

JESSAMINE COUNTY WATER DISTRICT #1
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

*ENDERLE BESTEN DIERUF, PLLC
CERTIFIED PUBLIC ACCOUNTANTS*

CONTENTS

INDEPENDENT AUDITORS' REPORT PAGE 3

FINANCIAL STATEMENTS:

Statements of Net Assets5
Statements of Activities and Changes in Net Assets6
Statements of Cash Flows7
Notes to Financial Statements8

SUPPLEMENTAL INFORMATION:

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*...15

Statement of Net Assets by Funds16
Statement of Activities and Changes in Net Assets by Funds17

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Jessamine County Water District #1
Nicholasville, Kentucky

We have audited the accompanying financial statements of Jessamine County Water District #1 (the District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in conformity 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 County Water District #1 and do not purport to, and do not, present fairly the financial position of the City of Nicholasville, Kentucky, as of December 31, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years 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

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

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of net assets by funds and activities and changes in net assets by funds are presented for purposes of additional analysis and are not a required part of the financial statements.

The statements of net assets by funds and activities and changes in net assets by funds 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Enderle Beaton Diruf

March 2, 2016

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENTS OF NET ASSETS
DECEMBER 31,

	2015	2014
ASSETS:		
CURRENT ASSETS:		
Cash	\$ 187,881	\$ 129,352
Accounts receivable	119,395	91,675
Prepaid expenses	7,350	5,500
TOTAL CURRENT ASSETS	314,626	226,527
RESTRICTED CASH ACCOUNTS:		
Customer deposits	102,968	82,493
Reserve accounts for revenue bonds	322,887	268,818
TOTAL RESTRICTED CASH ACCOUNTS	425,855	351,311
PLANT AND DISTRIBUTION SYSTEM:		
Pumping Plant and Distribution System	8,527,602	6,730,775
Less, accumulated depreciation	(2,590,810)	(2,408,319)
NET PLANT AND DISTRIBUTION SYSTEM	5,936,792	4,322,456
OTHER ASSETS:		
Cash - District-designated reserves	422,300	498,819
Unamortized bond costs - net	36,021	37,950
TOTAL OTHER ASSETS	458,321	536,769
TOTAL ASSETS	\$ 7,135,594	\$ 5,437,063
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable and accrued expense	\$ 168,132	\$ 65,664
Sales, utilities and payroll taxes payable	9,222	10,077
Accrued interest	19,681	20,438
Current portion of revenue bonds	54,700	53,500
Customer deposits	62,775	54,634
TOTAL CURRENT LIABILITIES	314,510	204,313
LONG-TERM DEBT:		
Revenue bonds, net of current portion	1,393,500	1,448,200
NET ASSETS:		
Invested in capital assets - net of debt	4,524,613	2,858,706
Restricted	425,855	351,311
Unrestricted - Board-reserved for major maintenance	422,300	498,819
Unrestricted - Unreserved	54,816	75,714
TOTAL NET ASSETS	5,427,584	3,784,550
TOTAL LIABILITIES AND NET ASSETS	\$ 7,135,594	\$ 5,437,063

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
REVENUES:		
Water sales	\$ 1,368,952	\$ 1,189,092
Penalties	22,418	18,437
Service charges and miscellaneous	25,305	20,653
TOTAL REVENUES	1,416,675	1,228,182
OPERATING EXPENSES:		
Water purchased	696,453	679,183
Depreciation	176,537	186,155
Office payroll	88,913	77,500
Meter readings and testings	104,909	100,024
Maintenance and repairs	157,594	126,583
Office and miscellaneous	51,366	43,675
Payroll taxes and employee insurance	34,966	29,292
Professional fees	21,839	21,470
Commissioners' salaries	14,000	18,000
Engineering	77,564	488
Utilities and telephone	17,334	17,449
Rent	25,800	25,800
Insurance	14,925	17,063
Bad debts	16,786	8,912
TOTAL OPERATING EXPENSES	1,498,986	1,351,594
OPERATING INCOME (LOSS)	(82,311)	(123,412)
NON-OPERATING INCOME AND (EXPENSES):		
Interest income	1,198	2,947
Interest expense	(59,588)	(60,379)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(140,701)	(180,844)
GOVERNMENTAL GRANTS AND OTHER CONTRIBUTIONS:		
Grants and Contributions	1,710,125	71,216
Connection Fees	73,610	49,945
CHANGE IN NET ASSETS	1,643,034	(59,683)
NET ASSETS, BEGINNING OF YEAR	3,784,550	3,844,233
NET ASSETS, END OF YEAR	\$ 5,427,584	\$ 3,784,550

