

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JESSAMINE-SOUTH)
ELKHORN WATER DISTRICT FOR APPROVAL)
TO ENTER INTO A LEASE AGREEMENT WITH)
THE KENTUCKY ASSOCIATION OF)
COUNTIES LEASING TRUST, IN AN) CASE NO. 2020- 00382
APPROXIMATE PRINCIPAL AMOUNT OF)
\$2,515,000 FOR THE PURPOSE OF)
REFINANCING ALL OUTSTANDING)
OBLIGATIONS OF THE JESSAMINE-SOUTH)
ELKHORN WATER DISTRICT.

APPLICATION

The applicant Jessamine-South Elkhorn Water District (the “District”), by counsel, files this Application pursuant to KRS 278.300, 807 KAR 5.001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the “Commission”) enter an order authorizing the District to enter into a Lease Agreement (the “Lease”) with the Kentucky Association of Counties Finance Corporation (“KACOFC”), a bond issuing corporation established by parties to an Interlocal Cooperation Agreement (the “Interlocal Agreement”). KACOFC is managed by the Kentucky Association of Counties, and the District has become a party to the Interlocal Agreement. Proceeds of the Lease will be used by the District to refund and retire all of the District’s outstanding debt described in paragraph (5) and will provide debt service savings to the District and resulting savings to ratepayers.

In support of this Application, the District states as follows:

(1) That it is a water district organized pursuant to KRS Chapter 74, and its full legal name is Jessamine-South Elkhorn Water District (807 KAR 5:001, Section 8(1)).

(2) The governing body of the District is its Board of Commissioners, a body corporate with the power to make contracts in the furtherance of its lawful and proper purposes as KRS 74.010 provides. The District is now, and has been since its formation, regulated by the

Commission, all records and proceedings of the Commission with reference to the District are incorporated in this Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

(3) The mailing address of the District is:

P.O. Box 731	(270) 932-4947
Nicholasville, KY 40340	(270) 932-7036 Fax

(4) A description of the District's water system and its property, together with a statement of the original cost is contained in its current Annual Report which is on file with the Commission, the Annual Report is incorporated herein by reference.

(5) The District proposes to enter into the Lease with KACOFC in the approximate principal amount of \$2,515,000. The Lease will be secured by a pledge of district revenues. The Lease is being entered into for the purpose of refunding for debt service savings the following outstanding obligations of the District (the "Prior Obligations"):

(i) Series 2008A USDA Loan #92-05, of which \$673,000 remains outstanding;

(ii) Series 2008B USDA Loan #92-07, of which \$470,000 remains outstanding; and

(iii) Kentucky Rural Water Finance Corporation Public Project Refunding Revenue Bonds (Flexibility Term Program), Series 2012C, of which \$1,300,000 remains outstanding.

(6) The estimated debt service for the Lease is shown in Exhibit A, hereto, which is incorporated by reference. Payments under the Lease will match debt service payments on related bonds to be issued by KACOFC, as described below. Once the bonds underlying the KACOFC deal are sold, the final price will be fixed, which determines the payments to be made under the lease by the District.

(7) Proceeds from the sale of the Lease will be used to: (i) refund and retire the Prior Obligations for debt service savings to the District, and (ii) pay the transaction costs related to the Lease.

(8) A detailed explanation of the sources and uses of the proceeds of the Lease is provided in Exhibit B, hereto, which is incorporated by reference. The Sources and Uses table contains estimated fees to be paid as part of the closing of the financing, and will be updated post-sale.

(9) The final principal amount of the Lease which will be adjusted based upon the lowest bid received at the advertised competitive sale of Kentucky Association of Counties Finance Corporation Revenue Bonds (the "Bonds") associated with the Lease. Final financial figures will be submitted to the Commission upon sale of the Bonds.

(10) A combined debt service schedule for the Prior Obligations is shown in Exhibit C.

(11) The District has determined and represents that the Lease is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing debt service savings. This is a lawful objective within the public purposes of the District's utility operations. The Lease is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

(12) The District represents that it will, as soon as reasonably possible after the closing of the Lease, file with the Commission a statement setting forth the date of issuance of the Bonds and related Lease, the final par amount, all fees and expenses incurred with respect to the Lease, and the terms and interest rates of the Lease.

(13) The District's Audited Financial Statements for the twelve month period ending December 31, 2019 are attached as Exhibit D, hereto and are incorporated by reference. The

remaining financial information required is contained in the most recent Annual Report which is on file with the Commission.

- (14) No rate adjustment is being proposed.
- (15) The following information is provided in response to 807 KAR 5:001 (8):
 - a. Articles of Incorporation - None, the District is a statutorily created water district under KRS Chapter 74.
- (16) The following information is supplied pursuant to 807 KAR 5:001(9):
 - a. Facts relied upon to show that the application is in the public interest: See the Plan of Refinancing in Exhibit C.
- (17) The following information is provided as required by 807 KAR 5:001 (11):
 - a. A general description of the property is contained in the Annual Report.
 - b. No stock is to be issued. The Prior Obligations to be refinanced and their terms are described in Exhibit D.
 - c. The refunding of the Prior Obligations and refinancing is described in Exhibits B and C.
 - d. The proceeds of the Lease are to refinance the Prior Obligations to provide debt service savings.
 - e. The par value, expenses, use of proceeds, interest rates and other information is contained in Exhibits B and C.
- (18) The following exhibits are provided pursuant to 807 KAR 5:001 (11)(2):
 - a. There are no trust deeds. All notes, indebtedness and mortgages are included in Exhibit E.
 - b. No property is to be acquired.
- (19) The following information is provided pursuant to 807 KAR 5:001(6):
 - a. No stock is authorized.

- b. No stock is issued.
- c. There are no stock preferences.
- d. Any mortgages are listed in the Annual Report.
- e. Any bonds are listed in Exhibit E.
- f. Any notes are listed in Exhibit E.
- g. Any other indebtedness is listed in Exhibit E.
- h. No dividends have been paid.
- i. A current balance sheet and income statement is attached as Exhibit D.

(20) The District requests that it be granted a deviation under 807 KAR 5:004(14), if necessary to accommodate any situation where inflexible compliance with a regulation would be impracticable, onerous or which would hinder the District's daily operations.

The District states that there has been no material change in the financial condition or operation of the District since December 31, 2019. The financial data filed with this Application is the most recent published financial data available.

Due to the volatility of the bond market, the District's risk is associated with any delay in the sale of the Bonds related to the Lease, and the compilation of more current financial data would cause a delay and increase the risk of achieving savings. Additionally, the Lease is being financed through a time sensitive transaction involving KACOFB.

For these reasons, the District requests that it be granted an order authorizing the refinancing of these bonds in the manner most beneficial to the District.

SUBMITTED BY:

**JESSAMINE-SOUTH
ELKHORN WATER
DISTRICT**



Richard Decker



Daniel D. Briscoe, Jr., Esq
Dinsmore & Shohl LLP
50 East RiverCenter Blvd., Suite 1150
Covington, KY 41011
Bond Counsel

AFFIDAVIT OF RICHARD DECKER

COMMONWEALTH OF KENTUCKY

)

COUNTY OF JESSAMINE, KENTUCKY

) SS

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Richard Decker, General Manager, after being sworn, states that he is authorized to submit this Petition on behalf of Jessamine-South Elkhorn Water District and that the statements contained in the Petition are true and correct to the best of his information and knowledge.

Sworn and acknowledged before me by Richard Decker on the 30 day of October, 2020.



Richard Decker, General Manager



No. 615175

Notary Public

My Commission Expires on: 1-15-2023

EXHIBIT A

ESTIMATED DEBT SERVICE

The chart below depicts the estimated principal and interest on the bonds. The column on the far right, "Net New D/S" shows the District's estimated annual all-in cost (including principal, interest, and costs of issuance).

