

Budget Summary of Bath County Water District

Reporting Period from January 1, 2015 To December 31, 2015

	Actual 2013	Budget 2014	Estimate 2015
<u>Utility Operating Income</u>			
Operating Revenues	\$ 1,741,911	\$ 1,835,398	\$ 1,974,100
Operation and Maintenance Expenses	1,333,059	1,379,453	1,504,600
Depreciation Expense	348,848	352,000	358,000
Amortization Expense	0	0	0
Taxes Other Than Income	22,440	23,100	23,900
Income from Utility Plant Leased to Others	0	0	0
Gains (Losses) from Disposition of Utility Property	0	0	0
Net Utility Operating Expenses	1,704,347	1,754,553	1,886,500
Utility Operating Income (Loss)	\$ 37,564	\$ 80,845	\$ 87,600
<u>Other Income and (Deductions)</u>			
Net Results/Merchandising, Jobbing & Contract Work	\$ 0	\$ 0	\$ 0
Interest and Dividend Income	6,931	7,500	7,500
Allowance for Funds Used During Construction	0	0	0
Nonutility Income	18,247	18,250	18,250
Miscellaneous Nonutility Expenses	0	0	0
Taxes Other Than Income	0	0	0
Interest Expense	-101,009	-99,882	-97,138
Total Other Income and (Deductions)	-75,831	-74,132	-71,388
Income Before Contributions & Extraordinary Items	\$ -38,267	\$ 6,713	\$ 16,212
Proceeds from Capital Contributions	0	26,000	32,500
Net Extraordinary Items	735	0	0
Change in Net Assets	\$ -37,532	\$ 32,713	\$ 48,712

USoA Acct #	Actual 2013	Budget 2014	Estimate 2015
<u>Operating Revenues</u>			
<u>Sales of Water (sub-category)</u>			
460	1,208,547	1,252,933	1,301,800
461.1			
461.2	51,402	42,500	54,600
461.3	2,519	3,000	2,600
461.4			
461.5			
461.6	2,935		
462			
465			
466	419,348	476,165	552,500
	1,684,751	1,774,598	1,911,500
	<u>Subtotal Sales of Water</u>		
<u>Other Water Revenues (sub-category)</u>			
470	33,317	35,000	36,000
471	22,103	24,000	25,000
472			
473			
474	1,740	1,800	1,600
	57,160	60,800	62,600
	1,741,911	1,835,398	1,974,100
	<u>Total Operating Revenues</u>		
<u>Operation and Maintenance Expenses</u>			
601	278,400	283,553	309,900
603	17,700	18,000	18,000
604			
	107,841	126,000	130,000
	55,953	56,400	54,800
	163,794	182,400	184,800
	663,505	683,000	733,000
610			

USoA Acct #	Actual 2013	Budget 2014	Estimate 2015
	<u>Amortization Expense</u>		
406			
407	0	0	0
	<u>Total Amortization Expense</u>		
408.10			
408.11			
408.12	22,440	23,100	23,900
408.13			
	22,440	23,100	23,900
	<u>Income from Utility Plant Leased to Others</u>		
413			
414			
	1,704,347	1,754,553	1,886,500
	37,564	80,845	87,600
	<u>Other Income and (Deductions)</u>		
415			
416			
	0	0	0
419	6,931	7,500	7,500
420			
421	18,247	18,250	18,250

Abbreviated Projected Cash Flow

	Estimate 2015
Income (Loss) Before Contributions & Extraordinary Items	\$ <u>16,212</u>
Items in Operations Not Requiring Cash:	
Depreciation	<u>358,000</u>
Amortization	<u>0</u>
Others (define)	<u> </u>
Results Projected from Operations	\$ <u>374,212</u>
Cash to be Received from Loans	
Proceeds from Capital Contributions	<u>32,500</u>
Cash to be Received - Other (define)	<u> </u>
Total Cash to be Received Other Than From Operations	\$ <u>32,500</u>
Cash to be Expended for Purchase/Construction of Utility Plant	<u>32,500</u>
Cash to be Expended for Principal Payments	<u>64,500</u>
Cash to be Expended - Other (define)	<u> </u>
Total Cash to be Expended Other Than From Operations	\$ <u>97,000</u>
Projected Change in Cash	\$ <u>309,712</u>
Projected Beginning Cash Balance	\$ <u>1,975,413</u>
Projected Ending Cash Balance	\$ <u><u>2,285,125</u></u>

