

**BRACKEN COUNTY
WATER DISTRICT**

**AUDITED FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020**

**BRACKEN COUNTY WATER DISTRICT
BROOKSVILLE, KENTUCKY
Years Ended December 31, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Bracken County Water District, Kentucky
Brooksville, Kentucky 41004

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bracken County Water District as of and for the year ended December 31, 2021 and 2020, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bracken County Water District, as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2022, on our consideration of the Bracken County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bracken County Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bracken County Water District's internal control over financial reporting and compliance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

November 3, 2022

**BRACKEN COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and Cash Equivalents-Unrestricted	\$ 1,156,184	\$ 1,375,170
Unbilled Revenue	97,125	90,484
Accounts Receivable (net of allowance for doubtful accounts of \$11,210 and \$8,092 at December 31, 2021 and 2020.)	144,526	147,219
Inventory	58,426	64,563
Prepaid Insurance	15,941	15,445
Total Current Assets	<u>1,472,201</u>	<u>1,692,881</u>
Restricted Assets		
Cash and Cash Equivalents-Restricted	311,469	1,284,472
KRWFC Sinking Fund	299,075	197,765
Total Restricted Assets	<u>610,544</u>	<u>1,482,236</u>
Noncurrent assets:		
Nondepreciable Capital Assets:		
Land	17,990	17,990
Construction in Progress	999,798	4,729,268
Depreciable Capital Assets:		
Property, Plant and Equipment	22,556,026	17,452,866
Less: Accumulated depreciation	<u>(7,197,774)</u>	<u>(6,822,571)</u>
Total Noncurrent Assets	<u>16,376,039</u>	<u>15,377,553</u>
Deferred Charges		
Unamortized bond issuance costs	<u>-</u>	<u>99,505</u>
TOTAL ASSETS	<u>\$ 18,458,784</u>	<u>\$ 18,652,176</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts Payable	\$ 70,122	\$ 90,995
Customer Deposits	75,550	74,850
Accrued Wages and Vacation Pay	32,115	22,975
Taxes Payable	4,936	4,797
Accrued Interest Payable	51,513	29,218
Current Portion of Long-term Debt	417,203	324,441
Total Current Liabilities	<u>651,439</u>	<u>547,276</u>
Noncurrent Liabilities:		
Long-Term Debt, Net of Current Portion	<u>6,788,062</u>	<u>7,203,562</u>
Total NonCurrent Liabilities	<u>6,788,062</u>	<u>7,203,562</u>
Deferred Inflows of Resources		
Unamortized Premium on Bonds	238,240	249,069
TOTAL LIABILITIES	<u>7,677,740</u>	<u>7,999,907</u>
NET POSITION		
Net Investment in Capital Assets	8,932,534	7,600,481
Restricted for:		
Debt Service	434,894	324,441
Capital Projects and Replacement	96,201	81,577
Customer Deposits	75,761	75,262
Unrestricted	<u>1,241,655</u>	<u>2,570,509</u>
TOTAL NET POSITION	<u>\$ 10,781,044</u>	<u>\$ 10,652,269</u>

See accompanying notes to the financial statements.

**BRACKEN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Water Sales	\$ 1,683,494	\$ 1,693,099
Service Charges and Other Revenue	<u>47,298</u>	<u>25,218</u>
TOTAL OPERATING REVENUES	1,730,792	1,718,317
OPERATING EXPENSES:		
Water Purchased	426,336	382,290
Salaries	256,804	212,777
Employee Pensions and Benefits	50,049	44,919
Electricity	47,658	45,855
Maintenance	35,412	29,967
Materials and Supplies	192,682	142,010
Insurance	32,889	32,536
Advertising	768	299
Accounting and Legal Fees	50,404	16,316
Transportation	20,029	11,525
Water Analysis Fee	2,729	4,148
Regulatory Commission Expense	3,497	3,546
Depreciation and Amortization	375,203	309,868
Payroll Taxes	18,656	16,759
TOTAL OPERATING EXPENSES	<u>1,513,115</u>	<u>1,252,815</u>
OPERATING INCOME (LOSS)	217,677	465,502
NONOPERATING REVENUES (EXPENSES):		
Customer Tap Fees	27,497	37,572
Gain(Loss) Sale of Assets	-	-
DOT project flow through income	-	133,098
DOT project flow through expense	-	(133,098)
Amortization Bond Issuance Costs	-	(4,326)
Amortization Bond Premium	10,829	10,829
Interest Income	3,008	39,194
Interest Expense	<u>(217,016)</u>	<u>(210,394)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(175,681)</u>	<u>(127,125)</u>
Net Income Before Capital Contribution	41,996	338,377
Capital Contribution	<u>186,285</u>	<u>995,885</u>
CHANGE IN NET POSITION	228,281	1,334,262
NET POSITION - Beginning of year	<u>10,652,269</u>	<u>9,318,004</u>
PRIOR PERIOD ADJUSTMENT-BOND ISSUE COSTS	(99,505)	-
NET POSITION - End of year	<u>\$ 10,781,044</u>	<u>\$ 10,652,269</u>

See accompanying notes to the financial statements.