Debt Service Comparison

Date	Total P+I	Expenses	Existing D/S	Net New D/S	Old Net D/S	Savings
12/31/2020	-	-	-	-	-	-
12/31/2021	106,061.67	1,547.92	50,750.00	158,359.59	169,034.39	10,674.80
12/31/2022	152,367.50	6,637.50	-	159,005.00	172,031.27	13,026.27
12/31/2023	149,817.50	6,425.00	-	156,242.50	170,417.20	14,174.70
12/31/2024	147,267.50	6,212.50	-	153,480.00	168,725.63	15,245.63
12/31/2025	154,567.50	6,000.00	-	160,567.50	171,837.20	11,269.70
12/31/2026	151,717.50	5,762.50	-	157,480.00	169,259.70	11,779.70
12/31/2027	148,867.50	5,525.00	-	154,392.50	167,564.38	13,171.88
12/31/2028	150,942.50	5,287.50	-	156,230.00	170,024.07	13,794.07
12/31/2029	147,942.50	5,037.50	-	152,980.00	167,186.88	14,206.88
12/31/2030	149,867.50	4,787.50	-	154,655.00	169,779.69	15,124.69
12/31/2031	152,055.00	4,525.00	-	156,580.00	166,802.51	10,222.51
12/31/2032	149,525.00	4,250.00	-	153,775.00	168,684.70	14,909.70
12/31/2033	151,795.00	3,975.00	-	155,770.00	165,915.64	10,145.64
12/31/2034	153,797.50	3,687.50	-	157,485.00	167,984.70	10,499.70
12/31/2035	155,612.50	3,387.50	-	159,000.00	169,794.07	10,794.07
12/31/2036	152,362.50	3,075.00	-	155,437.50	166,398.76	10,961.26
12/31/2037	153,950.00	2,762.50	-	156,712.50	167,796.57	11,084.07
12/31/2038	155,306.25	2,437.50	-	157,743.75	168,930.01	11,186.26
12/31/2039	156,525.00	2,100.00	-	158,625.00	170,288.13	11,663.13
12/31/2040	54,050.00	1,750.00	-	55,800.00	67,520.94	11,720.94
12/31/2041	52,950.00	1,650.00	-	54,600.00	67,628.44	13,028.44
12/31/2042	51,850.00	1,550.00	-	53,400.00	67,649.69	14,249.69
12/31/2043	50,750.00	1,450.00	-	52,200.00	67,585.01	15,385.01
12/31/2044	54,525.00	1,350.00	-	55,875.00	67,434.39	11,559.39
12/31/2045	53,175.00	1,237.50	-	54,412.50	67,686.89	13,274.39
12/31/2046	51,825.00	1,125.00	-	52,950.00	67,342.51	14,392.51
12/31/2047	55,400.00	1,012.50	-	56,412.50	67,401.26	10,988.76
12/31/2048	53,900.00	887.50	-	54,787.50	67,352.51	12,565.01
12/31/2049	52,400.00	762.50	-	53,162.50	67,196.26	14,033.76
12/31/2050	55,825.00	637.50	-	56,462.50	67,420.63	10,958.13
Total	\$3,426,997.92	\$96,835.42	\$50,750.00	\$3,574,583.34	\$3,950,674.03	\$376,090.69

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	325,484.50
Effects of changes in Expenses	(58,816.22)
Net PV Cashflow Savings @ 2.548%(Bond Yield)	266,668.29
Contingency or Rounding Amount	909.81
Net Present Value Benefit	\$267,578.10
Net PV Benefit / \$2,443,000 Refunded Principal	10.953%

EXHIBIT B

SOURCES AND USES

The below chart depicts the “sources and uses” of the financing. As you will see, the bond issue generates a \$2,576,308.00 for the District on a \$2,515,000 bond sale (this is because the bonds will sell at “premium” due to market conditions which make the bonds more valuable).

Of that \$2,576,308.00: (1) \$37,725.00 will go to the institution that buys the bonds (the underwriter’s discount, or, the price the District pays the lender); (2) \$38,695.00 will go to the team of bankers and attorneys who assemble the deal—the financial advisor, bond counsel, trustee/paying agent—and includes things like costs of preparing an official statement, publishing costs, documentation fees, etc.; (3) \$909.81 goes to the “rounding amount” which is a cushion built into deals to allow for variations in expenses and to account for the fact that bonds get sold in even \$5,000 increments.

After all of these expenses are paid, the District nets \$2,488,978.19, which is an amount sufficient to refund the District’s outstanding obligations.

Sources & Uses

Dated 12/01/2020 | Delivered 12/01/2020

Sources Of Funds

Par Amount of Bonds	\$2,515,000.00
Reoffering Premium	61,308.00
Total Sources	\$2,576,308.00

Uses Of Funds

Total Underwriter’s Discount (1.500%)	37,725.00
Costs of Issuance	48,695.00
Deposit to Current Refunding Fund	2,488,978.19
Rounding Amount	909.81
Total Uses	\$2,576,308.00

EXHIBIT C

DEBT SERVICE FOR PRIOR OBLIGATIONS

The below chart depicts the debt service comparison—with the debt service for the prior obligations highlighted. The highlighted column represents the annual debt service for the District across all three of the Prior Obligations. The underlying debt service schedules for each of the three Prior Obligations is also included in this exhibit.

Calendar Year	Total P+I	Admin Fee	DSR	Net New D/S	Old Net D/S	Savings
2019	37,179.17	-	(977.61)	36,201.56	56,381.16	20,179.60
2020	273,237.50	6,020.84	(2,940.00)	276,318.34	287,404.72	11,086.38
2021	271,537.50	6,662.50	(2,940.00)	275,260.00	289,487.69	14,227.69
2022	273,637.50	6,237.50	(2,940.00)	276,935.00	292,028.26	15,093.26
2023	274,387.50	5,787.50	(2,940.00)	277,235.00	290,077.51	12,842.51
2024	274,637.50	5,312.50	(2,940.00)	277,010.00	293,584.51	16,574.51
2025	274,387.50	4,812.50	(2,940.00)	276,260.00	293,578.81	17,318.81
2026	273,637.50	4,287.50	(2,940.00)	274,985.00	298,015.88	23,030.88
2027	277,262.50	3,737.50	(2,940.00)	278,060.00	245,060.70	(32,999.30)
2028	104,637.50	3,150.00	(2,940.00)	104,847.50	102,590.00	(2,257.50)
2029	106,012.50	2,975.00	(2,940.00)	106,047.50	103,468.13	(2,579.37)
2030	102,918.75	2,787.50	(2,940.00)	102,766.25	103,185.01	418.76
2031	105,400.00	2,600.00	(2,940.00)	105,060.00	103,738.76	(1,321.24)
2032	107,612.50	2,400.00	(2,940.00)	107,072.50	104,105.01	(2,967.49)
2033	104,637.50	2,187.50	(2,940.00)	103,885.00	103,308.13	(576.87)
2034	106,575.00	1,975.00	(2,940.00)	105,610.00	104,323.75	(1,286.25)
2035	108,218.75	1,750.00	(2,940.00)	107,028.75	75,783.75	(31,245.00)
2036	109,562.50	1,512.50	(2,940.00)	108,135.00	37,687.50	(70,447.50)
2037	208,843.75	1,262.50	(101,470.00)	108,636.25	37,450.00	(71,186.25)
2038	-	-	-	-	37,167.50	37,167.50
2039	-	-	-	-	37,817.50	37,817.50
2040	-	-	-	-	37,400.00	37,400.00
2041	-	-	-	-	37,915.00	37,915.00
2042	-	-	-	-	37,362.50	37,362.50
2043	-	-	-	-	35,787.50	35,787.50
-	\$3,394,322.92	\$65,458.34	(152,427.61)	\$3,307,353.65	\$3,444,709.28	\$137,355.63

Total Refunded Debt Service

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
01/01/2021	11,500.00	4.250%	14,301.25	25,801.25
07/01/2021	-	-	14,056.88	14,056.88
01/01/2022	12,000.00	4.250%	14,056.88	26,056.88
07/01/2022	-	-	13,801.88	13,801.88
01/01/2023	12,500.00	4.250%	13,801.88	26,301.88
07/01/2023	-	-	13,536.25	13,536.25
01/01/2024	13,000.00	4.250%	13,536.25	26,536.25
07/01/2024	-	-	13,260.00	13,260.00
01/01/2025	13,500.00	4.250%	13,260.00	26,760.00
07/01/2025	-	-	12,973.13	12,973.13
01/01/2026	14,000.00	4.250%	12,973.13	26,973.13
07/01/2026	-	-	12,675.63	12,675.63
01/01/2027	15,000.00	4.250%	12,675.63	27,675.63
07/01/2027	-	-	12,356.88	12,356.88
01/01/2028	15,500.00	4.250%	12,356.88	27,856.88
07/01/2028	-	-	12,027.50	12,027.50
01/01/2029	16,000.00	4.250%	12,027.50	28,027.50
07/01/2029	-	-	11,687.50	11,687.50
01/01/2030	17,000.00	4.250%	11,687.50	28,687.50
07/01/2030	-	-	11,326.25	11,326.25
01/01/2031	17,500.00	4.250%	11,326.25	28,826.25
07/01/2031	-	-	10,954.38	10,954.38
01/01/2032	18,000.00	4.250%	10,954.38	28,954.38
07/01/2032	-	-	10,571.88	10,571.88
01/01/2033	19,000.00	4.250%	10,571.88	29,571.88
07/01/2033	-	-	10,168.13	10,168.13
01/01/2034	20,000.00	4.250%	10,168.13	30,168.13
07/01/2034	-	-	9,743.13	9,743.13
01/01/2035	20,500.00	4.250%	9,743.13	30,243.13
07/01/2035	-	-	9,307.50	9,307.50
01/01/2036	21,500.00	4.250%	9,307.50	30,807.50
07/01/2036	-	-	8,850.63	8,850.63
01/01/2037	22,500.00	4.250%	8,850.63	31,350.63
07/01/2037	-	-	8,372.50	8,372.50
01/01/2038	23,500.00	4.250%	8,372.50	31,872.50
07/01/2038	-	-	7,873.13	7,873.13
01/01/2039	24,500.00	4.250%	7,873.13	32,373.13
07/01/2039	-	-	7,352.50	7,352.50
01/01/2040	25,500.00	4.250%	7,352.50	32,852.50
07/01/2040	-	-	6,810.63	6,810.63
01/01/2041	26,500.00	4.250%	6,810.63	33,310.63
07/01/2041	-	-	6,247.50	6,247.50
01/01/2042	27,500.00	4.250%	6,247.50	33,747.50
07/01/2042	-	-	5,663.13	5,663.13