Bath County Water District Summary Financial Statement

For Period Beginning 1/1/2015 and Ending 12/31/2015

Cash Balance at 1/1/2015	PROJECT CASH BALANCE	\$ <u>\$1,975,413</u>
Cash Flows from Operating Activities:		
Add Total Operating Revenues		\$ <u>\$1,974,100</u>
Less Operation and Maintenance Expenses		\$ <u>\$1,504,600</u>
Add Non-Cash Item Included in O & M		
Expense: Bad Debt Expense		\$ <u></u>
Less Taxes Other Than Income		\$ <u>\$23,900</u>
Less Interest Expense		\$ <u>\$97,138</u>
(Increase)/Decrease in Accounts Receivable		\$ <u></u>
(Increase)/Decrease in All Other Current and Accrued Assets		\$ <u></u>
Increase/(Decrease) in Accounts Payable		\$ <u></u>
Increase/(Decrease) in All Other Current and Accrued Liabilities		\$ <u></u>
Net Cash Flows from Operating Activities		\$ <u>\$348,462</u>
Cash Flows from Investing Activities:		
Cash Used to Purchase/Construct Plant		\$ <u></u>
Other Equipment & Extensions		\$ <u></u>
Net Cash Flows from Investing Activities		\$ <u>\$0</u>
Cash Flows from Financing Activities		
Cash Received from Grants/Contributions		\$ <u></u>
Cash Used for Principal Payments		\$ <u>\$64,500</u>
Other Interest & Non Utility Income		\$ <u>\$25,750</u>
Net Cash Flows from Financing Activities		\$ <u>-\$38,750</u>
Net Increase/(Decrease) in Cash		\$ <u>\$309,712</u>
Cash Balance at 12/31/2015		\$ <u>\$2,285,125</u>

This statement is published pursuant to the requirements of KRS 65.070.

Supporting documentation for this statement is located at: Bath County Water District
21 Church Street, Salt Lick, KY 40371

SCHEDULE OF LONG-TERM DEBT

Long-Term Debt	Original Issue Amount	Projected Beginning Balance	Projected Principal Payments	Projected Ending Balance
1977	130,000	21,000	7,000	14,000
1982	106,000	44,000	5,000	39,000
1988	375,000	209,000	12,000	197,000
1991	103,000	68,700	2,600	66,100
1994	280,000	206,500	6,500	200,000
1998	200,000	160,500	3,900	156,600
2004	500,000	451,500	7,500	444,000
2006	1,039,000	948,000	15,500	932,500
2009	259,000	247,000	4,500	242,500
				0
Total Long-Term Debt		2,356,200	64,500	2,291,700

RESERVE FUNDING REQUIREMENTS

	Projected Beginning Balance	Required Funding for Budget Year	Projected Ending Balance
Bond & Interest Sinking Fund	122,624	161,438	122,624
Depreciation Reserve Fund	219,400		219,400
Debt Service Fund			
Other:			
Total Reserve Funding:	342,024	161,438	342,024

The district is in compliance with all reserve funding requirements established by long-term debt agreements as of the date of completion of this form.

