays an interest rate of 2.52% with a maturity date of October 10, 2019.

Investments are shown on the Statement of Net Position as:

	2019	2018
Investments	\$ 2,608,932	\$ 2,451,294
Investments - customer deposits	163,834	157,745
Investments - medical reimbursements	201,197	196,228
	\$ 2,973,963	\$ 2,805,267

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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 State government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. The District's investment policy only allows investment choices that are in compliance with the state statutes. At December 31, 2019 and 2018, all investments held by the District were insured or collateralized with securities held by the District or by its agent in the District's name.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer. The District's investments consist of collateralized certificate of deposits at a local bank. The District does not have a deposit policy for credit risk.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE C – CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2019 and 2018, was as follows:

	Balance Dec. 31, 2018	Additions	Deletions	Balance Dec. 31, 2019
Capital assets not depreciated:				
Land	\$ 56,350	\$ -	\$ -	\$ 56,350
Construction in progress	1,056,215	17,145	1,054,178	19,182
Total capital assets not depreciated:	<u>1,112,565</u>	<u>17,145</u>	<u>1,054,178</u>	<u>75,532</u>
Capital assets depreciated:				
Buildings	152,171	10,152	-	162,323
Pumping stations	1,008,796	17,125	-	1,025,921
Equipment	279,057	1,190,681	13,370	1,456,368
Tanks, lines, meters and hydrants	10,652,812	466,244	43,796	11,075,260
Total capital assets depreciated	<u>12,092,836</u>	<u>1,684,202</u>	<u>57,166</u>	<u>13,719,872</u>
Less accumulated depreciation:				
Buildings	131,692	4,636	-	136,328
Pumping stations	464,313	29,671	-	493,984
Equipment	233,853	51,129	13,196	271,786
Tanks, lines, meters and hydrants	4,270,761	268,215	21,898	4,517,078
Total accumulated depreciation	<u>5,100,619</u>	<u>353,651</u>	<u>35,094</u>	<u>5,419,176</u>
Total capital assets depreciated, net	<u>6,992,217</u>	<u>1,330,551</u>	<u>22,072</u>	<u>8,300,696</u>
Total capital assets, net	<u>\$ 8,104,782</u>	<u>\$ 1,347,696</u>	<u>\$ 1,076,250</u>	<u>\$ 8,376,228</u>
	Balance Dec. 31, 2017	Additions	Deletions	Balance Dec. 31, 2018
Capital assets not depreciated:				
Land	\$ 56,350	\$ -	\$ -	\$ 56,350
Construction in progress	18,845	1,054,178	16,808	1,056,215
Total capital assets not depreciated:	<u>75,195</u>	<u>1,054,178</u>	<u>16,808</u>	<u>1,112,565</u>
Capital assets depreciated:				
Buildings	152,171	-	-	152,171
Pumping stations	1,008,796	-	-	1,008,796
Equipment	264,395	14,662	-	279,057
Tanks, lines, meters and hydrants	10,447,991	216,934	12,113	10,652,812
Total capital assets depreciated	<u>11,873,353</u>	<u>231,596</u>	<u>12,113</u>	<u>12,092,836</u>
Less accumulated depreciation:				
Buildings	126,507	5,185	-	131,692
Pumping stations	435,213	29,100	-	464,313
Equipment	210,189	23,664	-	233,853
Tanks, lines, meters and hydrants	4,016,343	257,747	3,329	4,270,761
Total accumulated depreciation	<u>4,788,252</u>	<u>315,696</u>	<u>3,329</u>	<u>5,100,619</u>
Total capital assets depreciated, net	<u>7,085,101</u>	<u>(84,100)</u>	<u>8,784</u>	<u>6,992,217</u>
Total capital assets, net	<u>\$ 7,160,296</u>	<u>\$ 970,078</u>	<u>\$ 25,592</u>	<u>\$ 8,104,782</u>

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE D – RETIREMENT PLANS

The District has a money-purchase retirement plan (Plan) covering all full-time employees that is a Defined Contribution plan. The fair value of investments is determined by the quoted market prices for each investment at the close of the market.

The District makes a contribution equal to eleven percent of the employee's earned annual base salary. Employees become eligible after reaching the age of twenty and a half and after six months of full time employment. Employees become fully vested after five years of service from enrollment date.

Employer contributions to the Plan for 2019 and 2018 were \$45,076 and \$41,271, respectively. Accrued pension expense for the Plan as of December 31, 2019 and 2018 was \$24,392 and \$20,931, respectively. Pentegra Services, Inc. is the administrator of the funds. Mass Mutual Financial Group is the custodian of the funds.

During 2019 and 2018, there were no forfeitures under this plan.

In addition to the Plan, the District's employees are also eligible to participate in a deferred compensation plan. The plan is organized as a Section 457(b) plan under the Internal Revenue Code. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, age sixty-two if still working or financial hardship. The District's policy is to match the employee's contribution up to three percent of the employee's gross salary.

Employer contribution to the deferred compensation plan for 2019 and 2018 were \$12,082 and \$10,928, respectively. Pentegra Services, Inc. is the administrator of this retirement plan. Mass Mutual Financial Group is the custodian of the fund.