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,372,169	\$ 1,220,990
Cash paid to suppliers and service providers	(1,205,900)	(1,180,044)
Net customer deposits	8,141	8,809
NET CASH FLOWS FROM OPERATING ACTIVITIES	174,410	49,755
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	1,198	2,947
NET CASH FLOWS FROM INVESTING ACTIVITIES	1,198	2,947
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Connection fees and other contributions	1,783,735	121,161
Capital expenditures	(1,790,873)	(126,155)
Interest paid	(58,416)	(59,015)
Principal payments under bond obligations	(53,500)	(52,200)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(119,054)	(116,209)
NET INCREASE IN CASH AND CASH EQUIVALENTS	56,554	(63,507)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	979,482	1,042,989
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,036,036	\$ 979,482
RECONCILIATION OF NET LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss from Operations	\$ (82,311)	\$ (123,412)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	176,537	186,155
Bad debts	16,786	8,912
(Increase) Decrease in accounts receivable	(44,506)	(7,192)
(Increase) Decrease in prepaid expenses	(1,850)	(512)
Increase (Decrease) in customer deposits	8,141	8,809
Increase (Decrease) in accounts payable and accruals	101,613	(23,005)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 174,410	\$ 49,755

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES

Jessamine County Water District #1 (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.

Basis of Presentation

The District is an individual fund and is accounted for as a business-type activity fund. It is financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed primarily through user charges.

The District classifies its net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of "invested in capital assets, net of related debt." Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Basis of Accounting

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America. By utilizing this method, revenues are recognized when they are earned, and expenses are recognized as they are incurred.

Operating income reported in the financial statements includes revenues and expenses related to the continuing operation of the fund. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

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, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses reflected during the reporting period. Accordingly, actual results could differ from those estimates.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES - continued

Compensated Absences

Employee absences are compensated in the following manner:

- Vacation – Employees are given five vacation days each year with one additional day earned per year of employment with a maximum of ten days.
- Holidays – A total of nine holidays are compensated during the course of a year.
- Sick days – Employees are granted six sick days per year of employment with a maximum accumulation of 24 days. Employees will be paid each year at their hourly rate for any days above the 24.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with maturity of ninety days or less to be cash equivalents.

Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Bad debts are provided on the direct write-off method, whereby current earnings are charged for amounts determined by management to be uncollectible based on its evaluation of outstanding accounts receivable at the end of the year. As of December 31, 2015 management does not believe the direct write-off method differs materially from the allowance method whereby an allowance for doubtful accounts is recorded from amounts estimated to be uncollectible.

Inventories

The District has not historically inventoried unsold water, nor accounted for unbilled water or sewer usage as of the year end. Similarly, the District does not accrue costs for water purchases unbilled as of the year end. The District has determined such items to be immaterial as of December 31, 2015.

Capital and Operating Grants

The District received \$1,710,125 and \$71,216 in grants restricted to the purchase or construction of capital assets for the years ended December 31, 2015 and 2014, respectively.

Unamortized Debt Discount, Issuance Expense, and Deferred Amount from Refunding

Original issue discounts, debt issuance expenses, and deferred amounts from the advance refunding of outstanding revenue certificates are appropriately deferred and amortized over the remaining terms of the applicable debt issues or the life of the old debt, whichever is shorter, for deferred amounts from the advance refunding. The amortization expense on bond issuance costs was \$1,929 for the years ended December 31, 2015 and 2014.

Capital Assets

District plant is stated at original cost and depreciated over its estimated useful life using the straight-line method. Expenditures for maintenance and repairs are expensed when incurred. Renewals and betterments are capitalized. The range of useful lives used in computing depreciation is as follows: Transmission and Distribution lines and related components and structures – 40 years; Meters and Services – 40 years; Office furnishings – 10 years; and Office Equipment – 5 years. Capital acquisitions of \$1,790,873 and \$126,155 and dispositions of \$0 and \$37,226 were made during the years ended December 31, 2015 and 2014.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND ACCOUNTING POLICIES - continued

Income Taxes

The District is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code. As of December 31, 2015 and 2014, management of the District has no uncertain tax positions that qualify for disclosure in the financial statements.