YES x **NO** _____

WATER STATISTICS

	In Gallons (omit ,000)		
	Actual 2013	Budget 2014	Estimate 2015
Water Produced & Purchases	375,953,000	389,250,000	396,700,000
Total Water Sales	329,497,000	349,750,000	353,950,000
Other Water Used	5,658,000	4,000,000	3,500,000
Water Loss	40,798,000	35,500,000	39,250,000
Water Loss Percentage	10.85%	9.12%	9.89%

Bath County Water District Board Membership		
Designated Meeting Date, Time, & Place 4th Monday 7:00 p.m. District's Office		
President/Chair: Marvin Crouch	Term Expires (Mo/Day/Yr): 3/1/2017	
P. O. Box/Street 9519 E Highway 36	First Full Term	
City: Olympia, KY	Second Full Term	
Zip Code: 40358	Third or more Full Term	x
Telephone: (606) 768-2880	Filling Unexpired Term	
Chief Financial Officer: Virginia Clark	Term Expires (Mo/Day/Yr): 9/14/2015	
P. O. Box/Street 116 Akers Drive	First Full Term	x
City: Owingsville, KY	Second Full Term	
Zip Code: 40360	Third or more Full Term	
Telephone: (606) 776-4453	Filling Unexpired Term	
Secretary: Rodney Donathan	Term Expires (Mo/Day/Yr): 3/1/2016	
P. O. Box/Street 849 Cardinal Lane	First Full Term	
City: Owingsville, KY	Second Full Term	x
Zip Code: 40360	Third or more Full Term	
Telephone: (606) 674-9410	Filling Unexpired Term	
Commissioner: Mike Ginter	Term Expires (Mo/Day/Yr): 4/9/2015	
P. O. Box/Street 209 Oakland Road	First Full Term	
City: Owingsville, KY	Second Full Term	
Zip Code: 40360	Third or more Full Term	
Telephone: (606) 674-8105	Filling Unexpired Term	x
Commissioner: L. W. Patton	Term Expires (Mo/Day/Yr): 3/1/2018	
P. O. Box/Street 682 McCullough Hollow	First Full Term	x
City: Salt Lick, KY	Second Full Term	
Zip Code: 40371	Third or more Full Term	
Telephone: (606) 683-2250	Filling Unexpired Term	

(This form may be used in lieu of "Supplemental Data," Schedule 1, Page 2 of Form RD 442-2, to provided evidence of insurance and bond coverage.)

I certify that the insurance and bond coverage shown below is currently in effect and that copies of the insurance policies are on file with our office.

11/24/2014
 Date

Marvin Crouch, Chairperson
 President/Chairperson/Mayor/Secretary/Clerk

EVIDENCE OF INSURANCE

Liability Insurance:

<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
PC0071	Kentucky Association of Co. 400 Englewood Drive Frankfort, KY 40601	1,000,000.	7/1/2015

Worker's Compensation:

<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
PC2013-0792	Kentucky Association of Co. 400 Englewood Drive Frankfort, KY 40601	2,500,000.	7/1/2015

Floodplain Insurance:

<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
PC 0071	Kentucky Association of Co. 400 Englewood Drive Frankfort, KY 40601	1,000,000.	7/1/2015

Property Insurance:

<u>Property Description</u>	<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Buildings/Personal	PC0071	KACO 400 Englewood Drive Frankfort, KY 40601	Various	7/1/2015
Auto Liability/ Uninsured Motorist	PC0071		3,000,000	

Fidelity Bond Coverage:

<u>Position Bonded</u>	<u>Policy #</u>	<u>Insurance Co. & Address</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
All Positions	4-046-0067	KACO 400 Englewood Drive Frankfort, KY 40601	400,000.	7/1/2015

ADDITIONAL INFORMATION SHEET

(Revised 2/1/05)

Name of RD Borrower: Bath County Water District

Name of Current Contact Person & Telephone Number:

Sherrri Greene or Kenneth Barber (606) 683-6363

Governing Body:

<u>Name</u>	<u>Address & Telephone No.</u>	<u>Expiration/ Term of Office</u>
President/Chairman/Mayor: Marvin Crouch	(606) 768-2880 9519 E Highway 36 Owingsville, KY 40360	3/1/2017
Secretary/Clerk: Rodney Donathan	(606) 674-9410 849 Cardinal Lane Owingsville, KY 40360	3/1/2016

Number of Full – Time Employees (n/a for WWD): 8

Total Number of Members (recreation loans only): N/A

Break down of Families/Users in the Primary Service Area:
 (breakdown only the system (or system) in which RD funds are involved)