Total Refunded Debt Service

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I
01/01/2043	29,000.00	4.250%	5,663.13	34,663.13
07/01/2043	-	-	5,046.88	5,046.88
01/01/2044	30,000.00	4.250%	5,046.88	35,046.88
07/01/2044	-	-	4,409.38	4,409.38
01/01/2045	31,500.00	4.250%	4,409.38	35,909.38
07/01/2045	-	-	3,740.00	3,740.00
01/01/2046	32,500.00	4.250%	3,740.00	36,240.00
07/01/2046	-	-	3,049.38	3,049.38
01/01/2047	34,000.00	4.250%	3,049.38	37,049.38
07/01/2047	-	-	2,326.88	2,326.88
01/01/2048	35,500.00	4.250%	2,326.88	37,826.88
07/01/2048	-	-	1,572.50	1,572.50
01/01/2049	37,000.00	4.250%	1,572.50	38,572.50
07/01/2049	-	-	786.25	786.25
01/01/2050	37,000.00	4.250%	786.25	37,786.25
Total	\$673,000.00	-	\$515,397.67	\$1,188,397.67

Series 2008B USDA Loan #92-07

Total Refunded Debt Service

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
01/01/2021	8,000.00	4.375%	10,281.25	18,281.25
07/01/2021	-	-	10,106.25	10,106.25
01/01/2022	8,000.00	4.375%	10,106.25	18,106.25
07/01/2022	-	-	9,931.25	9,931.25
01/01/2023	8,500.00	4.375%	9,931.25	18,431.25
07/01/2023	-	-	9,745.31	9,745.31
01/01/2024	9,000.00	4.375%	9,745.31	18,745.31
07/01/2024	-	-	9,548.44	9,548.44
01/01/2025	9,500.00	4.375%	9,548.44	19,048.44
07/01/2025	-	-	9,340.63	9,340.63
01/01/2026	9,500.00	4.375%	9,340.63	18,840.63
07/01/2026	-	-	9,132.81	9,132.81
01/01/2027	10,000.00	4.375%	9,132.81	19,132.81
07/01/2027	-	-	8,914.06	8,914.06
01/01/2028	10,500.00	4.375%	8,914.06	19,414.06
07/01/2028	-	-	8,684.38	8,684.38
01/01/2029	11,000.00	4.375%	8,684.38	19,684.38
07/01/2029	-	-	8,443.75	8,443.75
01/01/2030	11,500.00	4.375%	8,443.75	19,943.75
07/01/2030	-	-	8,192.19	8,192.19
01/01/2031	12,000.00	4.375%	8,192.19	20,192.19
07/01/2031	-	-	7,929.69	7,929.69
01/01/2032	12,500.00	4.375%	7,929.69	20,429.69
07/01/2032	-	-	7,656.25	7,656.25
01/01/2033	13,000.00	4.375%	7,656.25	20,656.25
07/01/2033	-	-	7,371.88	7,371.88
01/01/2034	13,500.00	4.375%	7,371.88	20,871.88
07/01/2034	-	-	7,076.56	7,076.56
01/01/2035	14,500.00	4.375%	7,076.56	21,576.56
07/01/2035	-	-	6,759.38	6,759.38
01/01/2036	15,000.00	4.375%	6,759.38	21,759.38
07/01/2036	-	-	6,431.25	6,431.25
01/01/2037	15,500.00	4.375%	6,431.25	21,931.25
07/01/2037	-	-	6,092.19	6,092.19
01/01/2038	16,000.00	4.375%	6,092.19	22,092.19
07/01/2038	-	-	5,742.19	5,742.19
01/01/2039	17,000.00	4.375%	5,742.19	22,742.19
07/01/2039	-	-	5,370.31	5,370.31
01/01/2040	17,500.00	4.375%	5,370.31	22,870.31
07/01/2040	-	-	4,987.50	4,987.50
01/01/2041	18,500.00	4.375%	4,987.50	23,487.50
07/01/2041	-	-	4,582.81	4,582.81
01/01/2042	19,500.00	4.375%	4,582.81	24,082.81
07/01/2042	-	-	4,156.25	4,156.25

Total Refunded Debt Service

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I
01/01/2043	20,000.00	4.375%	4,156.25	24,156.25
07/01/2043	-	-	3,718.75	3,718.75
01/01/2044	21,000.00	4.375%	3,718.75	24,718.75
07/01/2044	-	-	3,259.38	3,259.38
01/01/2045	22,000.00	4.375%	3,259.38	25,259.38
07/01/2045	-	-	2,778.13	2,778.13
01/01/2046	23,000.00	4.375%	2,778.13	25,778.13
07/01/2046	-	-	2,275.00	2,275.00
01/01/2047	24,000.00	4.375%	2,275.00	26,275.00
07/01/2047	-	-	1,750.00	1,750.00
01/01/2048	25,000.00	4.375%	1,750.00	26,750.00
07/01/2048	-	-	1,203.13	1,203.13
01/01/2049	26,000.00	4.375%	1,203.13	27,203.13
07/01/2049	-	-	634.38	634.38
01/01/2050	29,000.00	4.375%	634.38	29,634.38
Total	\$470,000.00	-	\$373,909.45	\$843,909.45

Kentucky Rural Water Finance Corporation Public Project Refunding Revenue Bonds
(Flexibility Term Program), Series 2012C

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
02/01/2021	-	-	24,078.13	24,078.13
08/01/2021	-	-	24,078.13	24,078.13
02/01/2022	55,000.00	3.000%	24,078.13	79,078.13
08/01/2022	-	-	23,253.13	23,253.13
02/01/2023	55,000.00	3.000%	23,253.13	78,253.13
08/01/2023	-	-	22,428.13	22,428.13
02/01/2024	55,000.00	3.125%	22,428.13	77,428.13
08/01/2024	-	-	21,568.75	21,568.75
02/01/2025	60,000.00	3.250%	21,568.75	81,568.75
08/01/2025	-	-	20,593.75	20,593.75
02/01/2026	60,000.00	3.375%	20,593.75	80,593.75
08/01/2026	-	-	19,581.25	19,581.25
02/01/2027	60,000.00	3.500%	19,581.25	79,581.25
08/01/2027	-	-	18,531.25	18,531.25
02/01/2028	65,000.00	4.000%	18,531.25	83,531.25
08/01/2028	-	-	17,231.25	17,231.25
02/01/2029	65,000.00	4.000%	17,231.25	82,231.25
08/01/2029	-	-	15,931.25	15,931.25
02/01/2030	70,000.00	3.750%	15,931.25	85,931.25
08/01/2030	-	-	14,618.75	14,618.75
02/01/2031	70,000.00	3.750%	14,618.75	84,618.75
08/01/2031	-	-	13,306.25	13,306.25
02/01/2032	75,000.00	3.750%	13,306.25	88,306.25
08/01/2032	-	-	11,900.00	11,900.00
02/01/2033	75,000.00	3.750%	11,900.00	86,900.00
08/01/2033	-	-	10,493.75	10,493.75
02/01/2034	80,000.00	3.750%	10,493.75	90,493.75
08/01/2034	-	-	8,993.75	8,993.75
02/01/2035	85,000.00	3.750%	8,993.75	93,993.75
08/01/2035	-	-	7,400.00	7,400.00
02/01/2036	85,000.00	4.000%	7,400.00	92,400.00
08/01/2036	-	-	5,700.00	5,700.00
02/01/2037	90,000.00	4.000%	5,700.00	95,700.00
08/01/2037	-	-	3,900.00	3,900.00
02/01/2038	95,000.00	4.000%	3,900.00	98,900.00
08/01/2038	-	-	2,000.00	2,000.00
02/01/2039	100,000.00	4.000%	2,000.00	102,000.00
Total	\$1,300,000.00	-	\$547,096.91	\$1,847,096.91

EXHIBIT D

FINANCIAL INFORMATION

JESSAMINE – SOUTH ELKHORN WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019

BESTEN & DIERUF, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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JESSAMINE-SOUTH ELKHORN WATER DISTRICT
Water and Sewer Divisions

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) offers the readers of the Jessamine-South Elkhorn Water District's financial statements this narrative overview and analysis of the financial activities of the Jessamine-South Elkhorn Water District for the year ended December 31, 2019.

Jessamine-South Elkhorn Water District (hereafter described as "the District") was established in 1970 under KRS chapter 74 for the purpose of furnishing water service in Jessamine County. In August 1995, the District formed the sewer division to provide collection services for residents of Jessamine County.

The District consisting of Jessamine-South Elkhorn Water District, Water Division and Jessamine-South Elkhorn Water District, Sewer Division, has been consolidated for reporting purposes. The entities share the same Board of Commissioners, central offices, and employees.

The District is a special district formed for the express purpose of providing water service within the confines of Jessamine County, Kentucky. The Jessamine County Fiscal Court appoints an independent Board of Commissioners to govern the District. The District operates as an independent entity in that it is legally separate; holds corporate powers of organization; the Fiscal Court does not impose their will upon the District; and the District does not impose financial benefit or burden upon the Fiscal Court. The primary source of revenue for the District is provided by the resale and transmission of city water to local and remote areas of Jessamine County. The District also has assumed the responsibility of providing sanitary sewer transmission to remote areas of the county.

