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**EAST CLARK COUNTY WATER DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
East Clark County Water District  
Winchester, Kentucky

We have audited the accompanying basic financial statements of East Clark County Water District, as of and for the years ended December 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of East Clark County Water District's management. Our responsibility is to express an opinion 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Clark County Water District, as of December 31, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012, on our consideration of East Clark County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 21 be presented to supplement the basis financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise East Clark County Water District's financial statements as a whole. The accompanying statements of functional expenses for 2011 and 2010 listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The statements of functional expenses for 2011 and 2010 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

*Baldwin CPAs, PLLC*

Baldwin CPAs, PLLC  
March 7, 2012

EAST CLARK COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011 AND 2010

East Clark County Water District (the District) is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal years ending December 31, 2011, 2010, and 2009. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements in order to enhance their understanding of the District's financial performance.

**2011 FINANCIAL HIGHLIGHTS**

- The District's operating revenues and operating expenses remained consistent with the prior year.
- The Districts total assets increased \$716,909 and total liabilities increased \$599,629, resulting in an increase in total net assets of \$117,280 or 1.4% from the prior year.
- Interest income for the year was \$28,804, which is a 51.2% decrease from 2010. The decrease reflects the continued decline in interest rates in 2011 and the reduction in interest bearing deposits as funds were used for construction.

**GENERAL INFORMATION ABOUT EAST CLARK COUNTY WATER DISTRICT**

The District recognized the need for a central water supply for the residents of the eastern section of Clark County, Kentucky early in its history. The District was organized in 1967 pursuant to Chapter 74 of the Kentucky Revised Statutes.

Management is vested in a five-member commission consisting of a chairman and four commissioners appointed by Clark County Fiscal Court.

The District relies on Winchester Municipal Utilities and Kentucky American Water Company for its water supply. Water is pumped to approximately 2380 customers through more than 197 miles of water mains. The Kentucky Public Service Commission (PSC) regulates the District in matters of rates, rules, and levels of service.

## DISTRICT FINANCIAL ANALYSIS

The Statements of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District. A summary of the District's Statements of Net Assets is presented below.

### Condensed Statements of Net Asset

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 3,129,041	\$ 3,101,985	\$ 3,073,817
Capital assets, net of depreciation	<u>8,511,369</u>	<u>7,821,516</u>	<u>7,904,886</u>
Total assets	<u>11,640,410</u>	<u>10,923,501</u>	<u>10,978,703</u>
Debt outstanding	2,891,000	2,591,000	2,836,000
Other liabilities	<u>450,419</u>	<u>150,790</u>	<u>168,119</u>
Total liabilities	<u>3,341,419</u>	<u>2,741,790</u>	<u>3,004,119</u>
Investment in capital assets, net of related debt	5,887,727	5,230,516	5,002,174
Restricted	150,649	150,649	150,649
Unrestricted	<u>2,260,615</u>	<u>2,800,546</u>	<u>2,821,761</u>
Total net assets	<u>\$ 8,298,991</u>	<u>\$ 8,181,711</u>	<u>\$ 7,974,584</u>

Net assets increased \$117,280 from 2010 to 2011, an increase of 1.4%. Debt outstanding has increased \$300,000 or 11.6% from 2010.

### Condensed Statements of Activities and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 1,400,156	\$ 1,410,253	\$ 1,381,318
Non-operating revenues	<u>208,183</u>	<u>74,450</u>	<u>76,291</u>
Total revenues	<u>1,608,339</u>	<u>1,484,703</u>	<u>1,457,609</u>
Operating expenses	898,800	938,396	838,980
Depreciation expense	304,860	279,290	273,042
Non-operating expense	<u>300,097</u>	<u>174,779</u>	<u>141,550</u>
Total expenses	<u>1,503,757</u>	<u>1,392,465</u>	<u>1,253,572</u>
Net income	104,582	92,238	204,037
Capital contributions	12,698	20,951	18,723
Grants	<u>-</u>	<u>93,938</u>	<u>431,062</u>
Changes in net assets	117,280	207,127	653,822
Beginning net assets	<u>8,181,711</u>	<u>7,974,584</u>	<u>7,320,762</u>
Ending net assets	<u>\$ 8,298,991</u>	<u>\$ 8,181,711</u>	<u>\$ 7,974,584</u>

The District's total revenue, excluding state grants, increased by \$123,636 or 8.3%. The increase is due in part to a Department of Transportation contract to relocate waterlines during a road improvement project. Total expenses increased \$85,722 or 7.7% due to the Department of Transportation contract. The increase in depreciation in 2011 of \$25,570 or 9.2% is attributed to costs of constructing new water tank and transmission lines.

The increase in non-operating revenue resulted from the Department of Transportation contract.