DATE VERIFIED: 10/9/14

Number of Users: (WATER)

Res: 3,683
 Non -Res: 86

Number of Users: (WASTE)

Res: _____
 Non-Res: _____

FAMILIES: (CF)

Res: _____
 Non-Res: _____

DATE VERIFIED: 10/9/2014

RACIAL CATEGORIES:

Number of:

White 3,662
 Black/African American 10
 American Indian/Alaskan Native _____
 Native Hawaiian/Pacific Islander _____
 Asian _____
 Multiple _____
 Other 2

ETHNIC CATEGORIES:

Number of:

Hispanic/Latino 9
 Not Hispanic/Latino _____

**BATH COUNTY WATER DISTRICT
SALT LICK, KENTUCKY
AUDITED FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012**

BATH COUNTY WATER DISTRICT
SALT LICK, KENTUCKY
Years Ended December 31, 2013 and 2012

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DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

115 SOUTH MAIN CROSS
FLEMINGSBURG, KY 41041
(606) 845-5210

INDEPENDENT AUDITOR'S REPORT

550 W. FIRST ST., PO BOX 449
MOREHEAD, KY 40351
(606) 784-4451
(606) 784-8224 (FAX)

To the Board of Commissioners
Bath County Water District, Kentucky
Salt Lick, Ky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bath County Water District, Kentucky as of and for the year ended December 31, 2013 and 2012, 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 Bath County Water District, Kentucky, as of December 31, 2013, 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 February 22, 2014, on our consideration of the Bath County Water District, Kentucky'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 Bath County Water District, Kentucky'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

February 22, 2014

BATH COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31,

ASSETS	2013	2012
Current Assets		
Cash	\$ 1,304,149	\$ 1,196,917
Accounts receivable		
Customers, net	246,577	219,852
Other		-
Prepaid expenses	23,533	14,736
Inventory	98,758	71,168
	<u>1,673,016</u>	<u>1,502,673</u>
Restricted Assets		
Cash-Customer deposits	63,919	49,373
Cash-Sinking fund	118,678	111,226
Cash-Depreciation fund	219,400	219,400
	<u>401,997</u>	<u>379,999</u>
Fixed Assets		
Property, Plant & Equipment	15,148,830	15,031,238
Less accumulated depreciation	(4,713,031)	(4,364,183)
Construction-in-progress	-	-
	<u>10,435,799</u>	<u>10,667,055</u>
 TOTAL ASSETS	 <u>\$ 12,510,812</u>	 <u>\$ 12,549,727</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 62,994	\$ 57,598
MUPB payable	18,652	15,520
BCSD payable	2,617	2,241
O'Ville payable	4,415	3,252
Accrued wages and Vacation Pay	58,474	58,256
Customer deposits	50,640	45,091
Advances	-	-
Taxes payable	6,320	5,243
Accrued interest payable	50,495	51,772
Current Portion of bonds payable	58,800	57,400
Total Current Liabilities	<u>313,407</u>	<u>296,373</u>
Long-term debt		
KRWA financing	-	-
Bonds payable, net	2,356,200	2,415,000
Total Long-term Liabilities	<u>2,356,200</u>	<u>2,415,000</u>
 TOTAL LIABILITIES	 2,669,607	 2,711,373
 Net Position		
Investment in Capital Assets, Net of Related Debt	8,020,799	8,194,655
Restricted Net Assets	401,997	379,999
Unrestricted Net Assets	1,418,413	1,263,702
TOTAL NET POSITION	<u>9,841,209</u>	<u>9,838,356</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 12,510,812</u>	 <u>\$ 12,549,727</u>

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

BATH COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
PROPRIETARY FUND
for the years ended December 31,