Highlights

- The District's assets exceeded its liabilities by \$16,821,949 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$16,813,787.
- Total net position is comprised of the following:
 - Unrestricted funds represent the portion available to maintain the District's continuing obligations to the citizens and creditors.
- The District's funds reported a total ending fund balance of \$16,821,949 this year. This compares to the prior year ending fund balance of \$16,813,787 showing an increase of \$8,162 during the current year.
- At the end of the current fiscal year, unrestricted fund balance for the District was \$947,784 or 25% of the total District expenditures and 26% of total District revenues.
- The liabilities for the District in the current year were \$8,153,388. Prior year liabilities were \$8,527,775.
- Plant assets primarily include transmission lines for water and sewer, pump stations, holding tanks, pump vaults, a building, and vehicles.
- Revenues are provided by 3,081 water and 859 sewer customers.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include proprietary (business-type) fund statements and notes to the financial statements. The first of these proprietary fund statements is the Statement of Net Position. This statement presents all of the District's assets and liabilities, with the difference reported as net position.

The second proprietary fund statement is the Statement of Revenues, Expenses and Changes in Net Position which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

The third proprietary fund statement is the Statement of Cash Flows which reports cash amounts received and expended for operations, financing and investment in capital assets, and investing.

Proprietary financial statements show the business-type activities that are intended to recover all or a significant portion of their costs through its activities. The District's business-type activities include development of the sewer division and expansion of the water division to serve the citizens of Jessamine County.

The District uses internal funds to ensure and demonstrate compliance with finance-related laws and regulations. The District maintains a water fund and a sewer fund for financial reporting purposes.

The District uses the following cash accounts for the water and sewer divisions:

Revenue Fund -The District deposits cash revenues of the utilities system to disburse as prescribed by bond covenants.

Operations and Maintenance Fund -The District deposits amounts equal to the estimated current expense of operating, maintaining, and insuring the system for the next month. The amounts shall be determined pursuant to the annual budget adopted by the District Board and are to be made to meet the reasonable and necessary expenses.

Depreciation and Repairs and Maintenance Reserve Funds -The District deposits excess amounts from the Revenue Fund after provisions have been made for the prescribed deposits for the purpose of paying unusual or extraordinary maintenance repairs, renewals, and replacement during the life of the bond issues.

Debt Service and Bond and Interest Fund -The District maintains these funds to meet requirements in the bond agreements that sinking fund and reserve accounts be maintained for the purpose of paying debt obligations as they become due.

Construction Fund -This fund is used to construct additions, extensions, and improvements other than those of the Depreciation Fund. The District segregates bond proceeds that are restricted for use on capital projects in a separate account.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the Jessamine-South Elkhorn Water District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end is \$16,821,949. This is an increase of \$8,162 from last year's net position of \$16,813,787. The following table provides a summary of the District's net position:

	Combined Activities		Amount	Percent
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change</u>
Assets				
Current and Other Assets	\$ 1,137,957	\$ 683,114	\$ 454,843	66.58%
Non-current Assets	901,038	1,096,246	(195,208)	-17.81%
Capital Assets, Net	<u>22,936,342</u>	<u>23,562,202</u>	<u>(625,860)</u>	-2.66%
Total Assets	24,975,337	25,341,562	(366,225)	-1.45%
Liabilities				
Current and Other Liabilities	190,173	231,773	(41,600)	-17.95%
Current Long-term Debt	351,273	871,424	(520,151)	-59.69%
Non-current Long-term Debt	<u>7,611,942</u>	<u>7,424,578</u>	<u>187,364</u>	2.52%
Total Liabilities	8,153,388	8,527,775	(374,387)	-4.39%
Net Position				
Net Investment in Capital Assets	14,973,127	15,266,200	(293,073)	-1.92%
Restricted	683,309	717,425	(34,116)	-4.76%
Unrestricted-Unreserved	947,784	451,341	496,443	109.99%
Unrestricted-Board Designated Depreciation Reserves	<u>217,729</u>	<u>378,821</u>	<u>(161,092)</u>	-42.52%
TOTAL NET POSITION	<u>\$ 16,821,949</u>	<u>\$ 16,813,787</u>	<u>\$ 8,162</u>	0.05%

Because the District does not heavily depend on interest income for operations and does not have any funds invested in the stock market, the fluctuations in investment and market performance did not have a material effect.

Assets of the District have increased primarily due to increases in cash from operations while liabilities have decreased as primarily from debt payment and no additions of debt.

Total revenues during the current fiscal year increased \$492,492 from the revenues during the prior year.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net position:

	Combined Activities		Amount	Percent
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change</u>
General Revenues				
Water and Sewer Sales	\$ 3,475,888	\$ 2,991,411	\$ 484,477	16.20%
Other Revenues	<u>132,831</u>	<u>126,435</u>	<u>6,396</u>	5.06%
Total Revenues	3,608,719	3,117,846	490,873	15.74%
Operating Expenses	<u>3,570,315</u>	<u>3,408,135</u>	<u>162,180</u>	4.76%
Net Operating Income	38,404	(290,289)	328,693	-113.23%
Interest Income	6,810	5,191	1,619	31.19%
Other Expenses	<u>(267,361)</u>	<u>(282,437)</u>	<u>15,076</u>	-5.34%
(Loss) Before Capital Contributions	(222,147)	(567,535)	345,388	-60.86%
Connection Fees & Construction	8,877	49,583	(40,706)	-82.10%
Capital Contributions	<u>221,432</u>	<u>189,210</u>	<u>32,222</u>	17.03%
Subtotal Capital Income	230,309	238,793	(8,484)	-3.55%
Change in Net Assets	8,162	(328,742)	336,904	-102.48%
Net Assets Beginning of Year	<u>16,813,787</u>	<u>17,142,529</u>	<u>(328,742)</u>	-1.92%
Net Assets End of Year	<u>\$ 16,821,949</u>	<u>\$ 16,813,787</u>	<u>\$ 8,162</u>	0.05%

As portrayed above and discussed earlier, the District is heavily reliant on revenues from sales of water and sewer services which provides 96.3% and 95.9% of the District's operating revenues in fiscal years 2019 and 2018, respectively.

Financial Analysis of the District's Funds

Proprietary (Enterprise) Funds

The year-end total of net position for the combined funds was \$16,821,949. Of the year-end total, \$947,784 is unrestricted and available for operations, \$217,729 for board designated projects, \$683,309 restricted for either debt service or construction, and \$14,973,127 totals net investment in capital assets.

The total ending fund balances of the combined funds shows an increase of \$8,162 from the prior year.

Budgetary Highlights

The budget complied with financial policies approved by the Board of Commissioners and maintained the core District services.

Budgetary comparison statements are included in the additional supplementary information section of the financial statements for the water and sewer funds. These statements and schedules include cash flows designated to the reduction of debt and purchase and construction of assets. Actual results are shown for operations only.

Capital Asset and Long-Term Debt Administration

Depreciation in the amount of \$833,079 was expensed on the Statement of Revenue, Expenses and Changes in Net Position. During the year, the District received connection fees for the construction of assets in the amount of \$8,877. Other financing of capital assets was provided by operating funds. During 2019, the District also received conveyed fixed assets totaling \$221,432. Net capital assets decreased by \$625,860 during the year.

At the end of the year, the District had long-term debt consisting of bond issues, notes payable, and construction loans. During the current year the District did not draw any new loan funds. Repayment of \$332,787 in principal was made on other debt. Interest paid during the year on long-term debt was \$281,106.

Economic Environment and Next Year's Budgets and Rates

The general outlook for the District for the next year is for some growth in economic activity as a reflection of positive signs in the national economy. The District also expects a positive boost in economic activity as a spin-off of the continued growth of the Lexington economy. Jessamine County's close proximity enables us to capitalize on that activity.

The District's future goals are to provide drinking water to every household that wishes to have service in the designated territory. The District also intends to provide sewer service to areas of expansion with special attention to EPA problem zones that create health hazards to our customers.

The District will continue expansion of its operations to better serve the Jessamine County citizens with a reliable water source. The District replaced five miles of deteriorated and leaking gray pipe that was installed in the early 1970's. The construction of a 750,000-gallon elevated storage tank in the north end of Jessamine County was completed in 2017. The District replaced 4" water pipe main with 12" water pipe main on Highway 29 to better serve our customers. The District put in new 6" pipe to serve our customers on Cook Lane. The District's plans to start installing automatic read meters going forward until all old meters are replaced.

The District is currently reviewing alternative sources of water and distribution methods to better serve the residents of Jessamine County while maintaining affordable rates.

Contacting the Jessamine-South Elkhorn Water District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate Jessamine South Elkhorn Water District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District at the following address:

Jessamine-South Elkhorn Water District
802 South Main Street
Nicholasville, Kentucky 40356

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Jessamine-South Elkhorn Water District
Nicholasville, Kentucky

We have audited the accompanying financial statements of Jessamine-South Elkhorn Water District (the District) of the City of Nicholasville, Kentucky as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the District, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements present only the Jessamine-South Elkhorn Water District and do not purport to, and do not, present fairly the financial position of the City of Nicholasville, Kentucky, as of December 31, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jessamine-South Elkhorn Water District's basic financial statements. The schedules of revenues and expenses – actual to budget are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenses – actual to budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the previously referenced statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the District's internal control over financial reporting and compliance.



