

PENDLETON COUNTY WATER DISTRICT

P.O. BOX 232, FALMOUTH, KY 41040 (859) 654-6964 FAX (859) 654-7032
Deaf, Hard-of-Hearing or Speech Impaired, call 711

June 10, 2013

Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: 2012 Audit Report

To Whom It May Concern:

Please find enclosed a copy of our 2012 Audit Report.

If you have any questions, please feel free to contact me.

Sincerely,



William Jones
Manager

WJ/cbw

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COMMISSION

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PENDLETON COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

PENDLETON COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2012 and 2011

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PENDLETON COUNTY WATER DISTRICT

FINANCIAL STATEMENTS

December 31, 2012 and 2011

Board of Commissioners

L.R. Faulkner, Jr., Chairman

Dave Boden, Vice-Chairman

Brent Moore, Treasurer

Larry "Rick" Adams, Secretary

Dr. J.C. Crowley, Commissioner

Of Counsel

Jeff Dean, Pendleton County Attorney

Administration

William Jones, General Manager



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
John P. Walker, CPA, MBA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

Independent Auditor's Report

**To the Board of Commissioners
Pendleton County Water District**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pendleton County Water District (District), as of and for the years ended December 31, 2012 and 2011, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial position of the business-type activities of Pendleton County Water District as of December 31, 2012 and 2011 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 5–9 be presented to supplement the basic 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

-Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pendleton County Water District's basic financial statements. The supplementary schedules on page 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013 on our consideration of Pendleton 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* in considering Pendleton County Water District's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
April 26, 2013

PENDLETON COUNTY WATER DISTRICT

P.O. BOX 232, FALMOUTH, KY 41040 (859) 654-6964 FAX (859) 654-7032
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2012. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent year by \$8,537,165 (net position). This was an increase of \$11,308 in comparison to the prior year. This change is mainly attributable to an increase in water revenue due to a dry summer and fall and a decrease in operating expenses because of lower repair and replacement costs.
- At the end of the current year, unrestricted net position was \$1,238,480.

USING THIS ANNUAL REPORT

The financial statements presented herein include all of the activities of the District as prescribed in GASB Statements No. 34. The financial statements include a statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, notes to the financial statements and a supplemental schedule. These statements show the condition of the District's finances and the sources of income and the funds expended.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

The Statements of Net Position and Revenues, Expenses and Changes in Net Position

In the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position, we report the District's activities.

- The District charges rates for water consumption to customers to cover all or most of the cost of certain services it provides.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Current Assets	\$ 362,064	\$ 391,203
Restricted Assets	1,240,950	1,146,696
Noncurrent Assets	<u>8,959,086</u>	<u>9,058,875</u>
Total Assets	<u>10,562,100</u>	<u>10,596,774</u>
Current Liabilities	179,845	74,706
Liabilities Payable from Restricted Assets	116,590	124,696
Long Term Liabilities	<u>1,728,500</u>	<u>1,871,515</u>
Total Liabilities	<u>2,024,935</u>	<u>2,070,917</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	7,075,685	7,121,974
Restricted	223,000	154,823
Unrestricted	<u>1,238,480</u>	<u>1,249,060</u>
Total Net Position	<u>\$ 8,537,165</u>	<u>\$ 8,525,857</u>

The District's net position for 2012 increased 0.13% or \$11,308 as compared to a 1.47% or \$127,219 decrease in the previous year. This increase is primarily due to an increase in water revenue due to dryer weather during 2012 and lower repair and maintenance costs.

The largest portion of the District's net position (82.9%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

An additional portion of the District's net position (2.6%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position may be used to meet the District's ongoing obligations to customers and creditors.

SUMMARY OF CHANGES IN NET POSITION

Revenues

Water revenues increased \$9,958 or 0.8% from 2011 to 2012. The increase was a result of a hot, dry summer and fall during 2012 compared to 2011 during which there was excessive rainfall.