**BRACKEN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash Receipts from Customers	1,683,494	1,693,099
Cash Payments to Suppliers for Goods and Services	(724,647)	(477,545)
Cash Payments for Salaries and Benefits	(325,509)	(274,456)
Other Receipts (Payments)	47,298	25,218
Net Cash Provided (Used) by Operating Activities	680,635	966,316
CASH FLOWS FROM INVESTING ACTIVITIES		
KRWFC Sinking Fund	(101,310)	(59,932)
Interest Income	3,008	39,194
Net Cash Provided (Used) by Investing Activities	(98,302)	(20,738)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds From Capital Debt	-	5,517,000
Principal Paid on Capital Debt	(322,738)	(5,918,223)
Purchases of Capital Assets from Grants	(186,285)	(995,885)
Purchases of Capital Assets from Capital Debt	(187,752)	(611,567)
Grant Capital Contributions	186,285	995,885
Contributed Capital - Tap Fees	27,497	37,572
Interest Paid on Capital Debt	(217,016)	(210,394)
Net Cash Provided (Used) by Financing Activities	(700,009)	(1,185,613)
NET INCREASE (DECREASE) IN CASH	(117,675)	(240,035)
Cash and Cash Equivalents - Beginning of Year	1,572,935	1,812,970
Cash and Cash Equivalents - End of Year	\$ 1,455,259	\$ 1,572,935
RECONCILIATION OF OPERATING INCOM (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	217,677	465,502
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:		
Depreciation Expense	375,203	309,868
Change in Assets and Liabilities:		
Accounts Receivable	(3,949)	(47,808)
Inventories	6,137	17,217
Prepaid Expense	(495)	33
Accounts Payable and Other Payables	76,224	226,567
Customer Deposits	700	3,000
Accrued Wages and Vacation	9,140	(8,061)
Net Cash Provided (Used) by Operating Activities	\$ 680,635	\$ 966,316

Supplemental Disclosures:

Interest paid was \$210,394 and \$ 150,463 in 2020 and 2019 respectively.

See accompanying notes to the financial statements.

BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bracken County Water District was created and organized as a public body corporate in Bracken County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Bracken Count Fiscal Court to operate a water distribution system. The District is regulated by the Kentucky Public Service Commission.

The Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Bracken County Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations. The entities included in the financial statements are the general operations of the District. Bracken County Water District No. 1 merged with Western Bracken County Water District effective December 27, 1995 by order of the Public Service Commission.

Based on the foregoing criteria there are no other organizations included in these financial statements.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounts of the District are maintained on the accrual basis of accounting. 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.

Inventory

Inventory is valued at the lower of cost or market.

Revenues and Expenses

Proprietary funds distinguish between operating and nonoperating items. Operating revenues generally result from providing services, producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fixed Assets

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates determined by reference to Utility Standards Rates (NARUC). Asset lives range from 75 years for system lines and plant, to 20 years for pumping equipment, 20 years for meters, and from 5 to 20 years for vehicles and office equipment. The provisions for depreciation in 2019 reflect those standard rates by asset class. The District's capitalization threshold is \$1,000.

Unbilled Revenue

The District records revenue as billed to its customers on monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled.

Power Costs

The cost of power purchases for pumping water is charged to expense as used.

Income Tax Status

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

Cash Flows

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities, and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Net Position

Net Position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Funds are reported as restricted when there are legal limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for used, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Capital Contribution

Capital Contribution represents Grants received in the current year.

BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 2: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does have a deposit policy for custodial credit risk. As of December 31, 2021 there was \$0 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank \$0

NOTE 3: LONG-TERM DEBT

In connection with two major construction projects, the District obtained new loans to pay for construction not otherwise covered by Federal or State grants or by local funds. On October 7, 2004, the District finalized a long-term loan with USDA Rural Development in the amount of \$980,000 for the Southwestern Project. On August 31, 2004, the District finalized a \$928,000 loan from KIA for the Berlin-Lenoxburg Project.