Lexington, Kentucky
March 6, 2020

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Water Division	Sewer Division	Total Activities
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 933,551	\$ 82,669	\$ 1,016,220
Accounts receivable customers, net	44,421	42,541	86,962
Other receivables	13,165	-	13,165
Due (to) from other funds	341,334	(341,334)	-
Prepaid expenses	21,610	-	21,610
Total Current Assets	1,354,081	(216,124)	1,137,957
Restricted and Designated Assets			
Cash and cash equivalents	451,560	314,741	766,301
Certificates of deposit	134,737	-	134,737
Total Restricted and Designated Assets	586,297	314,741	901,038
Capital Assets			
Property, plant and equipment	22,247,308	10,925,918	33,173,226
Less: accumulated depreciation	(8,088,121)	(2,371,470)	(10,459,591)
Construction in progress	33,585	189,122	222,707
Total Capital Assets	14,192,772	8,743,570	22,936,342
Total Assets	\$ 16,133,150	\$ 8,842,187	\$ 24,975,337
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 14,803	\$ 44,940	\$ 59,743
Taxes payable	10,408	-	10,408
Customer deposits	7,623	51,617	59,240
Accrued interest payable	35,043	25,739	60,782
Current portion of notes payable	239,273	-	239,273
Current portion of bonds payable	89,000	23,000	112,000
Total Current Liabilities	396,150	145,296	541,446
Long-Term Debt			
Notes payable	4,227,042	-	4,227,042
Bonds payable	2,034,500	1,350,400	3,384,900
Total Long-Term Debt	6,261,542	1,350,400	7,611,942
Net Position			
Net investment in capital assets	7,602,957	7,370,170	14,973,127
Restricted for debt service	124,124	296,364	420,488
Restricted for capital projects	-	18,377	18,377
Restricted for depreciation and maintenance	244,444	-	244,444
Unrestricted - board designated	217,729	-	217,729
Unrestricted	1,286,204	(338,420)	947,784
Total Net Position	9,475,458	7,346,491	16,821,949
Total Liabilities and Net Position	\$ 16,133,150	\$ 8,842,187	\$ 24,975,337

See Independent Auditors' Report and Notes to Financial Statements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water Division	Sewer Division	Total Activities
OPERATING REVENUE			
Water sales	\$ 2,575,127	\$ -	\$ 2,575,127
Sewer sales	-	900,761	900,761
Other revenue	111,035	21,796	132,831
Total Operating Revenue	2,686,162	922,557	3,608,719
OPERATING EXPENSES			
Water purchases	1,033,769	-	1,033,769
Sewer usage	-	571,377	571,377
Operation	304,320	188,317	492,637
Maintenance	261,794	90,056	351,850
General and administrative	182,144	105,459	287,603
Total Operating Expenses	1,782,027	955,209	2,737,236
Operating Income (Loss) Before Depreciation	904,135	(32,652)	871,483
Depreciation expense	(551,187)	(281,892)	(833,079)
OPERATING INCOME (LOSS)	352,948	(314,544)	38,404
Non-operating income (expenses)			
Interest income	5,968	842	6,810
Interest expense	(215,633)	(51,728)	(267,361)
Income (Loss) Before Capital Contributions	143,283	(365,430)	(222,147)
Capital Contributions			
Capital contributions	95,273	126,159	221,432
Tap fees	35,780	(26,903)	8,877
Change in Net Position	274,336	(266,174)	8,162
Net Position, Beginning of year	9,540,011	7,273,776	16,813,787
Restatement	(338,889)	338,889	
Net Position, End of Year	\$ 9,475,458	\$ 7,346,491	\$ 16,821,949

See Independent Auditors' Report and Notes to Financial Statements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water Division	Sewer Division	Total Activities
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,689,187	\$ 933,153	\$ 3,622,340
Payments to suppliers	(1,582,458)	(681,198)	(2,263,656)
Payments for employee services and benefits	(323,802)	(179,705)	(503,507)
NET CASH FLOWS FROM OPERATING ACTIVITIES	782,927	72,250	855,177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Retirement of note principal	(310,887)	(21,900)	(332,787)
Interest paid	(228,976)	(52,130)	(281,106)
Customer contributions and tap fees	131,053	99,256	230,309
Purchase of fixed assets	(71,820)	(135,399)	(207,219)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(480,630)	(110,173)	(590,803)
CASH FLOWS FROM INVESTING ACTIVITIES			
Invested in certificates of deposit	(1,064)	-	(1,064)
Interest income	5,968	842	6,810
NET CASH FLOWS FROM INVESTING ACTIVITIES	4,904	842	5,746
NET CHANGE IN CASH	307,201	(37,081)	270,120
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,077,910	434,491	1,512,401
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,385,111	\$ 397,410	\$ 1,782,521
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 352,948	\$ (314,544)	\$ 38,404
Noncash items included in operating income:			
Restatement of retained earnings	(338,889)	338,889	
Depreciation	551,187	281,892	833,079
Changes in assets and liabilities:			
(Increase) decrease in accounts receivables	10,657	7,060	17,717
(Increase) decrease in other receivables	(7,632)	3,536	(4,096)
(Increase) decrease in due to (from) other funds	235,874	(235,874)	-
(Increase) decrease in prepaid expenses	(2,072)	-	(2,072)
Increase (decrease) in accounts payable	(16,010)	(7,634)	(23,644)
Increase (decrease) in taxes payable	436	-	436
Increase (decrease) in customer deposits	303	(1,075)	(772)
Increase (decrease) in deferred revenue	(3,875)	-	(3,875)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 782,927	\$ 72,250	\$ 855,177
Supplemental Disclosure of Non-Cash Transactions			
Contributed capital	\$ 95,273	\$ 126,159	\$ 221,432
Cash and cash equivalents consist of the following:			
Unrestricted cash and cash equivalents	\$ 933,551	\$ 82,669	\$ 1,016,220
Restricted cash and cash equivalents	451,560	314,741	766,301
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,385,111	\$ 397,410	\$ 1,782,521

See Independent Auditors' Report and Notes to Financial Statements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES

The Jessamine-South Elkhorn Water District, Water and Sewer Divisions (the District) is a special district formed for the express purpose of providing water and sewer service within the confines of Jessamine County, Kentucky. The District operates as an independent entity in that it is legally separate and holds corporate powers of organization.

Reporting Entity

The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The District consists of the Jessamine-South Elkhorn Water District Water Division, and the Jessamine-South Elkhorn Water District Sewer Division. The District has oversight responsibility for no other organization.

Basis of Accounting

The net position of the District is classified into three categories; net investment in capital assets, restricted and unrestricted. The restricted net assets consist of reserves for bond retirement and depreciation costs relating to the construction, replacement, extension, additions and/or improvements to the system in addition to customer deposits.

When both restricted and unrestricted resources are available for use, the District's Board of Commissioners makes a determination as to which resource should be used first.

The accrual basis of accounting is utilized by the District. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

The District reports all revenues and expenses as operating except interest income, interest expense, gains and losses on disposal of assets, and capital contributions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District defines cash as cash on hand, cash in bank, money market funds in both unrestricted and restricted accounts, and certificates of deposit with an initial maturity of less than 90 days.

Accounts Receivable

The District's accounts receivable reserve represents its estimate of all uncollectible accounts. The reserve for the year ended December 31, 2019 totaled \$4,640.

Property and Equipment

The District has not historically inventoried unsold water, nor accounted for unbilled water or sewer usage. Fixed assets of the District are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Plant and lines are capitalized with lives ranging from 5-65 years and furniture and equipment are capitalized with lives ranging from 5-10 years. Capital assets and the depreciation expense on capital assets purchased before the addition of the sewer division are presented as water division assets. Land and land rights are not subject to depreciation. Interest costs during construction of fixed assets are capitalized as a part of the cost.

Interfund Transfers

The asset "due from other funds" represents amounts transferred between funds that are owed for operating and non-operating expenses.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES - continued

Use of Estimates

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

Date of Management’s Review

The District has evaluated and considered the need to recognize or disclose subsequent events through March 6, 2020, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2019, have not been evaluated by the District.

NOTE B – CASH AND INVESTMENTS

Kentucky Revised Statutes authorize local governmental units to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States Government or its agencies.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest. The District's deposits and investments at December 31, 2019 were entirely covered by Federal Depository Insurance or by collateral held by the custodial banks in the District's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy will attempt to match its investments with anticipated cash flow requirements.

