

CAVE RUN WATER COMMISSION, INC.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
for the year ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cave Run Water Commission, Inc.
Wellington, Kentucky

We have audited the accompanying financial statements of the business-type activities of the Cave Run Water Commission, Inc. (the Commission) as of and for the year ended June 30, 2016, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cave Run Water Commission, Inc.'s management. Our responsibility is to an express opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 respective financial position of the business-type activities of the Cave Run Water Commission, Inc., as of June 30, 2016, 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 Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Cave Run Water Commission, Inc.'s basic financial statements. The comparative statement of revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The comparative statement of revenues, expenses and changes in net position is 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statement of revenues, expenses and changes in net position is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2016, on our consideration of the Cave Run Water Commission, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cave Run Water Commission, Inc.'s internal control over financial reporting and compliance.

John T. Lane & Associates LLC

Mount Sterling, Kentucky

August 22, 2016

This report contains 14 pages.

Cave Run Water Commission, Inc.
Statement of Net Position
Proprietary Fund
June 30, 2016

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	\$ 340,469
Cash and cash equivalents - restricted	495,645
Accounts receivable - wholesale water sales	104,871
Prepaid insurance	<u>978</u>
Total Current Assets	<u>941,964</u>
Noncurrent Assets	
Capital assets:	
Land	116,300
Office furniture	8,607
Machinery & equipment	256,499
Water treatment plant	8,143,651
Water lines	5,142,553
Accumulated depreciation	<u>(2,892,674)</u>
Capital assets, net of accumulated depreciation	<u>10,774,936</u>
Other Noncurrent Assets	
Prepaid water storage lease	72,897
Accumulated amortization	<u>(30,679)</u>
Total Other Noncurrent Assets	<u>42,218</u>
Total Noncurrent Assets	<u>10,817,154</u>
Total Assets	<u><u>\$ 11,759,118</u></u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ 19,207
Accrued interest	60,405
Bonds payable	<u>54,000</u>
Total Current Liabilities	<u>133,612</u>
Noncurrent Liabilities	
Bonds payable	<u>2,814,500</u>
Total Noncurrent Liabilities	<u>2,814,500</u>
Total Liabilities	<u>2,948,112</u>

NET POSITION

Net investment in capital assets	7,906,436
Restricted	495,645
Unrestricted	<u>408,924.40</u>
Total Net Position	<u><u>\$ 8,811,006</u></u>

The accompanying notes to the basic financial statements are an integral part of these statements.

Cave Run Water Commission, Inc.
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended June 30, 2016

Revenues	
Wholesale water sales	\$ 943,654
US 460 line relocation reimbursement	<u>2,664</u>
Total Revenues	<u>946,318</u>
Expenses	
Advertising expenses	109
Chemicals	106,295
Commission office expenses	477
Commissioner mileage	666
Contract labor	1,155
Depreciation expense	281,033
Dues and subscriptions	10,664
Gasoline expenses	2,717
Insurance	18,829
Lab supplies	10,297
Lawsuit settlement	5,500
Licenses and permits	712
Mileage	323
Monthly bookkeeping	18,000
Mowing/weed removal	500
Parts inventory	4,027
Postage and delivery	276
Professional fees	4,480
Project expenses	30,254
Repairs	23,631
Snow removal	75
Supplies	5,554
Telephone	2,323
Tools	261
Training operator license	360
Utilities	182,495
Vehicle expense	252
Water testing expenses	7,301
Water treatment plant - monthly operation & maintenance	234,000
Water storage lease expense (amortization)	<u>2,430</u>
Total Operating Expenses	<u>954,996</u>
Operating Income (Loss)	<u>(8,678)</u>
Nonoperating Revenues (Expenses)	
Interest income	3,793
Interest expense	<u>(117,296)</u>
Net Nonoperating Revenues (Expenses)	<u>(113,503)</u>
Change in Net Position	(122,181)
Total Net Position - beginning	<u>8,933,187</u>
Total Net Position - ending	<u><u>\$ 8,811,006</u></u>

The accompanying notes are an integral part of the financial statements.