The Rural Development loan is for 40 years, 4.5%, principal payable on December 1 of each year and interest paid semi-annually. The KIA loan is for 20 years, 3.0%, principal and interest payable monthly.

The Delisle Curve and office building projects were funded by loans through the Kentucky Water Finance Corporation (KRWFC). In April 2006, the District obtained short-term financing in the amount of \$3,085,000 to begin construction on these projects. In August 2007, bonds were issued in the amount of \$3,350,000 to payoff the short-term financing and for additional construction costs. The loan is for 20 years, 4.175% to 4.550%, principal and interest payments made monthly into sinking fund KRWFC.

On March 1, 2012, the District obtained two loans from Kentucky Infrastructure Authority (KIA) to commence construction on two projects. The first project is a line replacement project which was funded by Loan Fund C in the amount of \$621,000. The second project was for the Short Road Improvement and upgrade project which was funded by Loan Fund B in the amount of \$475,000, of which 80% of the principal was forgiven. Both loans were financed at a 3% interest rate.

The KY19 Master Meter to Kelly Ridge project was funded by a Kentucky Infrastructure Authority (KIA) loan on September 1, 2015 in the amount of \$358,000. Repayment of the loan began in December 2016 with semi-annual payments of \$10,624 with an interest rate of 1.75%.

During 2019, the District received interim financing from KRWFC for the AC Line Project. The balance on the loan at December 31, 2019 is \$3,194,960. The interest rate is 2.53%. This loan was paid off in 2020. There was a new loan with Rural Development in the amount of \$3,427,000 interest rate of 2.25%. There was also bonds issued \$2,090,000 Kentucky Rural Water Finance Corp, Series 2020E, dated 9/23/20 interest rate 2.25%-4.25%. There was also bonds issued \$985,000 Kentucky Rural Water Finance Corp, Series 2020G dated 10/13/20 interest rate 2.25%-5.25%

BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 3: LONG-TERM DEBT

	Beginning Balance	Additions	Reductions	Ending Balance
\$791,334, 02-10 KIA For construction through December 31, 2003, loan maximum \$928,000, interest at 3.00%	\$ 232,216		\$ 55,487	\$ 176,729
\$621,000, KIA Loan #C11-01, dated 3/1/12 payable monthly, principal in varying amounts interest at 3.00%	444,439		28,384	416,055
\$475,000, KIA (principal forgiven \$380,000) Loan #B10-10, dated 12/9/10 Principle payable semi-annual, interest payable semi-annually at 3%	61,387		4,543	56,844
\$358,000, KIA Loan Loan B15-002	287,962		16,324	271,638
\$2,090,000, Kentucky Rural Water Finance Corp. Series 2020E, dated 9/23/20 Principle payable semi-annual, interest payable semi-annually at 2.25%-4.25%	2,090,000		150,000	1,940,000
\$985,000, Kentucky Rural Water Finance Corp. Series 2020G dated 10/13/20 Principle payable annually, interest payable semi-annually at 2.25%-3.25%	985,000		20,000	965,000
\$3,427,000, Rural Devopment Loan 91-08, dated 1/17/20 Principle payable annually, interest payable semi-annually at 2.25%	3,427,000		48,000	3,379,000
Unamortized premiums	249,069		10,829	238,240
	<u>7,777,073</u>	-	333,567	7,443,506
Less: Current Maturities	324,441			417,203
Totals	<u>7,452,632</u>			<u>7,026,303</u>

The following is a schedule of long-term debt maturities:

	Principal	Interest
2022	417,203	197,930
2023	442,582	183,286
2024	456,723	168,100
2025	408,947	152,835
2026	421,883	138,442
2027-2031	1,260,377	531,902
2032-2036	978,158	397,314
2037-2041	842,145	298,342
2042-2046	582,489	215,006
2047-2051	514,500	155,391
2052-2056	589,500	93,403
2057-2060	529,000	24,064
	<u>\$ 7,443,506</u>	<u>\$ 2,556,015</u>

**BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020**

NOTE 4: RESERVES

The Bracken County Water District is required to comply with the KIA and Rural Development bond agreements as follows:

A. SINKING FUND

On or before the 20th day of each month and after the required payment to the Operation and Maintenance Fund Account, the District is required to set aside an amount into a special account known as the "Bracken County Water District Waterworks, Bond and Interest Sinking Fund". The amount to be set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

- (1) A sum equal to one-sixth of the interest becoming due to the next succeeding interest due date, with respect to all outstanding Bond Issues.
- (2) A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The District had set aside \$434,894 at December 31, 2021 into the restricted account. Deposits were made to the sinking fund on a monthly basis as required in (1) and (2).