NOTE E – RESTRICTED ASSETS

Cash and investments held for the purpose of medical reimbursement and meter setting deposits are classified as restricted funds and liabilities to be paid by the District are classified as liabilities payable from restricted funds.

NOTE F – RWRA ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The District bills and performs collections for sewer charges on behalf of the Regional Water Resource Agency (RWRA), a regional provider of comprehensive wastewater services for Daviess, County, Kentucky. Accounts receivable and accounts payable related to RWRA as of December 31, 2019 and 2018 was as follows:

	2019	2018
Accounts receivable - RWRA	\$ 253,444	\$ 239,511
Accounts receivable - District	190,275	187,398
Total accounts receivable	\$ 443,719	\$ 426,909
	2019	2018
Accounts payable - RWRA	\$ 216,119	\$ 212,155
Accounts payable - District	152,693	116,938
Total accounts payable	\$ 368,812	\$ 329,093

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE G – CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction represent additions to the water plant through extensions of the water distribution system. These additions are funded by individual users through payments made directly to the District or to independent contractors. Contributions to the water distribution system amounted to \$223,019 for 2019 and \$82,360 for 2018.

NOTE H – INCOME TAX STATUS

The District is exempt from federal and state income taxes and, accordingly, no provision for such taxes has been made.

NOTE I – OPERATING AND ADMINISTRATION EXPENSES

The District shares office space and personnel with the West Daviess County Water District. Administrative expenses and operating salaries and wages are allocated between the two water districts based the number of active meters for each District. Prior to July 1, 2019, 55% of those expenses are allocated to the District. After July 1, 2019, 59% of shared expenses were allocated to the District

NOTE J – LEASING ARRANGEMENTS

The District conducts its operations from facilities which are constructed upon land leased for a period of five years commencing March 1, 2017. The lease provides that the lessee shall have the right to extend this lease for additional five-year periods. Unless notice is given to cancel this lease sixty (60) days before the end of the original period or any extension thereof, then such extension shall be automatic. The monthly rent is \$974, however, the District's share is 59% (55% prior to July 1, 2019) or \$575 monthly. Rental expense was \$6,665 and \$6,431 for 2019 and 2018.

The following is a schedule of future minimum rental payments required under the above lease as of December 31, 2019:

<u>Year Ended December 31</u>	<u>Amount</u>
2020	\$ 6,900
2021	6,900
2022	1,150
	\$ 14,950

NOTE K – SUPPLIER

The District purchases all of its water for resale from the City Utility Commission of the City of Owensboro, Kentucky operating as Owensboro Municipal Utilities (OMU). The purchases from OMU for 2019 and 2018 was \$1,269,551 and \$1,105,196, respectively. Amounts payable to OMU at year-end for 2019 and 2018 were \$106,504 and \$87,259, respectively.

NOTE L – COMPENSATED ABSENCES

Employees are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The District does not accrue compensation for paid vacation because the amount is considered immaterial. The District's policy is to record compensated absences when actually paid to employees.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE M – NET POSITION

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets; restricted and unrestricted net assets. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net assets not included in the above categories.

Included in restricted net position at December 31,

	2019	2018
Investments - Customer Deposits	\$ 163,834	\$ 157,745
Less: Restricted Liabilities	(163,834)	(157,745)
Restricted Net Position	\$ -	\$ -

NOTE N – COMMITMENTS AND CONTINGENCIES

Medical Expense Reimbursement Plan

The District provides a medical reimbursement plan (MERP) to its employees. The plan reimburses employees for medical and hospital expenses incurred by themselves and their dependents from December 1 to November 30 in any calendar year, but not to exceed \$3,000 for single employee or \$6,000 for family plan (or current health plan's out-of-pocket maximum less \$1,000 for single plan and \$2,000 for family plan) per plan year. The reimbursements exclude insurable and eligible medical and hospital expenses available to employees under the District's group insured health plan. This plan also excludes employee dental expenses and expenses for prescription and non-prescription drugs. The District has established a reserve consisting of cash and cash equivalents to cover future medical reimbursements which as of December 31, 2019 and 2018, totaled \$282,372 and \$219,197. For the years ended December 31, 2019 and 2018, medical reimbursements paid to employees were \$15,620 and \$12,371, respectively. There were no significant outstanding medical reimbursements to employees as of December 31, 2019 and 2018.

Water Purchases

The District purchases water monthly from Owensboro Municipal Utilities. The amount OMU charges the District for water purchases is based on an estimated rate. The supplier will retroactively compare the actual cost and estimated costs charged to the District and the difference (either the amount overpaid or underpaid) is communicated to the District. The District has the option to request a rate change or otherwise the rate remains unchanged.

As of May 31, 2019 and 2018, the total amount (underpaid) overpaid by the District was (\$18,152) and \$71,343. The District has not recognized a contingency on their records since this amount cannot be reasonably estimated as of December 31, 2019 and 2018.

NOTE O – SUBSEQUENT EVENTS

The District did not have any subsequent events through March 19, 2020, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2019.