Cave Run Water Commission, Inc.
Statement of Cash Flows
Proprietary Fund Type
June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	\$ 948,215
Cash paid for general and administrative expenses	<u>(676,443)</u>
Net Cash provided by operating activities	<u>271,772</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	<u>3,793</u>
Net Cash provided by investing activities	<u>3,793</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Bond payments	(50,900)
Purchase of capital assets	(24,990)
Interest paid	<u>(119,570)</u>
Net Cash used in capital and financing activities	<u>(195,460)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,105
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>756,010</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 836,115</u></u>
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income	\$ (8,678)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
decrease in prepaid expenses	6
depreciation	281,033
water storage lease expense (amortization)	2,430
decrease in accounts receivable	1,897
(decrease) in accounts payable	<u>(4,916)</u>
Net cash provided by operating activities	<u><u>\$ 271,772</u></u>

The accompanying notes are an integral part of the financial statements.

CAVE RUN WATER COMMISSION, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies

The Commission's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

A. Financial Reporting Entity

The Commission is a non-profit, non-stock corporation formed pursuant to Kentucky Revised Statutes (Chapter 74.420 through 74.990). The Commission was organized on March 07, 2001. The purpose of the Commission is to construct a regional water treatment plant and main distribution system to be located in Menifee County. The treatment plant obtains water from Cave Run Lake. The Commission is required to make annual payments to the United States Corp of Engineers for access to this water source. The fee is equal to .0956% of the joint-use operating and maintenance cost of the project. The Commission consists of members from the communities of Menifee County, the City of Frenchburg, the City of Jeffersonville and Morgan County. The Commission does not have any individual customers. The only customers are the City of Frenchburg, the City of Jeffersonville and Morgan County Water District.

B. Basis of Presentation

The Commission's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its customers on a continuing basis be financed or recovered primarily through user charges, or where the governing body had 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 policies. Net position represents the amount available for future operations.

C. Proprietary Fund

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenditures) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Cash and Cash Equivalents

The Commission's cash and cash equivalents include unrestricted and restricted cash in bank accounts.

E. Capital Assets

Capital assets are recorded at acquisition or construction cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

<u>Capital Asset Type</u>	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land improvements	\$12,500	10-60
Buildings and building improvements	\$25,000	10-75
Machinery and equipment	\$2,500	3-25
Infrastructure	\$20,000	10-50

F. Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position –Consists of net position with constraints placed on the use either by (1) external groups; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets. “

G. Interest Expense

Interest expense incurred during the construction of financed projects is capitalized during the construction period. Interest expense on notes and bonds payable in subsequent years is expensed currently.

H. Use of Estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the U.S. requires management to make estimates that effect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

I. Budgetary Information

The Commission prepared a budget for the fiscal year ended June 30, 2016, and it was accepted and approved by the board as required by the Commission’s by-laws.

Note 2. Deposits

The Commission maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480 (1)(d). KRS 66.480 authorizes the Commission to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240 (4). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Commission and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2016, the bank balance was \$836,115. These deposits were covered by FDIC insurance or a properly executed collateral security agreement.

	<u>Reconciled Bank Balance</u>	<u>Deposits in Bank</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralized with specific securities in the Commission's name which are held by the financial institution	586,115	527,712
Uncollateralized	<u>0</u>	<u>0</u>
	<u>\$ 836,115</u>	<u>\$ 777,712</u>

Note 3. Restricted Cash

Depreciation Reserve

Rural Development currently requires a \$1,490 monthly payment to be deposited into the depreciation reserve until the balance is at least \$178,800. The amount in the Reserve Account at June 30, 2016 was \$273,609. The required reserve balance was \$176,400.

Sinking Fund Reserve

Rural Development requires one-sixth of the next succeeding interest payment and one-twelfth of the next succeeding principle payment of any current bond to be deposited into this reserve. The money that accumulates in this reserve is to be used to pay current interest and principal on bonds as they come due. The amount in the Sinking Fund Reserve as of June 30, 2016 was \$222,036.

Restricted cash is composed of the following:

Depreciation reserve fund	\$ 273,609
Sinking fund	<u>222,036</u>
	\$ 495,645

Note 4. Prepaid Water Storage Lease

On November 18, 2003, Cave Run Water Commission, Inc. entered into a 30-year lease agreement with the U. S. Army Corps of Engineers for water storage in the amount of \$72,896. This lease was paid in full during fiscal year ending June 30, 2004 and has been amortized over the life of the lease. Water storage lease expense (amortization) at June 30, 2016 was \$2,430.