	2013	2012
OPERATING INCOME		
Water sales	\$ 1,684,751	\$ 1,610,392
Other revenue	<u>76,142</u>	<u>112,379</u>
Total operating income	<u>1,760,893</u>	<u>1,722,772</u>
OPERATING EXPENSES		
Power	62,352	63,642
Water purchased	663,505	661,358
Salaries	296,100	291,601
Materials and Supplies	21,679	22,587
Transportation expense	25,582	30,495
Insurance	22,620	18,573
Health and Life Insurance	107,841	105,854
Chemicals	5,447	7,216
Payroll taxes	22,441	22,060
Employee retirement	55,953	55,172
Legal and Professional	5,000	4,750
Contract Services	10,433	7,620
Office Utilities	12,521	9,786
Office Supplies	23,284	25,332
Postage	13,653	13,774
Miscellaneous	-	-
Bad debt expense (recoveries)	4,259	6,126
Regulatory commission expenses	<u>2,830</u>	<u>2,745</u>
Total operating expense	<u>1,355,499</u>	<u>1,348,692</u>
Operating income before depreciation	405,393	374,079
Depreciation expense	<u>(348,848)</u>	<u>(357,267)</u>
OPERATING INCOME (LOSS)	56,546	16,812
Non-operating income (Expenses)		
Gain (Loss) on disposal of assets	-	-
Customer Tap Fees	-	-
Interest income	6,931	5,409
Interest expense	<u>(101,009)</u>	<u>(103,856)</u>
Total Non-Operating Income (Expense)	<u>(94,078)</u>	<u>(98,447)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(37,532)	(81,635)
STATE CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>-</u>	<u>-</u>
NET INCOME (LOSS) AFTER CONTRIBUTIONS	(37,532)	(81,635)
NET ASSETS, BEGINNING OF YEAR	<u>9,838,356</u>	<u>9,875,283</u>
Add: Customer Tap Fees	27,700	28,200
Add: Customer Contributions	12,683	16,507
NET ASSETS, END OF YEAR	<u>\$ 9,841,209</u>	<u>\$ 9,838,356</u>

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

BATH COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
for the years ended December 31,

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 1,734,168	\$ 1,734,379
Payments to Suppliers	(1,103,779)	(1,143,391)
Payments to Employees	(318,541)	(313,661)
Other Receipts (Payments)	<u>-</u>	<u>-</u>
Net Cash (Used) Provided by Operating Activities	311,848	277,327
CASH FLOW FROM INVESTING ACTIVITIES		
Sinking Fund	7,452	(27,868)
Depreciation Fund	14,546	47,568
Interest Income	<u>6,931</u>	<u>5,409</u>
Net Cash (Used) Provided by Investing Activities	28,929	25,109
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds From Capital Debt	-	-
Principal Paid on Capital Debt	(57,400)	(55,200)
Purchases of Capital Assets	(117,593)	(74,879)
State Grants Received	-	-
Contributed Capital-Tap Fees	12,684	28,200
Interest Paid on Capital Debt	<u>(49,237)</u>	<u>(52,084)</u>
Net cash (Used) Provided by Financing Activities	(211,546)	(153,963)
NET INCREASE (DECREASE) IN CASH	129,231	148,473
Cash and Cash Equivalents - At beginning of year	<u>1,576,916</u>	<u>1,428,444</u>
CASH AND CASH EQUIVALENTS - AT END OF YEAR	<u>\$ 1,706,146</u>	<u>\$ 1,576,916</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 56,546	\$ 16,812
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	348,848	357,267
Change in Assets and Liabilities:		
Accounts Receivable, Net	(26,725)	11,607
Inventories	27,590	5,007
Prepaid Expense	(8,797)	(4,699)
Accounts Payable and Other Payables	(91,380)	(119,315)
Customer Deposits	5,549	6,315
Accrued Wages and Vacation	<u>218</u>	<u>4,331</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 311,848</u>	<u>\$ 277,327</u>

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

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012**

NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES

The Bath County Water District was created and organized as a public body corporate in Bath County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Bath County 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 Bath 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.

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

The District, presented as an enterprise fund, does not apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989.