SUPPLEMENTARY INFORMATION

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES	<u>\$ 2,599,000</u>	<u>\$ 2,599,000</u>	<u>\$ 2,679,195</u>	<u>\$ 80,195</u>
OPERATING EXPENSES				
Operation and maintenance expense	2,254,600	2,254,600	2,313,086	(58,486)
Depreciation expense	345,000	345,000	353,651	(8,651)
Taxes other than income	<u>4,400</u>	<u>4,400</u>	<u>4,447</u>	<u>(47)</u>
TOTAL OPERATING EXPENSES	<u>2,604,000</u>	<u>2,604,000</u>	<u>2,671,184</u>	<u>(67,184)</u>
INCOME FROM OPERATIONS	<u>(5,000)</u>	<u>(5,000)</u>	<u>8,011</u>	<u>13,011</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	60,000	60,000	67,334	7,334
Interest expense	(2,500)	(2,500)	(4,563)	(2,063)
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>(175)</u>	<u>(175)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>57,500</u>	<u>57,500</u>	<u>62,596</u>	<u>5,096</u>
INCOME BEFORE CONTRIBUTIONS	52,500	52,500	70,607	18,107
CONTRIBUTED CAPITAL REVENUE	<u>100,000</u>	<u>100,000</u>	<u>223,019</u>	<u>123,019</u>
CHANGE IN NET POSITION	<u>\$ 152,500</u>	<u>\$ 152,500</u>	<u>\$ 293,626</u>	<u>\$ 141,126</u>



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

To the Board of Commissioners
Southeast Daviess County Water District

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 Southeast Daviess County Water District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Alexander & Company CPAs PSC

Owensboro, Kentucky
March 19, 2020

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
Schedule of Findings and Responses
Year Ended December 31, 2019

FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

EXHIBIT 11

WEST DAVIESS COUNTY WATER DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019 AND 2018

WEST DAVIESS COUNTY WATER DISTRICT
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December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
West Daviess County Water District

Report on the Financial Statements

We have audited the accompanying financial statements of West Daviess County Water District (District), a component unit of the Daviess County Fiscal Court, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of West Daviess County Water District as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Daviess County Water District's basic financial statements. The Budgetary Comparison Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Comparison Schedule is the responsibility of management and is 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020 on our consideration of West Daviess County Water 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Daviess County Water District's internal control over financial reporting and compliance.



Owensboro, Kentucky
March 19, 2020

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2019 and 2018

	2019	2018
Assets		
CURRENT ASSETS		
Cash	\$ 239,173	\$ 408,114
Accounts receivable	206,040	211,620
Investments	2,040,490	1,798,986
Interest receivable	2,314	1,678
Prepaid insurance	5,261	5,106
Inventory	116,648	123,745
TOTAL CURRENT ASSETS	2,609,926	2,549,249
 RESTRICTED ASSETS		
Cash - Meter Setting Fund	84,052	98,974
Cash - Medical Reimbursement Fund	64,732	20,685
Accounts receivable	13,722	657
Investments - customer deposits	110,300	106,340
Investments - medical reimbursement	175,323	171,070
Interest receivable	20	70
TOTAL RESTRICTED ASSETS	448,149	397,796
 CAPITAL ASSETS		
Land	38,232	38,232
Water plant	12,394,239	11,081,430
Construction in progress	-	892,587
	12,432,471	12,012,249
Less accumulated depreciation	(5,113,778)	(4,838,250)
NET CAPITAL ASSETS	7,318,693	7,173,999
 TOTAL ASSETS	\$ 10,376,768	\$ 10,121,044

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2019 and 2018

Liabilities and Net Assets	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Accounts payable	\$ 177,719	\$ 165,933
Accrued pension	16,947	17,125
Accrued school and sales taxes	5,034	5,238
Payroll taxes and withholding	5,650	5,803
Accrued payroll	9,446	9,482
Current liabilities payable from restricted assets:		
Accounts payable	<u>1,513</u>	<u>31,400</u>
TOTAL CURRENT LIABILITIES	<u>216,309</u>	<u>234,981</u>
NONCURRENT LIABILITIES		
Customer deposits payable from restricted assets	<u>110,300</u>	<u>106,340</u>
TOTAL LIABILITIES	<u>326,609</u>	<u>341,321</u>
NET POSITION		
Net investment in capital assets	7,318,693	7,173,999
Unrestricted	<u>2,731,466</u>	<u>2,605,724</u>
TOTAL NET POSITION	<u>10,050,159</u>	<u>9,779,723</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,376,768</u>	<u>\$ 10,121,044</u>

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Water sales	\$ 1,860,155	\$ 1,598,735
Tap on fees	79,000	99,685
Miscellaneous service revenues	79,415	71,460
TOTAL OPERATING REVENUES	2,018,570	1,769,880
OPERATING EXPENSES		
Audit, accounting and legal	10,912	15,366
Bad debts	5,850	3,095
Depreciation	310,666	274,374
Education and seminars	-	1,360
Employee benefits	166,956	145,327
Insurance	24,429	23,227
Materials, supplies, and repairs	55,546	60,721
Miscellaneous	6,243	6,029
Office supplies and expense	37,156	41,091
Payroll taxes	25,160	24,899
Phone and communication	4,566	4,197
PSC assessment	3,267	3,306
Rent of real estate	5,027	5,261
Salaries and wages	316,899	313,743
Transportation	23,698	22,687
Uniforms	2,884	2,395
Utilities	50,565	51,126
Water purchased	1,007,650	740,183
Water tests and meter service	9,710	9,925
TOTAL OPERATING EXPENSES	2,067,184	1,748,312
INCOME (LOSS) FROM OPERATIONS	(48,614)	21,568
NONOPERATING REVENUES (EXPENSES)		
Interest income	51,600	41,729
Interest expense	(3,054)	(1,562)
Loss on disposal of assets	(143)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	48,403	40,167
INCOME (LOSS) BEFORE CONTRIBUTIONS	(211)	61,735