Water Costs

Water Costs decreased \$16,678 or 4.1% from 2011 to 2012. This was due to a decrease in water loss. During 2011 a section of waterline had to be replaced when the excessive rainfall caused it to slip and leak. This was not repeated during 2012 so water loss was much less.

Operation and Maintenance Expense

Operation and maintenance expense decreased \$28,850 or 4.4% from 2011 to 2012. This decrease was primarily due to decreased maintenance costs. The costs associated with replacing a section of water line that began to slip and leak due to excessive rainfall during 2011 were not necessary during 2012.

Depreciation

Depreciation decreased \$126,733 or 36.3% from 2011 to 2012. This was due to a change in accounting estimate. Water mains that were depreciated over a useful life of 40 years during 2011 were depreciated over a useful life of 75 years during 2012. This change was made because it was decided that a useful life of 75 years was more in line with a 1979 National Association of Regulatory Utility Commissioners report titled *Depreciation Practices for Small Water Utilities*.

Capital Contributions

Capital contributions decreased \$111,514 or 66.2% from 2011 to 2012. This decrease was primarily due to the fact that grants related to a construction project ended during 2011.

The following schedule compares the revenues and expenses for the current year and the previous year.

Table 2
Changes in Net Position

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Water Sales	\$1,212,467	\$1,202,509
Forfeited Discounts	21,992	22,282
Miscellaneous Services Revenues	<u>31,074</u>	<u>15,258</u>
Total Operating Revenues	<u>1,265,533</u>	<u>1,240,049</u>
Operating Expenses:		
Water Purchased	387,265	403,943
Operation and Maintenance Expense	623,658	652,508
Depreciation	<u>221,979</u>	<u>348,712</u>
Total Operating Expenses	<u>1,232,902</u>	<u>1,405,163</u>
Net Operating Profit/(Loss)	<u>32,631</u>	<u>(165,114)</u>
Non-Operating Income(Expenses)		
Investment Income	8,782	9,463
Loss on Disposition of Assets	0	(50,498)
Interest on Long-Term Debt	(86,074)	(88,553)
Amortization of Bond Discount and Expenses	<u>(887)</u>	<u>(887)</u>
Net Non-Operating Expenses	<u>(78,179)</u>	<u>(130,475)</u>
Loss Before Capital Contributions	(45,548)	(295,589)
Capital Contributions	<u>56,856</u>	<u>168,370</u>
Change in Net Position	11,308	(127,219)
Net Position – January 1	<u>8,525,857</u>	<u>8,653,076</u>
Net Position – December 31	<u>\$8,537,165</u>	<u>\$8,525,857</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2012, the District had \$8,944,358 invested in capital assets including land, buildings, water systems, equipment, and vehicles, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of \$98,902. During 2012, the District did not add a large amount of new assets and depreciation expense exceeded the amount of new assets purchased.

Table 3 Summarizes the District's capital assets at the end of 2012 as compared to 2011.

Table 3
Capital Assets at Year End

	<u>2012</u>	<u>2011</u>
Land	\$ 63,176	\$ 63,176
Construction in Progress	0	0
Transmission Lines & Equipment	12,160,074	12,106,366
Furniture & Fixtures	67,025	71,194
Machinery & Equipment	304,986	303,146
Buildings & Improvements	<u>326,312</u>	<u>270,232</u>
Subtotal	12,921,573	12,814,114
Accumulated Depreciation	<u>(3,977,215)</u>	<u>(3,770,854)</u>
Total Capital Assets	<u>\$ 8,944,358</u>	<u>\$ 9,043,260</u>

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2012 compared to 2011.