Non-operating expense consists of interest expense on long term debt in 2011 of \$107,439 plus a loss of \$23,813 on scrapped equipment and \$168,845 of construction expenses related to the Department of Transportation contract. In 2010 non-operating expense consisted of \$131,862 of interest paid on bonds plus a loss of \$42,917 on scrapped equipment.

## CAPITAL EXPENDITURES

### Condensed Schedule of Capital Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital assets	\$ 12,165,670	\$11,211,413	\$11,175,491
Accumulated depreciation	<u>(3,654,301)</u>	<u>(3,389,897)</u>	<u>(3,270,605)</u>
	<u>\$ 8,511,369</u>	<u>\$ 7,821,516</u>	<u>\$ 7,904,886</u>

In 2011, the District continued construction of the tank on KY Highway 15. The renovation of the pump station on Ecton Road was completed and placed in service for a total project cost of \$148,360. In addition the District started and completed and placed in service a line extension on Muddy Creek Road. The estimate cost to complete the KY 15 tank is \$430,000. The estimated cost of the Ecton Road pump station and KY 15 projects is \$1,260,000. Funds were provided by state grants and the District's reserves. The Muddy Creek extension cost of \$48,164 was paid for from District Reserves. Equipment acquisitions were financed from the District's reserve funds in 2011, 2010 and 2009. Contributions to capital amounted to \$12,698 in 2011, \$20,950 in 2010, and \$18,723 in 2009, for new tap-ons to existing lines.

## BONDS AND CAPITAL LEASE OBLIGATIONS

### Condensed Schedule of Debt

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Bonds	\$ 1,554,000	\$ 1,098,000	\$1,193,000
Capital lease obligations	<u>1,337,000</u>	<u>1,493,000</u>	<u>1,643,000</u>
Total	<u>\$ 2,891,000</u>	<u>\$ 2,591,000</u>	<u>\$ 2,836,000</u>

The District made all of its scheduled debt payments during 2011, 2010 and 2009. During 2011, the District borrowed \$520,000 from KRWFC Flexible Term Program. The rate of interest varies from 2.15% to 4.275% over the life of the bond.

## ECONOMIC FACTORS AND FUTURE BUDGET ISSUES

The District continues to sustain slow growth. New tap-ons decreased \$8,253 from 2010 to 2011. Growth in 2012 is anticipated to remain at slow levels.

During 2011, the District's water rates did not increase. Winchester Municipal Utilities raised the rate it charges the District by ten cents (.10) per 100 cubic feet of water in 2010. This caused a concurrent rate increase to District customers of seventeen cents (.17) per 1000 gallons. Future costs of purchased water are likely to rise as rate increases are passed through from WMU and Kentucky American Water Company who supply water to the District.

The District decided to continue its meter change out program which began in the fall of 2006. Additional radio-read meters continue to be installed on the more heavily traveled roads. The benefits of the change will improve safety for the meter readers and improve reporting of customer usage and leak detection.

### **DISTRICT CONTACT INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of the utility's finances and to demonstrate the utility's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact East Clark County Water District, 118 Hopkins Street, Winchester, KY 40392 or by phone at (859) 745-1458 or by email at [wdballard@bellsouth.net](mailto:wdballard@bellsouth.net).

EAST CLARK COUNTY WATER DISTRICT  
 STATEMENTS OF NET ASSETS  
 DECEMBER 31, 2011 AND 2010

**ASSETS**

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 159,709	\$ 270,871
Investments	1,525,616	1,882,532
Receivables:		
Customer accounts	157,527	156,945
Other accounts	194,430	-
Accrued interest	9,514	9,283
Inventory, at cost	22,509	21,698
Prepaid expenses	11,139	10,224
	<hr/>	<hr/>
Total current assets	2,080,444	2,351,553
	<hr/>	<hr/>
Restricted assets:		
Cash and cash equivalents	645,874	293,952
Investments	315,991	382,379
	<hr/>	<hr/>
Total restricted assets	961,865	676,331
	<hr/>	<hr/>
Capital assets:		
Property, plant and equipment, net of depreciation	7,704,886	7,740,172
Land	58,044	58,044
Construction in progress	748,439	23,300
	<hr/>	<hr/>
Total capital assets	8,511,369	7,821,516
	<hr/>	<hr/>
Deferred debt expenses	86,732	74,101
	<hr/>	<hr/>
Total assets	<u>\$ 11,640,410</u>	<u>\$ 10,923,501</u>

(CONTINUED)