The table presented below is designed to disclose the level of custody credit risk assumed by the District, based upon how its deposits were insured or secured with collateral at December 31, 2019. The categories of credit risk are defined as follows:

- 1) Insured or registered, or securities held by the District or its agent in the District’s name.
- 2) Uninsured and unregistered, with securities held by the counterpart’s trust department or agent in the District’s name.
- 3) Uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the District’s name.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Amount</u>	<u>Total Carrying Amount</u>
Cash and cash equivalents	\$ 1,765,206	\$ -	\$ -	\$ 1,765,206	\$ 1,782,521
Certificates of deposit	134,737	-	-	134,737	134,737
	<u>\$ 1,899,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,899,943</u>	<u>\$ 1,917,258</u>

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B – CASH AND INVESTMENTS - continued

The following presents the cash and certificate of deposit balances as shown on the statement of net position at December 31, 2019:

	Board			Total
	<u>Unrestricted</u>	<u>Designated</u>	<u>Restricted</u>	
Revenue fund	\$ 468,131	\$ 29,027	\$ -	\$ 497,158
Operation and maintenance fund	199,763	-	-	199,763
Bond and interest fund-water	-	-	124,124	124,124
Depreciation and maintenance fund	-	-	244,444	244,444
Construction fund-water	<u>265,657</u>	<u>188,702</u>	<u>-</u>	<u>454,359</u>
Water total	<u>933,551</u>	<u>217,729</u>	<u>368,568</u>	<u>1,519,848</u>
Construction fund-sewer	-	-	18,377	18,377
Debt service reserve-sewer	-	-	296,364	296,364
Sewer accounts	<u>82,669</u>	<u>-</u>	<u>-</u>	<u>82,669</u>
Sewer total	<u>82,669</u>	<u>-</u>	<u>314,741</u>	<u>397,410</u>
Total	<u>\$ 1,016,220</u>	<u>\$ 217,729</u>	<u>\$ 683,309</u>	<u>\$ 1,917,258</u>

NOTE C – CAPITAL ASSETS

The following is a summary of capital asset activity during the year:

	Balance <u>12/31/2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2019</u>
Capital assets not depreciated:				
Construction in progress - water	\$ 9,305	\$ 24,280	\$ -	\$ 33,585
Construction in progress - sewer	<u>94,963</u>	<u>94,159</u>	<u>-</u>	<u>189,122</u>
Total not depreciated	104,268	118,439	-	222,707
Capital assets being depreciated:				
Utility plant/distribution system	21,645,154	41,030	-	21,686,184
Sewer collection	10,794,063	41,240	-	10,835,303
Building	457,697	-	-	457,697
Operating equipment and furniture	15,391	6,510	-	21,901
Transportation - water	31,405	-	-	31,405
Transportation - sewer	24,410	-	-	24,410
Equipment- sewer	65,174	-	-	65,174
Communication - water	50,121	-	-	50,121
Communication - sewer	<u>1,031</u>	<u>-</u>	<u>-</u>	<u>1,031</u>
Total depreciable	33,084,446	88,780	-	33,173,226
Accumulated depreciation				
Accumulated depreciation - water	(7,536,934)	(551,187)	-	(8,088,121)
Accumulated depreciation - sewer	<u>(2,089,578)</u>	<u>(281,892)</u>	<u>-</u>	<u>(2,371,470)</u>
Total accumulated depreciation	<u>(9,626,512)</u>	<u>(833,079)</u>	<u>-</u>	<u>(10,459,591)</u>
Net depreciable assets	<u>23,457,934</u>	<u>(744,299)</u>	<u>-</u>	<u>22,713,635</u>
Total capital assets, net	<u>\$ 23,562,202</u>	<u>\$ (625,860)</u>	<u>\$ -</u>	<u>\$ 22,936,342</u>

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG TERM DEBT

The following is a summary of the bonds outstanding for the District for the year ended December 31, 2019:

Series 2000B Revenue Bonds, annual principal and interest payments at 5.125% through January 2039.	\$ 298,500
Series 2009A Revenue Bonds, annual principal and semi-annual interest payments at 2.625% through January 2050.	211,500
Series 2008B Revenue Bonds, annual principal and semi-annual interest payments at 4.375% through January 2050.	474,200
Series 2008A Revenue Bonds, annual principal and semi-annual interest payments at 4.25% through January 2050.	687,700
Series 2012C Revenue Bonds, annual principal and semi-annual interest payments at a variable interest rate between 2.15% and 4.15% through January 2039.	1,400,000
Series 2016D Revenue Bonds, annual principal and semi-annual interest payments at a variable interest rate between 3.60% and 5.10% through January 2031.	<u>425,000</u>
Total	3,496,900
Less: current portion	<u>(112,000)</u>
Long-term portion	<u>\$ 3,384,900</u>

The following is a summary of the notes outstanding for the District for the year ended December 31, 2019:

Central Bank note payable, monthly payments of \$6,570 including principal and interest at 4% through maturity in September 2024, with a final balloon payment for the remaining balance due at maturity.	\$ 211,333
Central Bank note payable, monthly payments of \$2,462 including principal and interest at 4% through maturity in September 2024, with a final balloon payment for the remaining balance due at maturity, secured by the District's office facilities.	327,305
2007 Kentucky Infrastructure Authority Revolving Loan F07-02, semi-annual principal and interest payments at 3% through 2033.	1,287,980
2013 Kentucky Infrastructure Authority Revolving Loan F11-12, semi-annual principal and interest payments at 3% through 2036.	<u>2,639,697</u>
Total	4,466,315
Less: current portion	<u>(239,273)</u>
Long-term portion	<u>\$ 4,227,042</u>

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG TERM DEBT - continued

The annual requirements to amortize all bonds outstanding as of December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 112,000	\$ 140,517	\$ 252,517
2021	113,100	136,337	249,437
2022	119,800	132,111	251,911
2023	120,900	127,500	248,400
2024	128,000	122,742	250,742
2025-2029	709,100	534,063	1,243,163
2030-2034	720,300	386,004	1,106,304
2035-2039	787,100	240,761	1,027,861
2040-2044	275,000	118,235	393,235
2045-2049	336,000	57,560	393,560
2050	75,600	3,079	78,679
Total	<u>\$ 3,496,900</u>	<u>\$ 1,998,909</u>	<u>\$ 5,495,809</u>

The annual requirements to amortize all notes payable outstanding as of December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 239,273	\$ 137,280	\$ 376,553
2021	246,869	129,684	376,553
2022	252,573	121,518	374,091
2023	262,064	114,490	376,554
2024	265,003	104,982	369,985
2025-2029	1,618,790	343,541	1,962,331
2030-2034	1,284,693	143,881	1,428,574
2035-2036	297,050	8,956	306,006
Total	<u>\$ 4,466,315</u>	<u>\$ 1,104,332</u>	<u>\$ 5,570,647</u>

The following is a summary of changes in long-term debt:

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 3,602,300	\$ -	\$ (105,400)	\$ 3,496,900	\$ 112,000
Notes payable	4,693,702	-	(227,387)	4,466,315	239,273
Total Debt	<u>\$ 8,296,002</u>	<u>\$ -</u>	<u>\$ (332,787)</u>	<u>\$ 7,963,215</u>	<u>\$ 351,273</u>

NOTE E – COMPLIANCE WITH BOND RESOLUTION

The bond resolution requires the District to maintain certain reserves as follows:

Utilities Revenue Fund -The District agrees to deposit, therein promptly as received from time to time, all cash revenues of the utilities system, and to disburse from there in the manner and order of priorities as described in the following paragraphs.

Bond Fund Principal and Interest Sinking Fund -The District deposits each month an amount equal to one sixth (1/6) of the amount of interest becoming due on all bonds outstanding with Kentucky Rural Water Finance Corporation on the next ensuing semiannual interest payment date, plus one twelfth (1/12) of the amount of principal of the bonds outstanding which are maturing on the next ensuing annual principal payment date. As of December 31, 2019, the balance in this account exceeded the required amount.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE E – COMPLIANCE WITH BOND RESOLUTION

Debt Service Reserve Account -The 2000 Bond Agreement calls for monthly reserve accumulations of \$1,190 and the 2008/9 Bond Agreement calls for monthly reserve accumulations of \$995. The District is to maintain a balance equal to the lesser of (1) the maximum amount of principal and interest which will become due and payable on all bonds in any period of twelve months ending January 1, (2) 125% of the average annual amount of principal and interest due on all bonds, or (3) 10% of the proceeds of the bonds. As of December 31, 2019, the accounts that comprise the Debt Service Reserve Account-Water and Debt Service Reserve Account-Sewer exceeded the required amounts.

Operation and Maintenance Fund -The District shall deposit an amount equal to the estimated current expense of operating, maintaining, and insuring the system for the next month. The amounts shall be determined, pursuant to the annual budget adopted by the District Board and are made to meet reasonable and necessary expenses. As of December 31, 2019, the total balance of the funds that comprise the Operation and Maintenance Fund exceeded the required amount.

Depreciation Fund -The District shall deposit amounts from the Revenue Fund after provisions have first been made for the prescribed deposits into the Bond Fund principal and interest accounts and the Operation and Maintenance Fund, until reaching a balance of \$12,000 to comply with covenants of the bonds issued. This fund is for the purpose of paying unusual or extraordinary maintenance repairs, renewals and replacement. As of December 31, 2019, \$15,442 has been accumulated, exceeding the required amount.

Construction Fund -This fund is used to construct additions, extensions, and improvements other than those of the Depreciation Fund. Bond covenants require funds received during bond sales for construction purposes be segregated and spent for that purpose only. As of December 31, 2019, the District had no restricted funds from bond sales related to ongoing construction projects. The ongoing project funded by this account was completed and the construction fund account was closed during 2018 and not additional projects were completed in 2019. All funds from the bond were used for construction purposes.