Note 5. Long-Term Debt

- A. On March 25, 2003, Cave Run Water Commission, Inc. issued \$3,000,000 in Waterworks Revenue Bonds from the United States Department of Agriculture (USDA), Rural Development for the construction of the water treatment plant and water lines. Semiannual interest payments at a 4.25% interest rate are required on January 01 and July 01 of each year beginning January 01, 2006 and annual principal payments are required on January 01 of each year beginning January 01, 2008. The bonds will be paid in full July 01, 2044. As of June 30, 2016, the principal balance on these bonds was \$2,616,000.

Maturity:

Fiscal Year Ended	Principal	Interest	Total Payment
June 30			
2017	\$ 49,000	\$ 117,720	\$ 166,720
2018	51,000	115,515	166,515
2019	53,000	113,220	166,220
2020	55,000	110,835	165,835
2021	58,000	108,360	166,360
2022-2026	330,000	500,400	830,400
2027-2031	412,000	419,085	831,085
2032-2036	514,000	317,565	831,565
2037-2041	641,000	191,070	832,070
2042-2044	453,000	41,175	494,175
Total	\$ 2,616,000	\$ 2,034,945	\$ 4,650,945

- B. On December 3, 2009, Cave Run Water Commission, Inc. issued \$280,000 in Waterworks Revenue Bonds from the United States Department of Agriculture (USDA), Rural Development for a 500,000-gallon ground storage tank. Semi-annual interest payments at a 2.5% interest rate are required on January 01 and July 01 of each year beginning January 01, 2010 and annual principal payments are required on January 01 of each year beginning January 01, 2011. The bonds will be paid in full January 01, 2048. As of June 30, 2016, the principal balance on these bonds was \$252,500.

Maturity:

Fiscal Year Ended	Principal	Interest	Total Payment
June 30			
2017	\$ 5,000	\$ 6,944	\$ 11,944
2018	5,200	6,807	12,007
2019	5,300	6,664	11,964
2020	5,500	6,518	12,018
2021	5,600	6,367	11,967
2022-2026	30,400	29,433	59,833
2027-2031	35,000	25,014	60,014
2032-2036	40,000	19,926	59,926
2037-2041	45,700	14,120	59,820
2042-2046	52,500	7,482	59,982
2047-2048	22,300	914	23,214
Total	\$ 252,500	\$ 130,189	\$ 382,689

- C. Long-Term Debt Maturity in the Aggregate

Fiscal Year Ended	Principal	Interest	Total Payment
June 30			
2017	\$ 54,000	\$ 124,664	\$ 178,664
2018	56,200	122,322	178,522
2019	58,300	119,884	178,184
2020	60,500	117,353	177,853
2021	63,600	114,727	178,327
2022-2026	360,400	529,833	890,233
2027-2031	447,000	444,099	891,099
2032-2036	554,000	337,491	891,491
2037-2041	686,700	205,190	891,890
2042-2046	505,500	48,657	554,157
2047-2048	22,300	914	23,214
Total	\$ 2,868,500	\$ 2,165,134	\$ 5,033,634

Note 6. Risk Management

Significant losses are covered by commercial insurance.

Note 7. Contingencies

If major repair expenses are incurred by the United States Corp of Engineers to maintain the Cave Run Lake, the Commission will be required to provide approximately one tenth of one percent (.1%) of such costs. An estimate of these future costs cannot be determined.

Note 8. Subsequent Review

Subsequent events have been evaluated through August 22, 2016, which is the date the financial statements were available to be issued.

Note 9 - Changes in Capital Assets

The following is a summary of changes in the capital assets for the year:

	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
Capital assets not being depreciated:				
Land, non-depreciable	\$ 116,300	\$ -	\$ -	\$ 116,300
Total capital assets not being depreciated	<u>116,300</u>	<u>-</u>	<u>-</u>	<u>116,300</u>
Capital assets being depreciated:				
Office furniture	8,607	-	-	8,607
Machinery & equipment	231,509	24,990	-	256,499
Water treatment plant	8,143,651	-	-	8,143,651
Water lines	5,142,553	-	-	5,142,553
Total capital assets being depreciated	<u>13,526,320</u>	<u>24,990</u>	<u>-</u>	<u>13,551,310</u>
Total capital assets, gross	<u>13,642,620</u>	<u>24,990</u>	<u>-</u>	<u>13,667,610</u>
Less accumulated depreciation for:				
Office furniture	8,572	34	-	8,606
Machinery & equipment	83,678	15,275	-	98,953
Water treatment plant	1,526,667	162,873	-	1,689,540
Water lines	992,724	102,851	-	1,095,575
Total accumulated depreciation	<u>2,611,641</u>	<u>281,033</u>	<u>-</u>	<u>2,892,674</u>
Capital assets, net of accumulated depreciation	<u>\$ 11,030,979</u>	<u>\$ (256,043)</u>	<u>\$ -</u>	<u>\$ 10,774,936</u>