EAST CLARK COUNTY WATER DISTRICT  
 STATEMENTS OF NET ASSETS (CONTINUED)  
 DECEMBER 31, 2011 AND 2010

**LIABILITIES AND NET ASSETS**

	<u>2011</u>	<u>2010</u>
Current liabilities:		
Accounts payable, trade	\$ 41,830	\$ 41,445
Accounts payable from restricted funds	291,437	-
Accrued compensated absences	18,326	18,326
Accrued interest payable	29,168	27,738
Accrued liabilities	19,823	17,396
Lease obligations - current portion	160,000	156,000
Refundable customer deposits	49,835	45,885
Revenue bonds - current portion	89,000	66,000
	<u>699,419</u>	<u>372,790</u>
 Long-term liabilities:		
Revenue bonds net of current portion	1,465,000	1,032,000
Obligations under long-term lease net of current portion	1,177,000	1,337,000
	<u>2,642,000</u>	<u>2,369,000</u>
 Total long-term liabilities	<u>2,642,000</u>	<u>2,369,000</u>
	<u>3,341,419</u>	<u>2,741,790</u>
 Net Assets		
Investment in capital assets, net of related debt	5,889,727	5,230,516
Restricted net assets:		
Reserved for debt retirement	109,849	109,849
Reserved for plant renewal and replacement	40,800	40,800
Unrestricted net assets	2,258,615	2,800,546
	<u>2,258,615</u>	<u>2,800,546</u>
 Total net assets	<u>\$ 8,298,991</u>	<u>\$ 8,181,711</u>

See accompanying notes to the financial statements.

EAST CLARK COUNTY WATER DISTRICT  
 STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating revenues		
Water sales	\$ 1,355,055	\$ 1,363,721
Other operating income	<u>45,101</u>	<u>46,532</u>
Total operating revenues	<u>1,400,156</u>	<u>1,410,253</u>
Operating expenses		
Transmission, distribution and services	304,919	306,045
Purchased water	299,082	325,556
General and administrative	294,799	306,795
Depreciation	<u>304,860</u>	<u>279,290</u>
Total operating expenses	<u>1,203,660</u>	<u>1,217,686</u>
Operating income	<u>196,496</u>	<u>192,567</u>
Non-operating revenues (expenses):		
Other revenue	176,066	12,500
Sale of scrap	3,313	2,895
(Loss ) on disposal of assets	(23,813)	(42,917)
Interest income	28,804	59,055
Other expenses	(168,845)	-
Customer connection fees	12,698	20,951
State grant	-	93,938
Interest expense	<u>(107,439)</u>	<u>(131,862)</u>
Total non-operating revenues (expenses)	<u>(79,216)</u>	<u>14,560</u>
Change in net assets	<u>117,280</u>	<u>207,127</u>
Net assets at the beginning of the year	<u>8,181,711</u>	<u>7,974,584</u>
Net assets at the end of the year	<u>\$ 8,298,991</u>	<u>\$ 8,181,711</u>

See accompanying notes to the financial statements.

EAST CLARK COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,399,574	\$ 1,403,397
Cash payments to suppliers for goods and services	(557,859)	(619,652)
Cash payments to employees and professional contractors for services	<u>(252,938)</u>	<u>(293,447)</u>
Net cash provided by operating activities	<u>588,777</u>	<u>490,298</u>
Cash flows from non-capital financing activities:		
Other revenue	176,066	12,500
Other expenses	<u>(168,845)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>7,221</u>	<u>12,500</u>
Cash flows from capital and related financing activities:		
New borrowing	520,000	-
Principal payments on bonds and lease obligations	(220,000)	(245,000)
Interest payments on bonds and lease obligations	(107,439)	(131,862)
Construction of fixed assets	(921,755)	(77,695)
Purchase of equipment	(94,163)	(161,142)
Sale of surplus equipment	3,313	2,895
Capital grants	-	93,938
Customer connection fees	<u>12,698</u>	<u>20,951</u>
Net cash used by capital and related financing activities	<u>(807,346)</u>	<u>(497,915)</u>
Cash flows from investing activities:		
Sale (acquisition) of unrestricted investments	356,916	(139,064)
Sale of restricted investments	66,388	117,982
Interest received on cash deposits and investments	<u>28,804</u>	<u>59,055</u>
Net cash provided by investing activities	<u>452,108</u>	<u>37,973</u>
Increase in cash and cash equivalents	240,760	42,856
Cash and cash equivalents at the beginning of the year	<u>564,823</u>	<u>521,967</u>
Cash and cash equivalents at the end of the year	<u>\$ 805,583</u>	<u>\$ 564,823</u>

(CONTINUED)

See accompanying notes to the financial statements.

EAST CLARK COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of cash and cash equivalents at the end of the year		
Unrestricted cash and cash equivalents	\$ 159,709	\$ 270,871
Restricted cash and cash equivalents	<u>645,874</u>	<u>293,952</u>
 Total cash and cash equivalents at the end of the year	 <u>\$ 805,583</u>	 <u>\$ 564,823</u>
 Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	\$ 196,496	\$ 192,567
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	304,860	284,287
(Increase) decrease in:		
Customer accounts receivable	(582)	(6,856)
Grants receivable		66,712
Interest receivable	(231)	8,558
Other receivables	(194,430)	-
Inventory	(811)	(2,883)
Prepaid expenses	(915)	794
Increase (decrease) in:		
Accounts payable, trade accounts	385	10,021
Accounts payable from restricted funds	291,437	(66,712)
Accrued liabilities	2,427	2,371
Accrued compensated absences	-	5,284
Accrued interest payable	1,430	19,782
Bond insurance cost	(15,239)	(35,552)
Customer deposits	<u>3,950</u>	<u>11,925</u>
 Net cash provided by operating activities	 <u>\$ 588,777</u>	 <u>\$ 490,298</u>