Repair and Maintenance Reserve Fund -This fund is used to hold funds in reserve so that they may be spent on the repair and maintenance of the projects constructed with debt from the Kentucky Infrastructure Authority. The debt agreements call for an annual allocation to the reserve until a set limit has been reached. As of December 31, 2019, \$229,002 has been accumulated, exceeding the required amount.

NOTE F – RETIREMENT PLAN

The District offers employees the option to participate in a Simplified Employee Pension Individual Retirement Account (SEP IRA) after completing three years of employment. The District contributes 6% of eligible employees' salary to the SEP IRA annually. For the year ended December 31, 2019, the District contributed \$29,406 toward the employee retirement program.

NOTE G – ACCRUED COMPENSATION

It is the District's policy to permit employees to accumulate earned but unused vacation leave and sick pay benefits. The policy of the District is to not accrue the cost of vacation or sick leave as unpaid compensated absences because they are not materially significant.

Vacation days are accrued at a rate of 5 days per year for the first year, 10 days up to five years, and 15 days from year six and beyond. Unused days may be carried over, but shall not exceed twenty days entering into a new calendar year.

Sick days are earned by employees at a rate of one day for every month of employment and may accumulate no more than seventy-five days.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the District also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE I – OPERATING LEASE

During 2017, the District leased space on existing property and equipment to allow for the mounting of wireless internet transmission and receiving equipment for the purpose of providing wireless internet to the public. The lease had an initial term that ended in February 2017 but was extended through February 2018 and calls for monthly payments of \$1,500. The lease agreement was extended for an additional two year period with the final payment set for February 1, 2020. During the year ended December 31, 2019, the District received payments of \$18,000 under the lease agreement. Future minimum lease payments to be received under the agreement are \$3,000 as of December 31, 2019.

NOTE I – PRIOR PERIOD ADJUSTMENT

During 2019, the District determined that certain balances in due(to) from other funds relating to prior years should be removed. An adjustment was made to reduce the due from sewer and due to water by \$338,889. This adjustment has no income statement impact.

SUPPLEMENTAL INFORMATION

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET - WATER DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Water sales	\$ 2,150,000	\$ 2,150,000	\$ 2,575,127	\$ 425,127
Other revenue	91,208	91,208	111,035	19,827
Total Operating Revenue	<u>2,241,208</u>	<u>2,241,208</u>	<u>2,686,162</u>	<u>444,954</u>
OPERATING EXPENSES				
Water purchases	1,050,000	1,050,000	1,033,769	(16,231)
Operation	291,825	291,825	304,320	12,495
Maintenance	214,392	214,392	261,794	47,402
General and administrative	155,004	155,004	182,144	27,140
Total Operating Expenses	<u>1,711,221</u>	<u>1,711,221</u>	<u>1,782,027</u>	<u>70,806</u>
Operating Income (Loss) Before Depreciation	529,987	529,987	904,135	374,148
Depreciation expense	<u>(440,333)</u>	<u>(440,333)</u>	<u>(551,187)</u>	<u>(110,854)</u>
OPERATING INCOME (LOSS)	89,654	89,654	352,948	263,294
Non-Operating Income (Expense)				
Interest income	4,156	4,156	5,968	1,812
Interest expense	<u>(218,253)</u>	<u>(218,253)</u>	<u>(215,633)</u>	<u>2,620</u>
Total Non-Operating Income (Expense)	<u>(214,097)</u>	<u>(214,097)</u>	<u>(209,665)</u>	<u>4,432</u>
Income (Loss) Before Capital Contributions	<u>(124,443)</u>	<u>(124,443)</u>	<u>143,283</u>	<u>267,726</u>
Capital Contributions				
Capital contributions	-	-	95,273	95,273
Tap fees	-	-	35,780	35,780
Change in Net Position	<u>\$ (124,443)</u>	<u>\$ (124,443)</u>	<u>\$ 274,336</u>	<u>\$ 398,779</u>

See Independent Auditors' Report and Notes to Financial Statements.

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENSES - ACTUAL TO BUDGET - SEWER DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Amended Budget	Actual	Variance
OPERATING REVENUE				
Sewer sales	\$ 650,000	\$ 650,000	\$ 900,761	\$ 250,761
Other revenue	231,953	231,953	21,796	(210,157)
Total Operating Revenue	<u>881,953</u>	<u>881,953</u>	<u>922,557</u>	<u>40,604</u>
OPERATING EXPENSES				
Sewer usage	400,000	400,000	571,377	171,377
Operation	160,842	160,842	188,317	27,475
Maintenance	88,035	88,035	90,056	2,021
General and administrative	96,273	96,273	105,459	9,186
Total Operating Expenses	<u>745,150</u>	<u>745,150</u>	<u>955,209</u>	<u>210,059</u>
Operating Income (Loss) Before Depreciation	136,803	136,803	(32,652)	(169,455)
Depreciation expense	<u>(249,638)</u>	<u>(249,638)</u>	<u>(281,892)</u>	<u>(32,254)</u>
OPERATING INCOME (LOSS)	(112,835)	(112,835)	(314,544)	(201,709)
Non-Operating Income (Expense)				
Interest income	599	599	842	243
Interest expense	<u>(57,221)</u>	<u>(57,221)</u>	<u>(51,728)</u>	<u>5,493</u>
Total Non-Operating Income (Expense)	<u>(56,622)</u>	<u>(56,622)</u>	<u>(50,886)</u>	<u>5,736</u>
Income (Loss) Before Capital Contributions	<u>(169,457)</u>	<u>(169,457)</u>	<u>(365,430)</u>	<u>(195,973)</u>
Capital Contributions				
Capital contributions	-	-	126,159	126,159
Tap fees	-	-	(26,903)	(26,903)
Change in Net Position	<u>\$ (169,457)</u>	<u>\$ (169,457)</u>	<u>\$ (266,174)</u>	<u>\$ (96,717)</u>

See Independent Auditors' Report and Notes to Financial Statements.

BESTEN & DIERUF PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Jessamine-South Elkhorn 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 basic financial statements of Jessamine-South Elkhorn Water District (the 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 6, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Management's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Lexington, Kentucky
March 6, 2020

JESSAMINE-SOUTH ELKHORN WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

FINDINGS:

2019-001 – Internal Control over Financial Reporting (recurring)

Criteria:

The District is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles.

Condition:

The District does not have the internal control procedures required to draft the financial statements in conformity with generally accepted accounting principles.

Cause:

The District lacks personnel with the expertise to apply generally accepted accounting principles in preparing its financial statements including disclosures.

Effect:

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation:

We recommend management review the costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

RESPONSE:

This is an ongoing finding. Management has determined that it is more cost effective to continue to engage the auditor to draft the financial statements and related notes.

2019-002 – Segregation of Duties (recurring)

Criteria:

The District is required to have internal controls that are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

Condition:

The District lacks segregation of duties.

Cause:

The District has a limited number of office/accounting personnel.

Effect:

Segregation of duties has not been achieved to a satisfactory level.

2019-002 – Segregation of Duties (recurring) - continued

Recommendation:

Although the size of the District's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. In addition, improved oversight by the District's Board of Commissioners can serve as a mitigating control that can reduce the risk of inadequately separated duties. We recommend that the District perform the following procedures:

- Make a list of officer personnel and the accounting duties that they perform.
- Isolate any incompatible accounting functions that are the responsibility of one employee.
- Reassign responsibility for these duties or create a supervisory review of these functions.
- Require approval of non-routine transactions, such as customer billing adjustments, by the District's Board of Commissioners.

RESPONSE:

The District will attempt to establish segregation of duties and related mitigating controls to the best of our ability.

EXHIBIT E

EXISTING OBLIGATIONS

- (i) Waterworks System Revenue Bonds, Series 2000A;
- (ii) Waterworks System Revenue Bonds, Series 2000B;
- (iii) Waterworks and Sewer System Revenue Bonds, Series 2008A;
- (iv) Waterworks and Sewer System Revenue Bonds, Series 2008B;
- (v) Waterworks and Sewer System Revenue Bonds, Series 2012C; and
- (vi) Waterworks and Sewer System Revenue Bonds, Series 2016D

EXHIBIT F

**DRAFT STATEMENT OF NOTIFICATION OF INTENT TO FINANCE AND
APPLICATION OF DEBT APPROVAL WITH THE STATE AND LOCAL DEBT
OFFICE**

Page 1	NOTIFICATION OF INTENT TO FINANCE AND APPLICATION OF DEBT APPROVAL Form # SLDO-1 Revised 1/1/2011	For DLG staff use only: File # _____ Received _____
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Completion and delivery of this form to the address below shall satisfy the requirements of KRS 65.117, which prohibits any city, county, urban-county, consolidated local government, charter county, special district, or taxing district from entering into any financing obligation of any nature, except leases under \$200,000, without first notifying the state local debt officer in writing. This form shall also serve as application for approval of debt issuance when applicable. An electronic version of the form is available at www.dlg.ky.gov.