Concentrations

Although the District is directly affected by economic conditions in the geographical area, management does not believe significant credit risk exists as of December 31, 2015 and 2014.

Date of Management's Review

The District's subsequent events have been evaluated through March 2, 2016, which is the date the financial statements were available to be issued.

NOTE B – CASH DEPOSITS AND INVESTMENTS

The investment policies of the District are governed by State statute. Major provisions of the District's investment policy include: depositories must be FDIC insured banking institutions; depositories must fully insure or collateralize all demand and time deposits and repurchase agreements; and securities collateralizing repurchase agreements are to be held by independent third parties.

Investments

The District has no monies invested in accounts other than bank checking and savings accounts, money market accounts, and certificates of deposit.

Bank Deposits

The fair market value of deposits was equivalent to the reported values, as all deposits are in checking or savings accounts, reported at par. All deposits are secured by \$250,000 of FDIC insurance and by securities held by the banks in the District's name in the form of pledged collateral and are categorized for level of risk purposes as (Deposits insured or collateralized with securities held by the District or by its agent in the District's name). There were no (collateralized with securities held by the pledging financial institution's trust department or agent in the District's name) nor were there any (uncollateralized) deposits.

NOTE C – INSURANCE AND RISK MANAGEMENT

The District is exposed to various forms of loss associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility and torts, injuries to employees, natural disasters, etc. Each of these risk areas is covered through the purchase of a commercial insurance package. The District has purchased certain policies which are rated, including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG-TERM DEBT

The District is obligated on debt instruments secured by the water revenues. Balances on the debt obligations as of December 31, 2015 and 2014 are as follows:

	2015	2014
Water Revenue Bonds of 1999 issued through the U. S. Department of Agriculture and administered by Rural Development. The combined issue was in the principal amount of \$1,492,000, bearing an interest rate of 5.30% annually and maturing December 31, 2038. Additional principal payments were made in 2012 to extinguish the Series A bond and the total of all principal payments on the combined issue for the year ended December 31, 2012 were \$1,101,942.	\$ 238,200	\$ 243,700
Kentucky Rural Water Finance Corporation Flexible Term Finance Program Series 2001 Refinancing Issue in the principal amount of \$376,000, bearing an interest rate of 5.15% annually and maturing in 2043.	205,000	223,000
Kentucky Rural Water Finance Corporation Public Projects Refunding Bonds Series 2012 E with par amount of \$1,080,000 and an average coupon rate of 3.54% maturing in 2043.	1,005,000	1,035,000
Total	1,448,200	1,501,700
Less current portion	(54,700)	(53,500)
Total long-term debt	\$ 1,393,500	\$ 1,448,200

A summary of future maturities on the aforementioned debt obligations is as follows:

	Interest	Principal	Total
2016	\$ 53,848	\$ 54,700	\$ 108,548
2017	51,948	56,100	108,048
2018	49,944	57,300	107,244
2019	47,688	60,700	108,388
2020	45,177	64,083	109,260
Thereafter	432,771	1,155,317	1,588,088
Total Payments	\$ 681,376	\$ 1,448,200	\$ 2,129,576

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE E – RESTRICTED ASSETS

The restricted assets in the accompanying financial statements are restricted by ordinance, external parties or by board designation. The following schedule sets forth restricted assets of December 31, 2015:

Restricted Cash Accounts	Balance in Account	Required Balance	Excess Balance
Customer Deposits	\$ 102,968	\$ 62,775	\$ 40,193
Revenue Bonds:			
Reserve Fund	240,627	42,200	198,427
Bond and Interest Fund	82,260	54,626	27,634
Board-Designated accounts	<u>422,300</u>	<u>422,300</u>	<u>-</u>
Total Cash in Restricted Accounts	<u>\$ 848,155</u>	<u>\$ 581,901</u>	<u>\$ 266,254</u>

NOTE F – COMPLIANCE WITH BOND ORDINANCES

The District is in compliance with applicable bond ordinances that require maintenance of certain funds as set forth following:

Revenue Fund – All gross revenues of the District are deposited into this fund and subsequently distributed monthly to the other funds according to the following fund descriptions:

- Bond and Interest Sinking Fund – For the retirement of bond and interest obligations, an amount equal to 1/12 of the amount of interest and principal becoming due on the next payment date is deposited monthly into this fund for the Revenue bonds of 1999 and 2001. An amount equal to 1/6 of the next succeeding interest payment and 1/12 of the outstanding principal maturing on the next succeeding payment date is deposited monthly into this fund for the Kentucky Rural Water Finance Corporation Public Projects Refunding Bonds Series 2012.
- Reserve Fund – A bond reserve account of at least \$42,200 is to be maintained for the 1999 Revenue Bond until the maturity of the Bond Issue.
- Operations and Maintenance Fund – Deposits are to be made to meet the reasonable and necessary expenses of operating and maintaining the District for the current month not to exceed the amount required to cover expenditures for a two-month period.
- Depreciation Fund – Subject to the priority of the above funds, deposits are to be made to this fund for the purpose of paying unusual or extraordinary maintenance, repairs, renewals and replacements.
- Construction Fund – This fund is to be used to construct additions, extensions, and improvements other than those of the Depreciation Fund.

NOTE G – MAJOR PROJECTS (CONSTRUCTION AND GRANT FUNDING)

The District includes construction in progress on the accompanying statements of net assets as a component of District Plant – Distribution System as follows:

- Storage Tank Project – costs to date of \$2,149,603. Projected project cost is anticipated to total \$3,669,134 which will be funded by grants and loan proceeds.

JESSAMINE COUNTY WATER DISTRICT #1
NOTES TO FINANCIAL STATEMENTS

NOTE H – CONCENTRATION OF CREDIT RISK

The District has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of amounts insured by the FDIC. The District has not experienced any losses on such accounts and does not believe it is subject to significant credit risk.

NOTE I – FACILITIES LEASE

The District moved its facilities and entered into a 15-year lease effective June 1, 2010. Terms of the lease call for monthly payments in the amount of \$1,950 through May 2013. Thereafter rents will increase to \$2,150 monthly through May 2018 and \$2,370 monthly through May 2023. Total rent expense was \$25,800 for each of the years ended December 31, 2015 and 2014, respectively.

SUPPLEMENTAL INFORMATION

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 County Water District #1

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 County Water District #1 (the District), as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



March 2, 2016

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENT OF NET ASSETS BY FUNDS
DECEMBER 31, 2015
(with comparative totals for December 31, 2014)

	Revenue Fund	Operations and Maintenance Fund	Depreciation Fund	Bond and Interest Sinking Fund	Reserve Fund	Construction Fund	Totals 2015	Totals 2014
ASSETS								
CURRENT ASSETS:								
Cash	\$ 88,921	\$ 54,291	\$ 314,118	\$ -	\$ -	\$ 44,669	\$ 501,999	\$ 520,056
Accounts receivable	119,780	(390)	5	-	-	-	119,395	91,675
Prepaid expenses	-	7,350	-	-	-	-	7,350	5,500
TOTAL CURRENT ASSETS	208,701	61,251	314,123	-	-	44,669	628,744	617,231
RESTRICTED CASH ACCOUNTS:	102,968	-	-	82,260	240,627	-	425,855	351,311
PLANT AND DISTRIBUTION SYSTEM:								
Pumping Plant and Distribution System	-	-	-	-	-	8,527,602	8,527,602	6,730,775
Less, accumulated depreciation	-	-	-	-	-	(2,590,810)	(2,590,810)	(2,408,319)
NET PLANT AND DISTRIBUTION SYSTEM	-	-	-	-	-	5,936,792	5,936,792	4,322,456
OTHER ASSETS:								
Cash - District-designated reserve	-	-	108,182	-	-	-	108,182	108,115
Unamortized bond costs	-	-	-	-	-	36,021	36,021	37,950
TOTAL OTHER ASSETS	-	-	108,182	-	-	36,021	144,203	146,065
TOTAL ASSETS	\$ 311,669	\$ 61,251	\$ 422,305	\$ 82,260	\$ 240,627	\$ 6,017,482	\$ 7,135,594	\$ 5,437,063
LIABILITIES AND EQUITIES								
CURRENT LIABILITIES:								
Accounts payable and accrued expense	\$ -	\$ 168,132	\$ -	\$ -	\$ -	\$ -	\$ 168,132	\$ 65,664
Sales, utilities and payroll taxes payable	6,838	2,384	-	-	-	-	9,222	10,077
Accrued interest	-	-	-	19,681	-	-	19,681	20,438
Current portion of revenue bonds	-	-	-	-	-	54,700	54,700	53,500
Customer deposits	62,775	-	-	-	-	-	62,775	54,634
TOTAL CURRENT LIABILITIES	69,613	170,516	-	19,681	-	54,700	314,510	204,313
LONG-TERM DEBT:								
Revenue bonds, net of current portion	-	-	-	-	-	1,393,500	1,393,500	1,448,200
NET ASSETS:								
Fund Balances	242,056	(109,265)	(3,293,002)	62,579	240,627	2,210,777	(646,228)	(636,447)
Contributions in Aid of Construction	-	-	3,715,307	-	-	2,358,505	6,073,812	4,420,997
TOTAL NET ASSETS	242,056	(109,265)	422,305	62,579	240,627	4,569,282	5,427,584	3,784,550
TOTAL NET ASSETS AND LIABILITIES	\$ 311,669	\$ 61,251	\$ 422,305	\$ 82,260	\$ 240,627	\$ 6,017,482	\$ 7,135,594	\$ 5,437,063