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
CONTRIBUTED CAPITAL REVENUE		
Contributions in aid of construction	\$ 270,647	\$ 224,736
TOTAL CONTRIBUTED CAPITAL REVENUE	270,647	224,736
CHANGE IN NET POSITION	270,436	286,471
NET POSITION, BEGINNING OF YEAR	9,779,723	9,493,252
NET POSITION, END OF YEAR	\$ 10,050,159	\$ 9,779,723

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,015,045	\$ 1,756,454
Cash payments to employees for services	(512,266)	(485,491)
Cash payments for goods and services	(1,255,982)	(974,481)
NET CASH PROVIDED BY OPERATING ACTIVITIES	246,797	296,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(184,856)	(1,011,506)
Interest paid	(3,054)	(1,562)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(187,910)	(1,013,068)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments - net	(249,717)	412,353
Interest on investments	51,014	42,649
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(198,703)	455,002
NET DECREASE IN CASH	(139,816)	(261,584)
CASH AT BEGINNING OF YEAR	527,773	789,357
CASH AT END OF YEAR	\$ 387,957	\$ 527,773

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) from operations	\$ (48,614)	\$ 21,568
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	310,666	274,374
(Increase) decrease in:		
Accounts receivable	(7,485)	(16,771)
Prepaid insurance	(155)	1,468
Inventory	7,097	(20,381)
Increase (decrease) in:		
Accounts payable	(18,101)	29,973
Accrued pension	(178)	535
Accrued school and sales tax	(204)	673
Accrued payroll	(36)	1,376
Payroll taxes and withholding	(153)	322
Customer deposits	3,960	3,345
Total adjustments	295,411	274,914
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 246,797	\$ 296,482

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The West Daviess County Water District (District) is a component unit of the Daviess County Fiscal Court, Kentucky and, therefore, is part of the financial reporting entity of the Daviess County Fiscal Court. The District is a water utility which operates in the rural section of West Daviess County, Kentucky, and its sales are primarily to residential customers.

Proprietary Fund

The District is classified as a proprietary fund type. Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are the determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary funds' activities are included on its statement of net position.

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Government Accounting Standards Board (GASB) pronouncements.

The accrual basis of accounting is used for proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

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

Regulation

The District's utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the Commonwealth of Kentucky, Public Service Commission. The District's accounting policies recognize the financial effects of the rate making and accounting practices and policies of the Public Service Commission.

Management Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash Flows Information

For the purposes of the Statements of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Noncash financing activities for 2019 and 2018, representing water lines donated to the District, were \$222,331 and \$167,119, respectively.

Accounts Receivable

The District follows a monthly billing cycle. When meter reading is delayed, estimated bills are rendered based on the average of the three previous bills in order to promote consistency of water revenue. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established based on a favorable history over a substantial period of time. If an account becomes more than sixty days overdue, it will be charged to operations using the direct write-off method.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of materials and supplies, and is stated at lower of cost (determined on the first-in, first-out basis) or net realizable value.

Water Plant

Water plant is stated at original cost (cost of the property to whoever first devoted it to public service). The cost of labor for additions to the water plant constructed by the District's employees is not capitalized.

Capital Assets

Utility plant assets are stated at cost. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized.

Depreciation is provided on the basis of the estimated useful lives of assets using the straight-line method. Depreciation expense was \$310,666 and \$274,374 for the years 2019 and 2018, respectively. Estimated useful lives of major class of the water plant in service are as follows:

Pumping system	10-50 years
Transmission and distribution system	30-70 years
General plant	5-30 years

Operating Revenue

Operating revenue is recognized upon completion of monthly meter readings. At the end of each month water service which has been rendered from the latest meter reading to the end of the month is unbilled.

Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE B – CASH DEPOSITS AND INVESTMENTS

Cash at year end consists of:

	2019	2018
Cash	\$ 239,173	\$ 408,114
Cash - Meter Setting Fund	84,052	98,974
Cash - Medical Reimbursement Fund	64,732	20,685
	\$ 387,957	\$ 527,773

Custodial Credit Risk – Deposits

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 does not have a deposit policy for custodial credit risk.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE B – CASH DEPOSITS AND INVESTMENTS (continued)

Investments

Investments consist of six certificates of deposit at local banks as of December 31, 2019. The first certificate of deposit has a value of \$484,016. This certificate pays an interest rate of 2.47% with a maturity date of February 13, 2021. The second certificate of deposit has a value of \$477,135. This certificate pays an interest rate of 1.85% with a maturity date of November 21, 2020. The third certificate of deposit has a value of \$486,750. This certificate pays an interest rate of 2.42% with a maturity date of May 16, 2020. The fourth certificate of deposit has a value of \$498,615. This certificate pays an interest rate of 2.72% with a maturity date of January 13, 2020. The fifth certificate of deposit has a value of \$175,323. This certificate pays an interest rate of 2.05% with a maturity date of October 30, 2020. The sixth certificate of deposit has a value of \$204,274. This certificate pays an interest rate of 2.81% with a maturity date of April 19, 2021.