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

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

East Clark County Water District is a "Class B" water district located in Clark County, Kentucky, with principal offices located at 118 Hopkins Lane, Winchester, Kentucky. It was organized in 1967, under Kentucky Revised Statutes, Chapter 74. It is overseen by a five-member commission consisting of a chairman and four commissioners, all appointed by Clark County Fiscal Court. Water is purchased from Winchester Municipal Utilities and Kentucky American Water Company and resold to approximately 2,300 residential and commercial customers.

Method of Accounting

The District is accounted for as a governmental enterprise fund. It is financed and operated in a manner similar to a private business where the intent of the governing body is that cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed primarily through user charges. The accounts are maintained on the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District does not follow Financial Accounting Standards Board (FASB) pronouncements or Accounting Principles Board (APB) opinions issued after November 30, 1989.

The accounting and reporting framework and more significant accounting principles and practices are discussed in subsequent notes.

Property and Equipment

The District capitalizes expenditures for property and equipment of \$1,000 or more. Property and equipment are stated at cost. Donations are recorded at their fair market value at the date of transfer. No donated assets were received in the years ended December 31, 2011 and 2010.

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the balance sheets. Depreciation is provided for financial statement purposes by the straight-line method over the following estimated useful lives:

Lines and storage	50 years
Building	30 years
Pumps and treatment equipment	20 years
Maintenance equipment and vehicles	3-10 years
Office furniture and equipment	3-5 years

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering water to customers in connection with the District's ongoing operations. The principal operating revenues are charges to customers for water sales and services. Operating expenses include the cost of purchased water and other related service expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenues and expenses generally result from contracts with other entities to move existing water lines as required by road and railroad maintenance and improvements.

Capital Grants and Subsidies

The purchase of property and equipment acquired by grants and subsidies restricted for that purpose are capitalized and the grant or subsidy is recorded as non-operating revenue. These grants and subsidies are not subject to repayment. Certain plant assets have been contributed by customers. These contributions are not subject to repayment.

Receivables

All receivables are reported at their gross value. Estimated un-billed revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. No allowance for doubtful accounts is provided. The District identifies and writes off uncollectible accounts as they occur. Bad debts written off as of December 31, 2011 and 2010 were \$6,424 and \$ 2,049, respectively.

Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Paid vacation time accrues at the rate of one to three weeks based on the length of employment. Unused vacation time may be carried forward from one year to the next with certain limitations. Other compensated absences do not vest and are recorded as expenditures when they are paid.

Cash and Cash Equivalents

The District includes in cash and cash equivalents, cash on hand and unrestricted cash in checking, money market accounts, federated treasury obligation funds, and unrestricted certificates of deposit with maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market value on a first-in, first-out basis.

EAST CLARK COUNTY WATER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of certificates of deposits with maturity dates of three months or more. Management believes the face value of the certificates approximates their market value. Certificates of deposit in excess of FDIC insurance are collateralized by securities held by the pledging institution.

Interest

Interest is charged to expense as incurred except for interest related to loans used for construction projects, which is capitalized net of interest earned on such borrowed construction funds. Interest capitalization ceases when the construction project is substantially complete. There was no capitalized interest during 2011 and 2010.

Net Assets Reservations

The District records reservation for portions of net assets which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation. Unreserved net assets indicate the portion of net assets which is available for appropriation in future periods. Reservations are established for amounts required for future debt service and repairs and improvements.

NOTE 2 – CUSTODIAL CREDIT RISK- DEPOSITS

The District investment policies conform to state statutes. The District deposits its funds in banks insured by the Federal Deposit Insurance Corporation (FDIC). Investments include certificates of deposit with maturities of one year with banks. Collateral is required for all deposits in excess of FDIC insurance at 100% of the carrying amount at the bank. Collateral consists of obligations of the United States and Kentucky Revenue Bonds. The District's deposits and investments are collateralized with securities held by the bank's trust department in the District's name or letter of credit held by a third party in the District's name.