<input checked="" type="checkbox"/> Type of debt to be issued (must check one):	SLDO Approval Required	Complete Sections
<input type="checkbox"/> Short Term Borrowing – KRS 65.7701 et. seq.	No	A,B,C
<input type="checkbox"/> Lease from \$200,000 - \$500,000 – KRS 65.940 et. seq.	No	A,B,D
<input checked="" type="checkbox"/> Lease exceeding \$500,000 – KRS 65.940 et. seq.	Yes (Counties only)	A,B,D
<input type="checkbox"/> General Obligation Bond – KRS Chapter 66	Yes (Counties only)	A,B,E
<input type="checkbox"/> Public Project Rev. Bond – KRS Chapter 58	No	A,B,E
<input type="checkbox"/> Public Project Rev. Bonds w/Lease - KRS 65.310(2)	Yes (Counties only)	A,B,D,E
<input type="checkbox"/> Industrial Revenue Bond – KRS Chapter 103	Yes (All Borrowers)	A,B,F
<input type="checkbox"/> Other Bonds (True Revenue, Utility Assessment, TIF)	No	A,B,E

Section A – Borrower Information

Agency Name: Jessamine-South Elkhorn Water District	
Governing Body: Special District	
Street Address:	
PO Box: 731	City: Nicholasville
County: Jessamine County	Zip: 42743
Authorized Official: General Manager	

Section B – Terms of Financial Obligation

Please provide all relevant information. Fields in bold are mandatory.

Principal Amount: \$2,515,000	Date of Issue: December 1, 2020
Maturity Date(s): 02/01/2050	Payment Schedule: (must attach schedule)
Term: 30 years	Number of Renewal Periods: N/A
Interest Rate(s): 2.000-5.000%	Type of Interest (fixed or variable): Fixed
Retirement Method: Lease payments	
Lender's Name: N/A	
Lender's Address: N/A	
Right of Termination: N/A	

Termination Penalties: N/A
Prepayment Provisions: Bonds maturing on and after February 1, 2030 are subject to optional redemption on any date on and after February 1, 2029
Trustee or Paying Agent: U.S. Bank National Association
AOC Funding Percentage: 0%

Page 2	NOTIFICATION OF INTENT TO FINANCE AND APPLICATION OF DEBT APPROVAL Form # SLDO-1 Revised 1/1/2011
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Section C – Note (Loan) Information/Documentation

Purpose – Briefly explain the documented need that necessitates this note (loan) and the public purpose it is intended to address. (Attach additional information if necessary):

Pledge of Taxes/Description:

Pledge of Revenue/Description:

Pledge of Project Revenues (Attach documentation which substantiates the revenue projections):

Have bids been sought by the local governments to determine the financial and programmatic competitiveness of the note (loan) proposal? Yes No

If No, explain what steps were taken to ensure adequate competition.

Required Attachments

1. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the note and statement as to taxes and revenues to be collected during the term of the note.

Section D – Lease Information/Documentation

Describe the real or personal property to be acquired or constructed:

N/A, Refunding.

Type of Lease: General Obligation Revenue

Is Lease Annually Renewable? Yes No

Does Agency seek approval without a hearing? Yes No Jurisdiction: Revenue Refunding

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Series 2008A USDA Loan #92-05, of which \$673,000 remains outstanding;
 Series 2008B USDA Loan #92-07, of which \$470,000 remains outstanding; and
 Kentucky Rural Water Finance Corporation Public Project Refunding Revenue Bonds (Flexibility Term Program), Series 2012C, of which \$1,300,000 remains outstanding

Required Attachments (If lease requires SLDO approval)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing (if hearing is required) and newspaper advertisement tear sheet
3. Copy of lease
4. Executed copy of ordinance/resolution of fiscal court authorizing the lease

- Certification from local government attesting to the ability to meet additional financial commitments necessitated by the lease and statement as to taxes and revenues to be collected during the term of the lease

Page 3	NOTIFICATION OF INTENT TO FINANCE AND APPLICATION OF DEBT APPROVAL Form # SLDO-1 Revised 1/1/2011
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Section E – Bond Information/Documentation

Please provide all relevant information. Fields in bold are mandatory.

Describe the purpose of the bond:

The bond is being issued to refinance a portion of the District’s outstanding obligations for debt service savings.

Bond Counsel: Dinsmore & Shohl LLP

Counsel Address: 50 East RiverCenter Boulevard, Suite 1150, Covington, KY

Financial Advisor: Compass Municipal Advisors, LLC

Advisor Address: 333 West Vine Street, Suite 1610, Lexington, Kentucky 40509

Bond Series: Financing Program Revenue Bonds 2019 First Series A

Call Date: Bonds maturing on and after February 1, 2030 are subject to optional redemption on any date on and after February 1, 2029

Does this bond refund a prior bond? Yes

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Series 2008A USDA Loan #92-05, of which \$673,000 remains outstanding;
 Series 2008B USDA Loan #92-07, of which \$470,000 remains outstanding; and
 Kentucky Rural Water Finance Corporation Public Project Refunding Revenue Bonds (Flexibility Term Program), Series 2012C, of which \$1,300,000 remains outstanding

Required Attachments (If SLDO Approval is Required)

- Minutes from the local public hearing
- Affidavit of publication of SLDO hearing and newspaper advertisement tear sheet
- Executed copy of ordinance/resolution of fiscal court authorizing financial plan for the issuance of the bonds
- Proposed plan of financing
- Preliminary official statement (if applicable)
- Sources and uses table

Additional Required Attachments for KRS Chapter 103 Bonds

- Documentation in an appropriate form substantiating the project’s eligibility under KRS 103.2101(1)(a)-(e).
- If the project requires approval of the reduction in property taxes, attach any documentation provided to agency responsible for approval.

By signing below, the Authorized Official certifies that the foregoing is true and accurate to the best of his or her knowledge.

Name (please print): Daniel D. Briscoe, Jr., Esq.	Date: 10/8/2020
Title: Bond Counsel	Signature:

Mail to:
Department for Local Government
Attn: State Local Debt Officer
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601

Fax to: 502-573-3712

Attachment A

S

Debt Service Comparison

Date	Total P+I	Expenses	Existing D/S	Net New D/S	Old Net D/S	Savings
12/31/2020	-	-	-	-	-	-
12/31/2021	106,061.67	1,547.92	50,750.00	158,359.59	169,034.39	10,674.80
12/31/2022	152,367.50	6,637.50	-	159,005.00	172,031.27	13,026.27
12/31/2023	149,817.50	6,425.00	-	156,242.50	170,417.20	14,174.70
12/31/2024	147,267.50	6,212.50	-	153,480.00	168,725.63	15,245.63
12/31/2025	154,567.50	6,000.00	-	160,567.50	171,837.20	11,269.70
12/31/2026	151,717.50	5,762.50	-	157,480.00	169,259.70	11,779.70
12/31/2027	148,867.50	5,525.00	-	154,392.50	167,564.38	13,171.88
12/31/2028	150,942.50	5,287.50	-	156,230.00	170,024.07	13,794.07
12/31/2029	147,942.50	5,037.50	-	152,980.00	167,186.88	14,206.88
12/31/2030	149,867.50	4,787.50	-	154,655.00	169,779.69	15,124.69
12/31/2031	152,055.00	4,525.00	-	156,580.00	166,802.51	10,222.51
12/31/2032	149,525.00	4,250.00	-	153,775.00	168,684.70	14,909.70
12/31/2033	151,795.00	3,975.00	-	155,770.00	165,915.64	10,145.64
12/31/2034	153,797.50	3,687.50	-	157,485.00	167,984.70	10,499.70
12/31/2035	155,612.50	3,387.50	-	159,000.00	169,794.07	10,794.07
12/31/2036	152,362.50	3,075.00	-	155,437.50	166,398.76	10,961.26
12/31/2037	153,950.00	2,762.50	-	156,712.50	167,796.57	11,084.07
12/31/2038	155,306.25	2,437.50	-	157,743.75	168,930.01	11,186.26
12/31/2039	156,525.00	2,100.00	-	158,625.00	170,288.13	11,663.13
12/31/2040	54,050.00	1,750.00	-	55,800.00	67,520.94	11,720.94
12/31/2041	52,950.00	1,650.00	-	54,600.00	67,628.44	13,028.44
12/31/2042	51,850.00	1,550.00	-	53,400.00	67,649.69	14,249.69
12/31/2043	50,750.00	1,450.00	-	52,200.00	67,585.01	15,385.01
12/31/2044	54,525.00	1,350.00	-	55,875.00	67,434.39	11,559.39
12/31/2045	53,175.00	1,237.50	-	54,412.50	67,686.89	13,274.39
12/31/2046	51,825.00	1,125.00	-	52,950.00	67,342.51	14,392.51
12/31/2047	55,400.00	1,012.50	-	56,412.50	67,401.26	10,988.76
12/31/2048	53,900.00	887.50	-	54,787.50	67,352.51	12,565.01
12/31/2049	52,400.00	762.50	-	53,162.50	67,196.26	14,033.76
12/31/2050	55,825.00	637.50	-	56,462.50	67,420.63	10,958.13
Total	\$3,426,997.92	\$96,835.42	\$50,750.00	\$3,574,583.34	\$3,950,674.03	\$376,090.69

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	325,484.50
Effects of changes in Expenses	(58,816.22)
Net PV Cashflow Savings @ 2.548%(Bond Yield)	266,668.29
Contingency or Rounding Amount	909.81
Net Present Value Benefit	\$267,578.10
Net PV Benefit / \$2,443,000 Refunded Principal	10.953%

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