Investments consist of five certificates of deposit at local banks as of December 31, 2018. The first certificate of deposit has a value of \$472,892. This certificate pays an interest rate of 1.59% with a maturity date of February 12, 2019. The second certificate of deposit has a value of \$470,447. This certificate pays an interest rate of 1.36% with a maturity date of November 15, 2019. The third certificate of deposit has a value of \$476,736. This certificate pays an interest rate of 1.60% with a maturity date of May 16, 2019. The fourth certificate of deposit has a value of \$485,251. This certificate pays an interest rate of 2.72% with a maturity date of January 13, 2020. The fifth certificate of deposit has a value of \$171,070. This certificate pays an interest rate of 2.52% with a maturity date of October 26, 2019.

Investments are shown on the Statements of Net Position as:

	2019	2018
Investments	\$ 2,040,490	\$ 1,798,986
Investments - customer deposits	110,300	106,340
Investments - medical reimbursements	175,323	171,070
	\$ 2,326,113	\$ 2,076,396

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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 State government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. The District's investment policy only allows investment choices that are in compliance with the state statues. At December 31, 2019 and 2018, all investments held by the District were insured or collateralized with securities held by the District or by its agent in the District's name.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer. The District's investments consist of collateralized certificates of deposit at a local bank. The District does not have a credit risk policy.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE C – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2019 and 2018 as follows:

	Balance Dec. 31, 2018	Additions	Deletions	Balance Dec. 31, 2019
Capital assets not depreciated:				
Land	\$ 38,232	\$ -	\$ -	\$ 38,232
Construction in progress	892,587	67,517	960,104	-
Total capital assets not depreciated:	<u>930,819</u>	<u>67,517</u>	<u>960,104</u>	<u>38,232</u>
Capital assets depreciated:				
Buildings	155,964	8,306	-	164,270
Pumping stations	614,715	-	-	614,715
Equipment	276,912	977,306	25,181	1,229,037
Tanks, lines, meters and hydrants	10,033,839	372,578	20,200	10,386,217
Total capital assets depreciated	<u>11,081,430</u>	<u>1,358,190</u>	<u>45,381</u>	<u>12,394,239</u>
Less accumulated depreciation:				
Buildings	138,458	3,078	-	141,536
Pumping stations	332,855	16,769	-	349,624
Equipment	197,702	46,509	25,038	219,173
Tanks, lines, meters and hydrants	4,169,235	244,310	10,100	4,403,445
Total accumulated depreciation	<u>4,838,250</u>	<u>310,666</u>	<u>35,138</u>	<u>5,113,778</u>
Total capital assets depreciated, net	<u>6,243,180</u>	<u>1,047,524</u>	<u>10,243</u>	<u>7,280,461</u>
Total capital assets, net	<u>\$ 7,173,999</u>	<u>\$ 1,115,041</u>	<u>\$ 970,347</u>	<u>\$ 7,318,693</u>
	Balance Dec. 31, 2017	Additions	Deletions	Balance Dec. 31, 2018
Capital assets not depreciated:				
Land	\$ 38,232	\$ -	\$ -	\$ 38,232
Construction in progress	16,844	910,654	34,911	892,587
Total capital assets not depreciated:	<u>55,076</u>	<u>910,654</u>	<u>34,911</u>	<u>930,819</u>
Capital assets depreciated:				
Buildings	155,964	-	-	155,964
Pumping stations	614,715	-	-	614,715
Equipment	237,815	39,097	-	276,912
Tanks, lines, meters and hydrants	9,714,724	326,540	7,425	10,033,839
Total capital assets depreciated	<u>10,723,218</u>	<u>365,637</u>	<u>7,425</u>	<u>11,081,430</u>
Less accumulated depreciation:				
Buildings	135,267	3,191	-	138,458
Pumping stations	315,657	17,198	-	332,855
Equipment	179,970	17,732	-	197,702
Tanks, lines, meters and hydrants	3,935,269	236,253	2,287	4,169,235
Total accumulated depreciation	<u>4,566,163</u>	<u>274,374</u>	<u>2,287</u>	<u>4,838,250</u>
Total capital assets depreciated, net	<u>6,157,055</u>	<u>91,263</u>	<u>5,138</u>	<u>6,243,180</u>
Total capital assets, net	<u>\$ 6,212,131</u>	<u>\$ 1,001,917</u>	<u>\$ 40,049</u>	<u>\$ 7,173,999</u>

WEST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE D – RETIREMENT PLANS

The District has a money-purchase retirement plan (Plan) covering all full-time employees that is a Defined Contribution plan. The fair value of investments is determined by the quoted market prices for each investment at the close of the market.

The District makes a contribution equal to eleven percent of the employee’s earned annual base salary. Employees become eligible after reaching the age of twenty and a half and after six months of full time employment. Employees become fully vested after five years of service from enrollment date.

