

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                    |   |            |
|------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF EDMONSON | ) | CASE NO.   |
| COUNTY WATER DISTRICT FOR APPROVAL | ) | 2021-00174 |
| OF CERTAIN ACCOUNTING ADJUSTMENTS  | ) |            |

ORDER

On April 16, 2021, Edmonson County Water District (Edmonson District) filed an application, pursuant to KRS 278.220 and 807 KAR 5:001, seeking authorization to adjust grant and loan funds received in 2019 in connection to the Edmonson/Hart Water Line Project by recording an Adjustment to Retained Earnings. There are no intervenors in this matter.

BACKGROUND

In Case No. 2019-00355, the Commission granted Edmonson District a Certificate of Public Convenience and Necessity pursuant to KRS 278.023 to construct a \$1,290,000 project (Edmonson/Hart Water Line Project) consisting of (1) approximately 2,750 feet of four-inch water main to serve an additional customer and to provide an interconnection to the Green Valley Water District; (2) approximately 20,955 feet of three-inch and four-inch water main and a pressure booster station to serve 25 new and existing customers; (3) hydrants to flush the system; and (4) leak detection meters.<sup>1</sup> The Commission also

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<sup>1</sup> See Case No. 2019-00355, *Electronic Application of Edmonson County Water District Pursuant to KRS 278.023 and 807 KAR 5:069 for a Certificate of Public Convenience to Expand Its Water Treatment Plant and Related Waterworks Improvements, and Adjustment of Its Rates for Water Service; and Authorization to Issue Certain Securities* (Ky. PSC Nov. 7, 2019)

authorized Edmonson District to issue \$1,032,000 of Waterworks Revenue Bonds and to obtain a grant of \$258,000 from the United States Department of Agriculture (USDA) acting through Rural Development (RD).<sup>2</sup>

In 2019, Edmonson District received funds from RD in the amount of \$95,294 for its Edmonson/Hart Water Line Project.<sup>3</sup> While performing the calendar year 2019 Audit, Edmonson District's auditor assumed that the RD grant funds were to be used before any of the RD loan proceeds were to be drawn down.<sup>4</sup> The auditor realized that this assumption was incorrect and corrected the error in Edmonson District's 2020 financial statements by debiting Retained Earnings by \$95,294 and crediting the RD liability account by the same amount.<sup>5</sup>

Edmonson District claims that its proposed Retained Earnings adjustment to the 2020 Audit Report ensures that the 2020 and future financial statements more accurately reflect Edmonson District's financial condition and will enhance the credibility of those statements.<sup>6</sup> According to Edmonson District, an adjustment to its 2020 Retained Earnings account is the simplest and least disruptive means to correct the previous reporting error and avoid the need for amendment or modification of earlier financial statements and reports.<sup>7</sup>

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<sup>2</sup> *Id.*

<sup>3</sup> Application, Exhibit 3, Letter dated March 31, 2021, from Campbell, Meyers and Rutledge, PLLC.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> Application, paragraph 17.

<sup>7</sup> *Id.*

## DISCUSSION

The Uniform System of Accounts (USoA) for Class A and B Water Districts and Water Associations requires the following:

All prior period adjustments to retained earnings shall be approved by the Commission. Generally the only type of transaction which will be considered as a prior period adjustment is correction of an error in the financial statements of a prior period. Prior period adjustments, when approved, shall be charged or credited to account 439 - Adjustments to Retained Earnings, and are not considered in income of the period.<sup>8</sup>

Having reviewed the case record and the requirements established in the USoA, the Commission finds that Edmonson District's proposed prior period adjustment to Account No. 439, Adjustments to Retained Earnings meets the requirements of the USoA. Accordingly, the proposed prior period adjustments as outlined in Edmonson District's Application should be approved.

IT IS THEREFORE ORDERED that:

1. Edmonson District is authorized to record the proposed prior period adjustment to Account No. 439, Adjustments to Retained Earnings.
2. This case is closed and removed from the Commission's docket.

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<sup>8</sup> USoA, Accounting Instructions, General - Prior Period Items, 8.A and 8.B at 16.

By the Commission



ATTEST:

  
Executive Director

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