*Custodial Credit Risk-Deposits.* Custodial credit risk is the risk that in the event of the failure of a financial institution, the District's deposits and/or investments may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2011 and 2010, \$1,989,761 and \$2,114,040 of the District's total deposits at banks of \$2,706,932 and \$2,831,211, respectively, were exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Uninsured and uncollateralized	\$ 134,787	\$ 85,145
Insured and collateral held by third party in the District's name	924,073	843,733
Insured and collateral held by pledging bank's Trust Department not in the District's name	<u>930,901</u>	<u>1,185,162</u>
Total	<u>\$ 1,989,761</u>	<u>\$ 2,114,040</u>

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

NOTE 3 - CREATION OF FUNDS AND RESTRICTIONS ON CASH

The Bond Resolutions require the creation of various separate deposit accounts, each designated for a specific purpose, as defined in the resolution. A summary of the required accounts and their significant provisions follows:

Revenue Fund

All income to the District is deposited to the Revenue Fund, and then transferred to the other funds as indicated below.

Bond and Interest Sinking Fund and Sinking Fund Reserve

The Bond and Interest Sinking Fund was established to provide a source of funds for the payment of bond principal and interest, currently due. Each month funds equal to the total of (1) one-sixth of the next succeeding semiannual interest payment plus (2) one-twelfth of the next annual bond principal payments are to be transferred to the fund. Additionally, upon issuance of the bonds, the District was required to deposit into a Sinking Fund Reserve an amount equal to the debt service requirement for the final year's bonds and interest payment. For the years ended December 31, 2011 and 2010 the required Sinking Fund Reserve balance is \$181,219. Actual Sinking Fund Reserve balances are \$337,572, and \$265,445 at December 31, 2011 and 2010, respectively.

Depreciation Reserve Fund

The Depreciation Reserve Fund was established to provide funds for extraordinary repairs, betterments, and expansion. The District is required to deposit \$340 into the fund each month until the accumulated balance equals \$40,800. Funds may be used as needed, but the balance must be restored to \$40,800, as soon as possible, so long as any bonds are outstanding and unpaid. The depreciation fund balance at December 31, 2011 and 2010 is \$402,826 and \$382,118, respectively.

Operation and Maintenance Fund

Monthly sums, sufficient to meet the current expenses of operating and maintaining the system, are to be transferred from the Revenue Fund. The balance shall not be in excess of an amount sufficient to cover anticipated expenditures for a two-month period, which is approximately \$150,000. The balance at December 31, 2011 and 2010 is \$28,073 and \$13,619, respectively.

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Activity for plant and equipment which is capitalized by the District for the year ended December 31, 2011 is summarized below:

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Non depreciable assets:				
Land	\$ 58,044	\$ -	\$ -	\$ 58,044
Depreciable assets:				
Buildings and improvements	430,738	9,907	-	440,645
Pumps	84,026	-	-	84,026
Lines and storage	9,385,124	196,524	-	9,581,648
Meters	830,420	82,453	61,570	851,303
Office equipment	59,561	1,803	-	61,364
Vehicles	154,033	-	-	154,033
Maintenance equipment	<u>186,167</u>	<u>-</u>	<u>-</u>	<u>186,167</u>
Total depreciable assets	11,130,069	290,687	61,570	11,359,186
Less accumulated depreciation for:				
Buildings and improvements	137,683	21,635	-	159,318
Pumps	37,255	1,680	-	38,935
Lines and storage	2,698,968	207,460	-	2,906,428
Meters	240,355	43,476	37,759	246,072
Office equipment	53,630	3,419	-	57,049
Vehicles	108,834	12,034	-	120,868
Maintenance equipment	<u>113,172</u>	<u>12,458</u>	<u>-</u>	<u>125,630</u>
Total accum. depreciation	<u>3,389,897</u>	<u>302,162</u>	<u>37,759</u>	<u>3,654,300</u>
Depreciable assets net	<u>7,740,172</u>	<u>(11,475)</u>	<u>23,811</u>	<u>7,704,886</u>
Construction in progress	<u>23,300</u>	<u>921,663</u>	<u>196,524</u>	<u>748,439</u>
Total capital assets, net of depreciation	<u>\$ 7,821,516</u>	<u>\$ 910,188</u>	<u>\$ 220,335</u>	<u>\$ 8,511,369</u>

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Activity for plant and equipment which is capitalized by the District for the year ended December 31, 2010 is summarized below:

	Balance <u>Dec. 31, 2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>Dec. 31, 2010</u>
Non depreciable assets:				
Land	\$ <u>58,044</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>58,044</u>
Depreciable assets:				
Buildings and improvements	430,738	-	-	430,738
Pumps	84,026	-	-	84,026
Lines and storage	8,899,667	485,457	-	9,385,124
Meters	897,837	129,996	197,413	830,420
Office equipment	59,561	-	-	59,561
Vehicles	154,033	-	-	154,033
Maintenance equipment	<u>160,494</u>	<u>31,146</u>	<u>5,473</u>	<u>186,167</u>
Total depreciable assets	10,686,356	646,599	202,886	11,130,069
Less accumulated depreciation for:				
Buildings and improvements	116,264	21,419	-	137,683
Pumps	35,574	1,681	-	37,255
Lines and storage	2,514,502	184,466	-	2,698,968
Meters	352,183	42,668	154,496	240,355
Office equipment	49,664	3,966	-	53,630
Vehicles	94,303	14,531	-	108,834
Maintenance equipment	<u>108,086</u>	<u>10,559</u>	<u>5,473</u>	<u>113,172</u>
Total accum. depreciation	<u>3,270,576</u>	<u>279,290</u>	<u>159,969</u>	<u>3,389,897</u>
Depreciable assets net	<u>7,415,780</u>	<u>367,309</u>	<u>42,917</u>	<u>7,740,172</u>
Construction in progress	<u>431,062</u>	<u>49,190</u>	<u>456,952</u>	<u>23,300</u>
Total capital assets, net of depreciation	\$ <u>7,904,886</u>	\$ <u>416,499</u>	\$ <u>499,869</u>	\$ <u>7,821,516</u>