B. DEPRECIATION FUND

The District is required to deposit \$470 and \$310 for Rural Development and KIA each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damages or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development and KIA, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project. Whenever the balance in the Depreciation Fund shall equal \$56,400 (\$37,000 for KIA) the monthly payments may be discontinued, or by the order of the governing body of the District, may be diverted into the Sinking Fund Account to be held as a part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance. The District is also required to deposit annually \$1,200 for KIA until the account reaches \$12,000, the District is also required to deposit annually \$1,600 for KIA until the account reaches \$16,000. The District had set aside \$90,898 at December 31, 2021 into restricted accounts.

BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 5: FIXED ASSETS

Capital asset activity for the fiscal year ended December 31, 2021 was as follows:

Business-Type Activities	Balance Jan. 1, 2021	Additions	Deductions	Balance Dec. 31, 2021
Cost:				
Land	\$ 17,990			\$ 17,990
Plant in Service	16,893,292	5,070,332		21,963,624
Other Depreciable Assets	559,574	32,828		592,402
Construction in Progress	4,729,268	1,314,828	5,044,298	999,798
Totals at historical cost	<u>22,200,123</u>	<u>6,417,988</u>	<u>5,044,298</u>	<u>23,573,813</u>
Less accumulated depreciation:				
Land & Land Rights	835			835
Plant in Service	6,316,011	371,451		6,687,462
Other Depreciable Assets	505,725	3,752		509,477
Total accumulated Depreciation	<u>6,822,571</u>	<u>375,203</u>	<u>-</u>	<u>7,197,774</u>
Business-Type Activities Capital Assets - Net	<u>\$ 15,377,553</u>	<u>\$ 6,042,785</u>	<u>\$ 5,044,298</u>	<u>\$ 16,376,040</u>

Capital asset activity for the fiscal year ended December 31, 2020 was as follows:

Business-Type Activities	Balance Jan. 1, 2020	Additions	Deductions	Balance Dec. 31, 2020
Cost:				
Land	\$ 17,990	\$ -	\$ -	\$ 17,990
Plant in Service	16,805,167	88,125		16,893,292
Other Depreciable Assets	552,762	6,812		559,574
Construction in Progress	3,216,733	1,512,515		4,729,268
Totals at historical cost	<u>20,592,651</u>	<u>1,607,452</u>	<u>-</u>	<u>22,200,123</u>
Less accumulated depreciation:				
Land & Land Rights	835			835
Plant in Service	6,009,242	306,769		6,316,011
Other Depreciable Assets	502,626	3,099		505,725
Total accumulated Depreciation	<u>6,512,707</u>	<u>309,868</u>	<u>-</u>	<u>6,822,571</u>
Business-Type Activities Capital Assets - Net	<u>\$ 14,079,944</u>	<u>\$ 1,297,584</u>	<u>\$ -</u>	<u>\$ 15,377,553</u>

BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020

NOTE 6: ECONOMIC DEPENDENCY

The District purchases all of its water from the District of Augusta Water Treatment Plant and Western Mason Water District through a long-term contract at rates determined annually on the basis of operating costs of the Water Treatment Plant and Water District.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts – theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by the District's management.

NOTE 8: SUBSEQUENT EVENTS

Subsequent events were considered through November 3, 2022, which represents the release date of this report.

NOTE 9: PRIOR PERIOD ADJUSTMENT

The bond issuance costs were reversed in 2021. The initial entry was recorded in 2020.

SUPPLEMENTAL INFORMATION

**BRACKEN COUNTY WATER DISTRICT
 SUPPLEMENTARY INFORMATION REQUIRED BY RURAL DEVELOPMENT
 December 31, 2021**

Schedule of Insurance in Force

<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
General Liability	\$5,000,000	7-1-22
Property-Building & Contents	\$5,419,144	7-1-22
Equipment & Vehicles	\$200,838	7-1-22
Treasurer and Commissioners	\$300,000 and \$10,000	4-25-22
Workers Compensation	Statutory	7-1-22
Encroachment Permit	\$25,000	Indefinite

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

To the Board of Commissioners
Bracken County Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards, applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Bracken County Water District as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Bracken County Water District, Kentucky's basic financial statements and have issued our report thereon dated November 3, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bracken County Water District, Kentucky'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 Bracken County Water District, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bracken County Water District, Kentucky's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

November 3, 2022