Note 10. Operation and Management Agreements

- A. The Commission entered into an agreement with Fultz Contracting, LLC on June 26, 2014. Fultz Contracting is acting as an independent contractor. Fultz Contracting agrees to use its best efforts to operate and manage The Commission's water treatment plant and wholesale distribution system. Attendance at meetings of The Commission by a representative from Fultz Contracting and providing full and complete reporting to The Commission relative to operation and management no less frequent than monthly and making recommendations to The Commission. Fultz Contracting shall be compensated for its services an annual fee of \$234,000 by The Commission payable in increments of \$19,500 per month.
- B. The Commission entered into an agreement with Fultz Contracting, LLC on June 26, 2014. Fultz Contracting agrees to use its best efforts to maintain and manage The Commission's water treatment plant and wholesale distribution system records. Fultz Contracting shall be compensated for its services an annual fee of \$18,000 payable in increments of \$1,500 per month.

Both agreements were effective July 01, 2014 and expire on June 30, 2017. Additional details of both agreements may be obtained by contacting Cave Run Water Commission at 7533 Highway 1693 in Wellington, Kentucky.

SUPPLEMENTAL INFORMATION

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Certified Public Accountants

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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

Board of Commissioners
Cave Run Water Commission, Inc.
Wellington, Kentucky

We have audited the financial statements of the business-type activities of the Cave Run Water Commission, Inc., as of and for the year ended June 30, 2016, and have issued our report thereon dated August 22, 2016. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cave Run Water Commission, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cave Run Water Commission, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Cave Run Water Commission, Inc.'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 Cave Run Water Commission, Inc.'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.

John T. Lane & Associates LLC

Mount Sterling, Kentucky

August 22, 2016

Cave Run Water Commission, Inc.
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
For the years ended June 30, 2015 and June 30, 2016

	<u>2015</u>	<u>2016</u>
Revenues		
Wholesale water sales	\$ 923,631	\$ 943,654
US 460 line relocation reimbursement	<u>1,773</u>	<u>2,664</u>
Total Revenues	<u>925,404</u>	<u>946,318</u>
Expenses		
Advertising expenses	-	109
Chemicals	82,687	106,295
Commission office expenses	388	477
Commissioner mileage	607	666
Contract labor	300	1,155
Depreciation expense	280,122	281,033
Dues and subscriptions	10,176	10,664
Gasoline expenses	4,844	2,717
Insurance	18,515	18,829
Lab supplies	5,514	10,297
Lawsuit settlement	-	5,500
Licenses and permits	1,654	712
Mileage	-	323
Miscellaneous	2,144	-
Monthly bookkeeping	18,000	18,000
Monthly financial review	900	-
Mowing/weed removal	1,000	500
Parts inventory	8,689	4,027
Postage and delivery	260	276
Professional fees	3,875	4,480
Project expenses	101,456	30,254
Repairs	30,273	23,631
Snow removal	-	75
Supplies	3,797	5,554
Telephone	2,579	2,323
Tools	-	261
Training operator license	-	360
Utilities	194,093	182,495
Vehicle expense	50	252
Water testing expenses	8,537	7,301
Water treatment plant - monthly operation & maintenance	234,000	234,000
Water storage lease expense	<u>2,430</u>	<u>2,430</u>
Total Operating Expenses	<u>1,016,890</u>	<u>954,996</u>
Operating Income (Loss)	<u>(91,486)</u>	<u>(8,678)</u>
Nonoperating Revenues (Expenses)		
Interest income	3,383	3,793
Interest expense	<u>(121,560)</u>	<u>(117,296)</u>
Net Nonoperating Revenues (Expenses)	<u>(118,177)</u>	<u>(113,503)</u>
Change in Net Position	<u>\$ (209,663)</u>	<u>\$ (122,181)</u>