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

NOTE 5 – LONG TERM DEBT AND LEASES

The District issues revenue bonds to finance improvements and extensions to water lines. During 2011 the District issued new bonds Series 2011C for \$520,000 through the Kentucky Rural Water Finance Corporation. The District incurred \$19,248 in issuance costs. The bonds sold for a premium of \$4,685. Interest on the bonds ranges from 2.15% to 4.275% over the life of the bonds.

At December 31, 2011, East Clark County Water District had the following long term debt and leases outstanding:

Bonds

<u>Description</u>	<u>Balance Dec. 31, 2010</u>	<u>New Issues</u>	<u>Principal Payments</u>	<u>Balance Dec. 31, 2011</u>	<u>Due within one year</u>
East Clark County Water District Waterworks Bonds, Series of 1978, with interest of 5% payable January 1 and July 1	\$ 108,000	-	\$ 12,000	\$ 96,000	\$ 14,000
Kentucky Rural Water Finance Corporation Multi Modal Public Projects Revenue Bonds, Series 2001G with interest of 1.3% to 3.0% payable January 1 and July 1	84,000	-	28,000	56,000	26,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2010C Bonds, with interest of 2.2% to 4.35% payable January 1 and July 1	740,000	-	15,000	725,000	25,000
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2011C Bonds, with interest of 2.15% to 4.275% payable February 1 and August 1	-	520,000	-	520,000	15,000
East Clark County Water District Waterworks Refunding Bonds, Series 2002, with interest of 3.15% to 5.15% payable January 1 and July 1	166,000	-	9,000	157,000	9,000
	<u>\$ 1,098,000</u>	<u>\$ 520,000</u>	<u>\$ 64,000</u>	<u>\$ 1,554,000</u>	<u>\$ 89,000</u>

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

NOTE 5 – LONG TERM DEBT AND LEASES (CONTINUED)

At December 31, 2010, East Clark County Water District had the following long term debt and leases outstanding:

Bonds

<u>Description</u>	<u>Balance Dec. 31, 2009</u>	<u>New Issues</u>	<u>Principal Payments</u>	<u>Balance Dec. 31, 2010</u>	<u>Due within one year</u>
East Clark County Water District Waterworks Bonds, Series of 1978, with interest of 5% payable January 1 and July 1	\$ 135,000	-	\$ 27,000	\$ 108,000	\$ 14,000
Kentucky Rural Water Finance Corporation Multi Modal Public Projects Revenue Bonds, Series 2001G with interest of 1.3% to 3.0% payable January 1 and July 1	114,000	-	30,000	84,000	28,000
East Clark County Water District Waterworks Bonds, Series of 2000, with interest of 5.9% payable January 1 and July 1	770,000	-	770,000	-	-
Kentucky Rural Water Finance Corporation Flexible Term Finance Program, Series 2010C Bonds, with interest of 2.2% to 4.35% payable January 1 and July 1	-	740,000	-	740,000	15,000
East Clark County Water District Waterworks Refunding Bonds, Series 2002, with interest of 3.15% to 5.15% payable January 1 and July 1	174,000	-	8,000	166,000	9,000
	<u>\$ 1,193,000</u>	<u>\$ 740,000</u>	<u>\$ 835,000</u>	<u>\$ 1,098,000</u>	<u>\$ 66,000</u>

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

NOTE 5 – LONG TERM DEBT AND LEASES (CONTINUED)

The debt service on the above bonds is as follows:

Due the year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 89,000	\$ 52,973	\$ 141,973
2013	104,000	55,066	159,066
2014	76,000	52,022	128,022
2015	77,000	46,962	123,962
2016	82,000	46,895	128,895
2017-2021	371,000	192,014	563,014
2022-2026	395,000	118,744	513,744
2027-2031	<u>360,000</u>	<u>39,046</u>	<u>399,046</u>
	<u>\$ 1,554,000</u>	<u>\$ 603,722</u>	<u>\$ 2,157,722</u>

Capital leases

The District is obligated under financing arrangements accounted for as capital leases. The cost and accumulated depreciation of assets acquired under these arrangements is included with other owned assets disclosed in Note 4 - Property, Plant, and Equipment. Capital lease obligations and changes for 2011 is as follows:

	<u>Balance</u> <u>December 31, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>December 31, 2011</u>	<u>Due in</u> <u>one Year</u>
KACO #1	\$ 180,000	\$ -	\$ 27,000	\$ 153,000	\$ 28,000
KACO #2	575,000	-	62,000	513,000	62,000
KACO #3	<u>738,000</u>	<u>-</u>	<u>67,000</u>	<u>671,000</u>	<u>70,000</u>
	<u>\$ 1,493,000</u>	<u>\$ -</u>	<u>\$ 156,000</u>	<u>\$ 1,337,000</u>	<u>\$ 160,000</u>

Capital lease obligations and changes for 2010 is as follows:

	<u>Balance</u> <u>December 31, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>December 31, 2010</u>	<u>Due in</u> <u>one Year</u>
KACO #1	\$ 206,000	\$ -	\$ 26,000	\$ 180,000	\$ 27,000
KACO #2	635,000	-	60,000	575,000	62,000
KACO #3	<u>802,000</u>	<u>-</u>	<u>64,000</u>	<u>738,000</u>	<u>67,000</u>
	<u>\$ 1,643,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 1,493,000</u>	<u>\$ 156,000</u>

EAST CLARK COUNTY WATER DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2011 AND 2010

NOTE 5 – LONG TERM DEBT AND LEASES (CONTINUED)

The following is a schedule of future minimum lease payments, together with the net present value of the minimum lease payments at December 31, 2011:

<u>Year ending</u> <u>December 31,</u>	<u>Lease</u> <u>Payments</u>
2012	\$ 216,733
2013	214,628
2014	218,255
2015	218,478
2016	220,711
Thereafter	<u>474,223</u>
Total minimum lease payments	1,563,028
Less:	
Executory fees	(45,745)
Amount representing interest at the District's incremental borrowing rate	<u>(180,283)</u>
	<u>\$ 1,337,000</u>

NOTE 6 – INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and customers; or acts of God. The District insures against these risks through insurance policies obtained from commercial vendors. The District has pooled its risk for workers compensation insurance. The District pays an annual premium for insurance coverage and is liable for additional premium assessments as determined by the pool. At December 31, 2011 and 2010, no additional premium assessment had been made. Other insurable risks are covered by policies with conventional insurance companies.

NOTE 7 - RETIREMENT PLAN

All employees are covered under the County Employee's Retirement System administered by the Board of Trustees of Kentucky Retirement Systems under the authority of KRS Section 61.645 (hereafter the "Plan"). Funding for the Plan is provided through the employee's contribution of 5% and the District's contribution of 16.93% of the employee's total compensation subject to contribution. The cost for the Plan charged to operations for the years ended December 31, 2011, 2010, and 2009 was \$52,584, \$52,173, and \$40,096, respectively. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling 1-502-564-4646.

EAST CLARK COUNTY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2011 AND 2010

NOTE 8 - PURCHASED WATER

The District entered into a written agreement to purchase all of its water from Winchester Municipal Utilities (WMU). The term of the contract is for twenty years ending July 15, 2019 with an option to renew for an additional period of twenty years. The District purchases water at \$1.72 per 100 cubic feet of water. This rate is subject to periodic increases by WMU. With the approval of the Public Service Commission, the District may pass these rate increases along to its customers. Water is delivered to the District by meters maintained by WMU.

NOTE 9 – SUBSEQUENT EVENT

The district has evaluated subsequent events through March 7, 2012, that date which the financial statements were available to be issued.

**SUPPLEMENTAL SCHEDULES**

EAST CLARK COUNTY WATER DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

2011

	Transmission, Distribution, and Services	Purchased Water	General and Administrative	Depreciation	Total
Purchased water	\$ -	\$ 299,082	\$ -	\$ -	\$ 299,082
Depreciation	-	-	-	302,162	302,162
Salaries	140,117		109,821		249,938
Employee benefits	55,553		43,542		99,095
Supplies	28,644		7,099		35,743
Repairs and maintenance	13,842		7,083		20,925
Outside services	8,152		6,361		14,513
Technology	2,300		185		2,485
Commissioners' salaries			30,000		30,000
Payroll tax expense	12,626		9,896		22,522
Professional fees			17,975		17,975
Utilities	19,009		6,145		25,154
Truck expense	23,611		2,996		26,607
Equipment rental	220				220
Insurance			20,638		20,638
Postage			12,852		12,852
Bad debts			6,424		6,424
Miscellaneous			3,743		3,743
Telephone	2,772		2,352		5,124
Dues and subscriptions			182		182
Loading station expense	1,093				1,093
Employee training and seminars			1,618		1,618
PSC assessment			2,156		2,156
Uniforms			3,033		3,033
Lab testing	1,600				1,600
Travel and meals expense			698		698
Amortization				2,698	2,698
Capitalized overhead allocation	(4,620)				(4,620)
	<u>\$ 304,919</u>	<u>\$ 299,082</u>	<u>\$ 294,799</u>	<u>\$ 304,860</u>	<u>\$ 1,203,660</u>