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.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources management focus. With the measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

Note 1: ORGANIZATION AND ACCOUNTING POLICIES

Basis of Accounting

The District maintains its accounting records on the accrual basis during the year. 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 maintained at lower of cost or market.

Utility Plant

Utility Plant is stated at original cost. The cost of repairs and maintenance is charged to the proper expense account as incurred. Property replacements are capitalized and retirements are charged to the proper plant account and depreciation provision.

Depreciation

Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates on a straight-line basis determined by reference to Utility Standards Rates (NARUC). The provisions for depreciation in 2013 reflect those standard rates by asset class.

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 statement 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.

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012**

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets 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. Net assets are reported as restricted when there are legal limitations imposed on their use either through the 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 use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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, 2013, \$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

Revenue bonds in the principal amount of \$235,000 were authorized in 1970 and are held by the Economic Development Administration. A 1977 Bond Issue in the amount of \$130,000 was sold to the Farmers Home Administration, payable and secured by a pledge of the revenues of the District on parity as to security and source of payment with the 1970 Bonds held by EDA. A 1982 Bond Issue in the amount of \$106,000 was sold to the Farmers Home Administration as second lien bonds subject to the vested rights and priority of the 1970 and 1977 bonds. Bonds in the amount of \$375,000 were authorized in 1988 and issued February 14, 1989, as second lien bonds on parity as to security and source of payment with the 1982 bonds. Bonds in the amount of \$138,000 were authorized and issued May 26, 1989 as second lien bonds on parity as to security and source of payment with the second lien bonds of 1982 and 1988. Bonds in the amount of \$103,000 were authorized in 1991 and issued November 25, 1992 and bonds in the amount of \$280,000 were authorized in 1994 and issued October 20, 1994, as second lien bonds. Bonds in the amount of \$200,000 were authorized and issued January 22, 1999. Bonds in the amount of \$500,000 were authorized and issued June 29, 2004. The Bonds Issues of 1988, 1989, 1991, 1998 and 2004 were sold to the Farmers Home Administration. Bonds Series 2009 in the amount of \$259,000 were authorized and issued January 26, 2010.

BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For years Ended December 31, 2013 and 2012

Note 4: LONG-TERM DEBT (CONTINUED)

The Following is a summary of changes in long-term debt for the year ended December 31, 2013

	<u>Beginning Balance</u>	<u>Additlons</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Series 1977				
loan amount \$130,000				
Interest rate 5.00%	\$ 33,000.00		\$ 6,000.00	\$ 27,000.00
Bond Series 1982				
Loan amount \$106,000				
Interest rate 5.00%	52,000.00		4,000.00	48,000.00
Bond Series 1988				
Loan amount \$375,000				
Interest rate 5.00%	231,000.00		11,000.00	220,000.00
Bond Series 1989				
Loan Amount \$138,000				
Interest rate 5.00%	-			-
Bond Series 1991				
Loan Amount \$103,000				
Interest rate 5.00%	73,700.00		2,400.00	71,300.00
Bond Series 1994				
Loan Amount \$280,000				
Interest rate 4.50%	218,000.00		5,500.00	212,500.00
Bond Series 1998				
Loan Amount \$200,000				
Interest rate 4.50%	167,700.00		3,500.00	164,200.00
Bond Series 2004				
Loan Amount \$500,000				
Interest rate 4.375%	465,500.00		7,000.00	458,500.00
Bond Series 2006				
Loan Amount \$1,039,000				
Interest rate 4.125%	976,500.00		14,000.00	962,500.00
Bond Series 2009				
Loan Amount \$259,000				
Interest rate 2.375%	255,000.00	-	4,000.00	251,000.00
	<u>\$ 2,472,400.00</u>	<u>\$ -</u>	<u>\$ 57,400.00</u>	<u>\$ 2,415,000.00</u>
Less: Current Maturities	57,400.00			58,800.00
Totals	<u><u>\$ 2,415,000.00</u></u>			<u><u>\$ 2,356,200.00</u></u>