Employer contributions to the Plan for 2019 and 2018 were \$33,870 and \$33,767, respectively. Accrued pension expense for the Plan as of December 31, 2019 and 2018 was \$16,947 and \$17,125, respectively. Pentegra Services, Inc. is the administrator of the funds. Mass Mutual Financial Group is the custodian of the funds.

During 2019 and 2018, there were no forfeitures under this plan.

In addition to the Plan, the District’s employees are also eligible to participate in a deferred compensation plan. The plan is organized as a Section 457(b) plan under the Internal Revenue Code. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, age sixty-two if still working or financial hardship. The District’s policy is to match the employee’s contribution up to three percent of the employee’s gross salary.

Employer contributions to the deferred compensation plan for 2019 and 2018 were \$9,089 and \$8,941 respectively. Pentegra Services, Inc. is the administrator of this retirement plan. Mass Mutual Financial Group is the custodian of the fund.

NOTE E – RESTRICTED ASSETS

Cash and investments held for the purpose of medical reimbursement and meter setting deposits are classified as restricted funds and liabilities to be paid by the District are classified as liabilities payable from restricted funds.

NOTE F – RWRA ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The District bills and performs collections for sewer charges on behalf of the Regional Water Resource Agency (RWRA), a regional provider of comprehensive wastewater services for Daviess County, Kentucky. Accounts receivable and accounts payable related to RWRA as of December 31, 2019 and 2018 was as follows:

	2019	2018
Accounts receivable - RWRA	\$ 81,534	\$ 77,509
Accounts receivable - District	124,506	134,111
Total accounts receivable	\$ 206,040	\$ 211,620
	2019	2018
Accounts payable - RWRA	\$ 70,876	\$ 69,646
Accounts payable - District	106,843	96,287
Total accounts payable	\$ 177,719	\$ 165,933

WEST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE G – CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction represent additions to water plant through extensions of the water distribution system. These additions are funded by individual users through payments made directly to the District or to independent contractors. Contributions to the water distribution system amounted to \$270,647 for 2019 and \$224,736 for 2018.

NOTE H – INCOME TAX STATUS

The District is exempt from federal and state income taxes and, accordingly, no provision for such taxes has been made.

NOTE I – OPERATING AND ADMINISTRATION EXPENSES

The District shares office space and personnel with the Southeast Daviess County Water District. Administrative expenses and operating salaries and wages are allocated between the two water districts based upon the number of active meters for each District. Prior to July 1, 2019, 45% of those expenses are allocated to the District. After July 1, 2019, 41% of those expenses were allocated to the District.

NOTE J – LEASING ARRANGEMENTS

The District conducts its operations from facilities which are constructed upon land leased for a period of five years commencing March 1, 2017. The lease provides that the lessee shall have the right to extend this lease for additional five-year periods with a 10% adjustment to the monthly rent. Unless notice is given to cancel this lease sixty (60) days before the end of the original period or any extension thereof, then such extension shall be automatic. The monthly rent is \$974, however, the District's share is 41% (45% prior to July 1, 2019) or \$399 monthly. Rental expense was \$5,027 and \$5,261 for 2019 and 2018.

The following is a schedule of future minimum rental payments required under the above lease as of December 31, 2019.

<u>Year Ended December 31</u>	<u>Amount</u>
2020	\$ 4,788
2021	4,788
2022	2,022
	\$ 11,598

NOTE K – SUPPLIER

The District purchases all of its water for resale from the City Utility Commission of the City of Owensboro, Kentucky operating as Owensboro Municipal Utilities (OMU). Total purchases from OMU for 2019 and 2018 were \$1,007,650 and \$739,236, respectively. Amounts payable to OMU at year-end for 2019 and 2018 were \$77,007 and \$65,805, respectively.

NOTE L – COMPENSATED ABSENCES

Employees are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The District does not accrue compensation for paid vacation because the amount is considered immaterial. The District's policy is to record compensated absences when actually paid to employees.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE M – NET POSITION

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets; restricted and unrestricted net assets. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net assets not included in the above categories.

Included in restricted net position at December 31,

	2019	2018
Investments - Customer Deposits	\$ 110,300	\$ 106,340
Less: Restricted Liabilities	(110,300)	(106,340)
Restricted Net Position	\$ -	\$ -

NOTE N – COMMITMENTS AND CONTINGENCIES

Medical Expense Reimbursement Plan

The District provides a medical reimbursement plan (MERP) to its employees. The plan reimburses employees for medical and hospital expenses incurred by themselves and their dependents from December 1 to November 30 in any calendar year, but not to exceed \$3,000 for single employee or \$6,000 for family plan (or current health plan's out-of-pocket maximum less \$1,000 for single plan and \$2,000 for family plan) per plan year. The reimbursements exclude insurable and eligible medical and hospital expenses available to employees under the District's group insured health plan. This plan also excludes employee dental expenses and expenses for prescription and non-prescription drugs. The District has established a reserve consisting of cash and cash equivalents to cover future medical reimbursements which, as of December 31, 2019 and 2018, totaled \$240,055 and \$191,755. For the years ended December 31, 2019 and 2018 medical reimbursements paid to employees were \$12,280 and \$10,123, respectively. There were no significant outstanding medical reimbursements to employees as of December 31, 2019 and 2018.