EAST CLARK COUNTY WATER DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

2010

	Transmission, Distribution, and Services	Purchased Water	General and Administrative	Depreciation	Total
Purchased water	\$ -	\$ 325,556	\$ -	\$ -	\$ 325,556
Depreciation	-	-	-	279,290	279,290
Salaries	143,177	-	112,067	-	255,244
Employee benefits	57,696	-	45,160	-	102,856
Supplies	29,148	-	15,637	-	44,785
Repairs and maintenance	17,671	-	5,259	-	22,930
Outside services	5,455	-	5,866	-	11,321
Technology	1,500	-	500	-	2,000
Commissioners' salaries	-	-	28,416	-	28,416
Payroll tax expense	11,985	-	9,381	-	21,366
Professional fees	-	-	17,442	-	17,442
Utilities	16,568	-	6,388	-	22,956
Truck expense	23,088	-	2,589	-	25,677
Equipment rental	824	-	1,915	-	2,739
Insurance	-	-	20,474	-	20,474
Postage	-	-	12,648	-	12,648
Bad debts	-	-	2,049	-	2,049
Miscellaneous	-	-	3,329	-	3,329
Telephone	3,114	-	2,318	-	5,432
Dues and subscriptions	-	-	978	-	978
Loading station expense	1,056	-	-	-	1,056
Employee training and seminars	-	-	1,480	-	1,480
PSC assessment	-	-	2,187	-	2,187
Uniforms	-	-	3,542	-	3,542
Lab testing	2,438	-	-	-	2,438
Travel and meals expense	-	-	2,173	-	2,173
Amortization	-	-	4,997	-	4,997
Capitalized overhead allocation	(7,675)	-	-	-	(7,675)
	<u>\$ 306,045</u>	<u>\$ 325,556</u>	<u>\$ 306,795</u>	<u>\$ 279,290</u>	<u>\$ 1,217,686</u>

EAST CLARK COUNTY WATER DISTRICT  
STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011 Budget	2011 Actual	Favorable (Unfavorable)	2010 Budget	2010 Actual	Favorable (Unfavorable)
Operating revenues:						
Water sales	\$ 1,358,800	\$ 1,355,055	\$ (3,745)	\$ 1,356,500	\$ 1,363,721	\$ 7,221
Other operating income	42,000	45,101	3,101	42,000	46,532	4,532
 Total operating revenues	 1,400,800	 1,400,156	 (644)	 1,398,500	 1,410,253	 11,753
Operating expenses:						
Operation and maintenance	937,000	876,279	60,721	896,300	917,030	(20,730)
Depreciation and amortization	285,000	304,860	(19,860)	275,000	279,290	(4,290)
Taxes	28,400	22,521	5,879	26,900	21,366	5,534
 Total operating expenses	 1,250,400	 1,203,660	 46,740	 1,198,200	 1,217,686	 (19,486)
 Operating income	 150,400	 196,496	 46,096	 200,300	 192,567	 (7,733)
Non-operating revenues (expenses):						
Other revenue	-	176,066	176,066	-	12,500	12,500
Interest income	30,000	28,804	(1,196)	47,000	59,055	12,055
Sale/disposal of surplus equipment	-	(20,500)	(20,500)	-	(40,022)	(40,022)
Other expenses	-	(168,845)	(168,845)	-	-	-
State grants and customer connection fees	12,000	12,698	698	-	93,938	93,938
Interest expense	(106,178)	(82,517)	23,661	(168,000)	(131,862)	36,138
 Total non-operating revenues (expenses)	 (64,178)	 (54,294)	 9,884	 (121,000)	 (6,391)	 114,609
 Change in net assets	 \$ 86,222	 \$ 142,202	 \$ 55,980	 \$ 79,300	 \$ 186,176	 \$ 106,876

**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***

Commissioners  
East Clark County Water District  
Winchester, Kentucky

We have audited the financial statements of the business-type activities of East Clark County Water District as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated March 7, 2012. 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, we considered East Clark County Water District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Clark County Water District'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*.

This report is intended solely for the information and use of the Commissioners, management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Baldwin CPAs, PLLC*

Baldwin CPAs, PLLC  
March 7, 2012

East Clark County Water District  
Schedule of Findings and Responses  
December 31, 2011

A. Summary of Audit Results

- The auditors' report expresses an unqualified opinion on the financial statements of East Clark County Water District.
- There were no significant deficiencies related to the audit of the financial statements which were required to be reported in the 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*.
- No instances of noncompliance material to the financial statements for East Clark County Water District were disclosed during the audit.

B. Findings – Financial Statement Audit

- None