The following is a schedule of long-term debt maturities

	<u>Principle</u>	<u>Interest</u>
2014	58,800.00	90,682.00
2015	64,500.00	96,938.00
2016	65,300.00	94,048.00
2017	68,100.00	91,076.00
2018	64,000.00	88,149.00
2019-2023	360,600.00	394,730.00
2024-2028	397,200.00	310,783.00
2029-2033	382,700.00	209,813.00
2034-2038	377,800.00	150,016.00
2039-2043	384,500.00	74,393.00
2044-2048	181,000.00	9,158.00
2049-2049	10,500.00	125.00
	<u><u>\$ 2,415,000.00</u></u>	<u><u>\$ 1,609,911.00</u></u>

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012**

NOTE 5: RESERVES

The Bath County Water District is required to comply with the bond agreements of all bond issues as follows:

Sinking Fund

The District is required to set aside an amount into a special account known as the Bath County Water District Water System Revenue Bonds, Bond and Interest Sinking Fund. The amount to be so set aside and paid each month shall be not less than the following respective amounts:

- 1) A sum equal to one sixth (1/6) of the interest becoming due on 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 required balance of the reserve at December 31, 2013 was \$109,295. The District had set aside \$118,678 into a restricted account. The District is properly reserved and is over by \$9,383 at December 31, 2013.

Depreciation Fund

The District is required to deposit into the Depreciation Fund account 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 damaged or destroyed property. Monies in the Depreciation Fund shall be available and used, upon appropriate certification to the bank, for the purpose of paying the cost of construction replacements, extensions, additions and/or improvements to the project. Whenever the balance in the Depreciation Fund shall equal \$186,280, the monthly payments may be discontinued, or by order of the governing body of the District, be diverted into the Sinking Fund Account. The District had set aside \$219,400 and \$219,400 at December 31, 2013 and 2012, respectively.

NOTE 6: SEWER COLLECTIONS

The District began collecting sewer payments for the Morehead Utility Plant Board, Bath County Sewer District and City of Owingsville. The accounts receivable reflected on the balance sheet represent monies receivable for water and sewer service. The MUPB payable, BCSD payable, and OUPB payable are the amount of monies in the receivable, which are due to the MUPB, BCSD, and OUPB. The balance at December 31, 2013 and 2012 was \$25,684 and \$21,021, respectively.

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012**

NOTE 7: RETIREMENT PLAN

The Bath County Water District is a participating employer of the County Employees' Retirement System (CERS), which is a multi-employer defined benefit plan that covers substantially all regular full-time employees of each county, school board, municipal and other local agencies electing to participate. Upon election to participate in the CERS, each employee has the option to participate, however, all subsequent employees must participate and the employer is required to continue participation.

Employees who retire at age 65 and have 48 or more months of credited service or have 27 years of credited service regardless of age are entitled to a retirement benefit, payable monthly for life, equal to 2.2% of the average annual salary of the members' five highest earning years multiplied by the number of years of service credit. Members retiring at less than 55 years of age with 25 to 27 years of service credit or 65 years of age with less than 48 months of service credit are entitled to reduced benefits. Members' retirement benefits become fully vested when they complete sixty months of service, twelve of which are current service.

The Bath County Water District has a total of 8 employees covered by the CERS. Employer contribution rates are intended to fund the System's normal cost on a current basis plus one percent (1%) of unfounded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. There are 8 non-hazardous duty employees who contributed 5.00% and the employer contributed 18.89%. The District's contributions for the year ended December 31, 2013 and 2012 were \$55,939 and \$55,172 and the employees contributed \$14,841 and \$14,309, respectively. The total payroll for covered employees for the years ended December 31, 2012 and 2011 were \$291,630 and \$308,110.

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increased, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems (PERS). The measure is independent of the actuarial funding method used to determine contributions to the System.

All required contributions were paid at year end or within thirty (30) days thereafter.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the district also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident coverage.

BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012

NOTE 9: FIXED ASSETS

Capital asset activity for the fiscal year ended December 31, 2013 was as follows:

Business-Type Activities	Balance Jan. 1, 2013	Additions	Deductions	Balance Dec. 31, 2013
Cost:				
Land	\$ 35,350			\$ 35,350
Plant in Service	14,389,471	103,309		14,492,780
Other Depreciable Assets	606,417	14,284		620,701
Construction in Progress	-			-
Totals at historical cost	<u>15,031,238</u>	<u>117,593</u>	<u>-</u>	<u>15,148,830</u>
Less accumulated depreciation:				
Land & Land Rights				-
Plant in Service	3,914,682	307,912		4,222,594
Other Depreciable Assets	449,502	40,936		490,438
Total accumulated Depreciation	<u>4,364,185</u>	<u>348,848</u>	<u>-</u>	<u>4,713,031</u>
Business-Type Activities Capital Assets - Net	<u>\$ 10,667,055</u>	<u>\$ (231,254)</u>	<u>\$ -</u>	<u>\$ 10,435,799</u>

Capital asset activity for the fiscal year ended December 31, 2012 was as follows:

Business-Type Activities	Balance Jan. 1, 2012	Additions	Deductions	Balance Dec. 31, 2012
Cost:				
Land	\$ 35,350			\$ 35,350
Plant in Service	14,318,566	70,905		14,389,471
Other Depreciable Assets	602,443	3,974		606,417
Construction in Progress	-			-
Totals at historical cost	<u>14,956,359</u>	<u>74,879</u>	<u>-</u>	<u>15,031,238</u>
Less accumulated depreciation:				
Land & Land Rights				-
Plant in Service	3,594,429	320,253		3,914,682
Other Depreciable Assets	412,488	37,014		449,502
Total accumulated Depreciation	<u>4,006,918</u>	<u>357,267</u>	<u>-</u>	<u>4,364,185</u>
Business-Type Activities Capital Assets - Net	<u>\$ 10,949,443</u>	<u>\$ (282,388)</u>	<u>\$ -</u>	<u>\$ 10,667,055</u>

**BATH COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2013 and 2012**

NOTE 10: CONTINGENCIES

The District had elected to be recognized as a reimbursing employer for state unemployment compensation purposes. Accordingly, the District will become liable for direct payment of unemployment benefits as they become due.

NOTE 11: GRANT PROCEEDS

There were \$12,683.39 in local Grant proceeds for water projects in 2013.

SUPPLEMENTAL INFORMATION

**BATH COUNTY WATER DISTRICT
SUPPLEMENTAL INFORMATION REQUIRED BY RURAL DEVELOPMENT
December 31, 2013**

Schedule of Insurance in Force

<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
General Liability	\$ 6,000,000	7/1/2014
Property - Building & Contents	15,000,000.00	7/1/2014
Equipment & Vehicles	140,000.00	7/1/2014
Treasurer and Commissioners	400,000.00	7/1/2014
Workers Compensation	Statutory	7/1/2014

Aged Accounts Receivable

A detailed schedule of aged accounts receivable is prepared on a monthly basis. At December 31, 2013, accounts receivable were aged as follows:

	<u>Number Of Accounts</u>	<u>Amount</u>
Current	3,747	\$ 165,334
Over 30 Days	414	9,889
Over 60 Days	38	(108)
Over 90 Days	157	5,624
Total	<u>4,356</u>	<u>\$ 180,739</u>

During 2013, the District carried a reserve for possible uncollected accounts of \$2,694. Accounts in arrears have been collected or are covered by deposits.

The District had a total of 3,745 customers at December 31, 2013. Of these customers, 3,657 were residential and 88 were commercial.

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

115 SOUTH MAIN CROSS
FLEMINGSBURG, KY 41041
(606) 845-5210

550 W. FIRST ST., PO BOX 449
MOREHEAD, KY 40351
(606) 784-4451
(606) 784-5224 (FAX)

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
Bath County Water District, Kentucky
Salt Lick, KY

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 Bath County Water District as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Bath County Water District, Kentucky's basic financial statements and have issued our report thereon dated February 22, 2014.

Internal Control Over Financial Reporting

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

February 22, 2014