Water Purchases

The District purchases water monthly from Owensboro Municipal Utilities (OMU). The amount OMU charges the District for water purchases is based on an estimated rate. The supplier will retroactively compare the actual cost and estimated costs charged to the District and the difference (either the amount overpaid or underpaid) is communicated to the District. The District has the option to request a rate change or otherwise the rate remains unchanged.

As of May 31, 2019 and 2018, the total amount underpaid by the District was \$125,335 and \$110,698. The District has not recognized a contingency on their records since this amount cannot be reasonably estimated as of December 31, 2019 and 2018.

NOTE O – SUBSEQUENT EVENTS

The District did not have subsequent events through March 19, 2020, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2019.

SUPPLEMENTARY INFORMATION

WEST DAVIESS COUNTY WATER DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES	<u>\$ 2,018,500</u>	<u>\$ 2,018,500</u>	<u>\$ 2,018,570</u>	<u>\$ 70</u>
OPERATING EXPENSES				
Operation and maintenance expense	1,738,200	1,738,200	1,753,251	(15,051)
Depreciation expense	300,000	300,000	310,666	(10,666)
Taxes other than income	<u>3,300</u>	<u>3,300</u>	<u>3,267</u>	<u>33</u>
TOTAL OPERATING EXPENSES	<u>2,041,500</u>	<u>2,041,500</u>	<u>2,067,184</u>	<u>(25,684)</u>
INCOME (LOSS) FROM OPERATIONS	<u>(23,000)</u>	<u>(23,000)</u>	<u>(48,614)</u>	<u>(25,614)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	46,500	46,500	51,600	5,100
Interest expense	(2,000)	(2,000)	(3,054)	(1,054)
Loss on disposal of asset	<u>-</u>	<u>-</u>	<u>(143)</u>	<u>(143)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>44,500</u>	<u>44,500</u>	<u>48,403</u>	<u>4,046</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	21,500	21,500	(211)	(21,711)
CONTRIBUTED CAPITAL REVENUE	<u>30,000</u>	<u>30,000</u>	<u>270,647</u>	<u>240,647</u>
CHANGE IN NET POSITION	<u>\$ 51,500</u>	<u>\$ 51,500</u>	<u>\$ 270,436</u>	<u>\$ 218,936</u>

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

To the Board of Commissioners
West Daviess County Water District

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 West Daviess County Water District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Alford & Company CPAs PSC

Owensboro, Kentucky
March 19, 2020

WEST DAVIESS COUNTY WATER DISTRICT
Schedule of Findings and Responses
Year Ended December 31, 2019

FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

EXHIBIT 12

SOUTHEAST DAVIESS COUNTY WATER DISTRICT
CERTIFICATES OF DEPOSIT

	NAME OF BANK	CD #	PRINCIPAL AMOUNT	INTEREST RATE	MATURITY DATE
1	South Central Bank	1018	\$203,478	2.25%	10/17/2020
2	South Central Bank	1445	\$250,049	2.05%	10/30/2020
3	South Central Bank	2110	\$598,402	1.85%	11/21/2020
4	South Central Bank	5128	\$608,925	2.47%	2/13/2021
5	South Central Bank	7270	\$207,169	2.81%	4/13/2021
6	South Central Bank	7157	\$512,772	1.00%	5/18/2021
7	South Central Bank	3853	\$625,400	1.70%	7/14/2021
	TOTAL		\$3,006,195		

NOTE: Outstanding Principal Balances as of June 30, 2020

EXHIBIT 13

WEST DAVIESS COUNTY WATER DISTRICT
CERTIFICATES OF DEPOSIT

	NAME OF BANK	CD #	PRINCIPAL AMOUNT	INTEREST RATE	MATURITY DATE
1	South Central Bank	1431	\$177,132	2.05%	10/30/2020
2	South Central Bank	2117	\$481,577	1.85%	11/21/2020
3	South Central Bank	5121	\$490,041	2.47%	2/13/2021
4	South Central Bank	7921	\$207,169	2.81%	4/19/2021
5	South Central Bank	7150	\$492,158	1.00%	5/18/2021
6	South Central Bank	3846	\$503,331	1.70%	7/14/2021
	TOTAL		\$2,351,409		

NOTE: Outstanding Principal Balances as of June 30, 2020

EXHIBIT 14

CERTIFIED WATER DISTRIBUTION SYSTEM OPERATORS

	DW Distribution Class	Operator Name	Operator Number
1	Class III	William Higdon	2660
2	Class III	Patty Anderson	2630
3	Class II	Tom Cecil	3372
4	Class II	Jeff Johnson	3148
5	Class II	Adam Mills	29033

EXHIBIT 15

CURRENT AND PROPOSED WATER RATES
SOUTHEAST DAVIESS COUNTY WATER DISTRICT

Volumetric Rates

Usage	Current Rates	Proposed Rates*
First 20,000 Gallons	\$ 4.39 per 1,000 gallons	\$ 5.07 per 1,000 gallons
Over 20,000 Gallons	\$ 3.54 per 1,000 gallons	\$ 4.09 per 1,000 gallons

Customer Charge

Meter Size	Current Rates	Proposed Rates*
5/8 x 3/4 inch	\$2.53	\$2.92
1 inch	\$3.54	\$4.09
1 1/2 inch	\$4.55	\$5.26
2 inch	\$7.34	\$8.49
3 inch	\$27.83	\$32.17
4 inch	\$35.42	\$40.95
6 inch	\$53.13	\$61.42
8 inch	\$73.37	\$84.82

Wholesale Rate

	Current Rate	Proposed Rate*
For All Water Purchased	\$2.80	\$3.24

*All Proposed Rates were proposed in Southeast's Alternative Rate Filing (ARF) Application in Case No. 2020-00195 pending before the PSC.