See accompanying notes and independent auditors' report.

JESSAMINE COUNTY WATER DISTRICT #1
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for December 31, 2014)

	Revenue Fund	Operations & Maintenance Fund	Depreciation Fund	Bond and Interest Sinking Fund	Reserve Fund	Construction Fund	Eliminations	Totals 2015	Totals 2014
REVENUE:									
Water sales	\$ 1,368,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,368,952	\$ 1,189,092
Penalties	22,418	-	-	-	-	-	-	22,418	18,437
Service charges and miscellaneous	24,813	-	492	-	-	-	-	25,305	20,653
TOTAL REVENUE	1,416,183	-	492	-	-	-	-	1,416,675	1,228,182
OPERATING EXPENSES:									
Water purchased	-	696,453	-	-	-	-	-	696,453	679,183
Depreciation	-	-	-	-	-	176,537	-	176,537	186,155
Office payroll	-	88,913	-	-	-	-	-	88,913	77,500
Meter readings and testings	-	104,909	-	-	-	-	-	104,909	100,024
Maintenance and repairs	-	157,594	-	-	-	-	-	157,594	126,583
Office and miscellaneous	247	50,334	65	720	-	-	-	51,366	43,675
Payroll taxes and employee insurance	-	34,966	-	-	-	-	-	34,966	29,292
Professional fees	-	21,820	19	-	-	-	-	21,839	21,470
Commissioners' salaries	-	14,000	-	-	-	-	-	14,000	18,000
Engineering	-	-	77,564	-	-	-	-	77,564	488
Utilities and telephone	-	17,334	-	-	-	-	-	17,334	17,449
Rent	-	25,800	-	-	-	-	-	25,800	25,800
Insurance	-	14,925	-	-	-	-	-	14,925	17,063
Bad debts	16,786	-	-	-	-	-	-	16,786	8,912
TOTAL OPERATING EXPENSES	17,033	1,227,048	77,648	720	-	176,537	-	1,498,986	1,351,594
OPERATING INCOME (LOSS)	1,399,150	(1,227,048)	(77,156)	(720)	-	(176,537)	-	(82,311)	(123,412)
NON-OPERATING INCOME AND (EXPENSES)									
Interest income	159	57	439	89	454	-	-	1,198	2,947
Interest expense	(67)	-	-	(57,592)	-	(1,929)	-	(59,588)	(60,379)
INCOME (LOSS) BEFORE GRANTS AND CAPITAL CONTRIBUTIONS	1,399,242	(1,226,991)	(76,717)	(58,223)	454	(178,466)	-	(140,701)	(180,844)
GRANTS AND OTHER CONTRIBUTIONS									
Additions to system	-	(22,008)	-	-	-	22,008	-	-	-
Connection fees and meter sales	-	30,280	43,330	-	-	-	-	73,610	49,945
Contributions in aid of construction	-	-	1,710,125	-	-	-	-	1,710,125	71,216
CHANGE IN NET ASSETS	1,399,242	(1,218,719)	1,676,738	(58,223)	454	(156,458)	-	1,643,034	(59,683)
TRANSFERS	(1,296,886)	1,070,509	(1,753,252)	67,594	45,001	1,867,034	-	-	-
NET ASSETS, BEGINNING OF YEAR	139,700	38,945	498,819	53,208	195,172	2,858,706	-	3,784,550	3,844,233
NET ASSETS, END OF YEAR	\$ 242,056	\$ (109,265)	\$ 422,305	\$ 62,579	\$ 240,627	\$ 4,569,282	\$ -	\$ 5,427,584	\$ 3,784,550

See accompanying notes and independent auditors' report.