EXHIBIT 16

**CURRENT AND PROPOSED WATER RATES
WEST DAVIESS COUNTY WATER DISTRICT**

Volumetric Rates

Usage	Current Rates	Proposed Rates*
First 20,000 Gallons	\$ 5.51 per 1,000 gallons	\$ 6.15 per 1,000 gallons
Over 20,000 Gallons	\$ 4.43 per 1,000 gallons	\$ 4.95 per 1,000 gallons

Customer Charge

Meter Size	Current Rates	Proposed Rates*
5/8 x 3/4 inch	\$3.25	\$3.63
1 inch	\$4.55	\$5.08
1 1/2 inch	\$5.85	\$6.53
2 inch	\$9.43	\$10.53
3 inch	\$35.75	\$39.93
4 inch	\$45.50	\$50.82
6 inch	\$68.25	\$76.24
8 inch	\$94.25	\$105.28

Wholesale Rate

	Current Rate	Proposed Rate*
For All Water Purchased	\$3.85	\$4.30

*All Proposed Rates were proposed in West's Alternative Rate Filing (ARF) Application in Case No. 2020-00196 pending before the PSC.

EXHIBIT 17

MONTHLY WATER BILL COMPARISON CURRENT RATES

USAGE (Gallons)	SOUTHEAST DAVISS	WEST DAVISS	DIFFERENCE
1,000	\$ 6.92	\$ 8.76	\$ 1.84
2,000	11.31	14.27	2.96
3,000	15.70	19.78	4.08
4,000	20.09	25.29	5.20
5,000	24.48	30.80	6.32
6,000	28.87	36.31	7.44
7,000	33.26	41.82	8.56
8,000	37.65	47.33	9.68
9,000	42.04	52.84	10.80
10,000	46.43	58.35	11.92
15,000	68.38	85.90	17.52
20,000	90.33	113.45	23.12
25,000	108.03	135.60	27.57
30,000	125.73	157.75	32.02
40,000	161.13	202.05	40.92
50,000	196.53	246.35	49.82
75,000	285.03	357.10	72.07
100,000	373.53	467.85	94.32

Based on 5/8" x 3/4" meter size

EXHIBIT 18

MONTHLY WATER BILL COMPARISON PROPOSED RATES

USAGE (Gallons)	SOUTHEAST DAVISS	WEST DAVISS	DIFFERENCE
1,000	\$ 7.99	\$ 9.78	\$ 1.79
2,000	13.06	15.93	2.87
3,000	18.13	22.08	3.95
4,000	23.20	28.23	5.03
5,000	28.27	34.38	6.11
6,000	33.34	40.53	7.19
7,000	38.41	46.68	8.27
8,000	43.48	52.83	9.35
9,000	48.55	58.98	10.43
10,000	53.62	65.13	11.51
15,000	78.97	95.88	16.91
20,000	104.32	126.63	22.31
25,000	124.77	151.38	26.61
30,000	145.22	176.13	30.91
40,000	186.12	225.63	39.51
50,000	227.02	275.13	48.11
75,000	329.27	398.88	69.61
100,000	431.52	522.63	91.11

Based on 5/8" x 3/4" meter size

- Notes:**
1. The calculations for Southeast are based upon the rates proposed in Southeast's ARF Application in Case No. 2020-00195 pending before the PSC.
 2. The calculations for West are based upon the rates proposed in West's ARF Application in Case No. 2020-00196 pending before the PSC.

EXHIBIT 19

INFORMED CONSENT TO JOINT REPRESENTATION

Southeast Daviess County Water District ("Southeast") and West Daviess County Water District ("West") (collectively, the "Parties") hereby acknowledge that Stoll Keenon Ogden, PLLC ("Stoll Keenon Ogden") has separately represented both Southeast and West for numerous years and continues to separately represent both Southeast and West on a number of matters.

Both Southeast and West desire for Stoll Keenon Ogden to jointly represent the Parties in the proposed consolidation and merger of Southeast and West ("Proposed Merger").

Damon R. Talley of Stoll Keenon Ogden has fully informed both Southeast and West that such joint representation presents an inherent conflict of interest. Nevertheless, each of the Parties desires Stoll Keenon Ogden to represent them in the Proposed Merger and agrees to waive the conflict of interest.

Southeast expressly gives its informed consent to permit Stoll Keenon Ogden to jointly represent both Southeast and West in the Proposed Merger.

SOUTHEAST DAVIESS COUNTY WATER DISTRICT

BY: 
Christina V. O'Bryan, Chairman

DATE: 7.14.2020

West expressly gives its informed consent to permit Stoll Keenon Ogden to jointly represent both Southeast and West in the Proposed Merger.

WEST DAVIESS COUNTY WATER DISTRICT

BY: 
Scott Kuegel, Chairman

DATE: 7/22/2020