Table 4
Outstanding Debt at Year End

	<u>2012</u>	<u>2011</u>
Bond Payable Obligations	\$1,745,000	\$ 1,791,500
Capitalized Lease	40,000	47,000
Developer Refunds	<u>99,288</u>	<u>99,288</u>
Total	<u>\$1,884,288</u>	<u>\$ 1,937,788</u>

At year-end, the District had \$1,884,288 in outstanding notes and bonds compared to \$1,937,788 last year. This is a decrease of 2.76%. This decrease is due to the timely repayment of \$53,500 of long term debt during 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's budget for 2013 calls for a 6.6% increase in operating revenues. This is due to a rate increase that was approved by the Kentucky Public Service Commission during 2013 and took effect on the District's billing date of February 18, 2013. Operating expenses are expected to increase by 3.3%. This is primarily due to expected increases in employee salaries, employee benefits and material and supply costs. Interest on long term debt is expected to decrease by approximately 10.3% due to the refunding of \$229,000 of the Series 2001A Kentucky Rural Water Finance Corporation Revenue Bonds bearing interest at 5.099% with Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2013C in the principal amount of \$215,000 bearing interest ranging from 2.3% to 4.8%.

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrative Office at 331 Highway 330 West, Falmouth, Kentucky 41040.

A handwritten signature in black ink, appearing to read "William Jones", with a long horizontal flourish extending to the right.

William Jones, General Manager
Pendleton County Water District

PENDLETON COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
December 31, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 161,819	\$ 220,833
Accounts receivable	138,580	117,223
Inventories	41,511	33,343
Prepays	18,901	18,642
Accrued interest income	366	275
Unamortized issue costs	887	887
Total Current Assets	<u>362,064</u>	<u>391,203</u>
Restricted Assets		
Improvement, repair, and replacement	945,964	898,613
Depreciation reserve	201,566	151,587
Bond sinking fund	56,793	60,546
Customer deposits	36,627	35,950
Total Restricted Assets	<u>1,240,950</u>	<u>1,146,696</u>
Noncurrent Assets		
Unamortized issue costs	14,728	15,615
Capital Assets		
Land, building, transmission system, equipment, and vehicles	12,921,573	12,814,114
Less: accumulated depreciation	(3,977,215)	(3,770,854)
Total Capital Assets, net of depreciation	<u>8,944,358</u>	<u>9,043,260</u>
TOTAL ASSETS	<u>10,562,100</u>	<u>10,596,774</u>
LIABILITIES		
Current Liabilities		
Accounts payable	59,834	53,453
Accrued and withheld liabilities	20,723	19,480
Developer refunds - current portion	99,288	1,773
Total Current Liabilities	<u>179,845</u>	<u>74,706</u>
Current Liabilities Payable From Restricted Assets		
Revenue bonds - current portion	49,500	57,500
Lease obligation - current portion	7,000	7,000
Customer deposits	34,345	33,758
Accrued interest payable	25,745	26,438
Total Current Liabilities Payable From Restricted Assets	<u>116,590</u>	<u>124,696</u>
Long-Term Liabilities		
Bonds	1,695,500	1,734,000
Developer refunds	-	97,515
Capital lease payable	33,000	40,000
Total Long-Term Liabilities	<u>1,728,500</u>	<u>1,871,515</u>
TOTAL LIABILITIES	<u>2,024,935</u>	<u>2,070,917</u>
NET POSITION		
Invested in capital assets, net of related debt	7,075,685	7,121,974
Restricted	223,000	154,823
Unrestricted	1,238,480	1,249,060
TOTAL NET POSITION	<u>\$ 8,537,165</u>	<u>\$ 8,525,857</u>

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

PENDLETON COUNTY WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Water revenue	\$ 1,234,459	\$ 1,224,791
Other service revenues	31,074	15,258
TOTAL OPERATING REVENUES	<u>1,265,533</u>	<u>1,240,049</u>
OPERATING EXPENSES		
Water purchased	387,265	403,943
Operations, maintenance, and administrative expenses	623,658	652,508
Depreciation	221,979	348,712
Taxes	-	-
TOTAL OPERATING EXPENSES	<u>1,232,902</u>	<u>1,405,163</u>
OPERATING PROFIT (LOSS)	<u>32,631</u>	<u>(165,114)</u>
NON-OPERATING INCOME (EXPENSE)		
Investment income	8,782	9,463
Loss on disposal of assets	-	(50,498)
Interest on long-term obligations	(86,074)	(88,553)
Amortization of bond discounts and expenses	(887)	(887)
NET NON-OPERATING EXPENSES	<u>(78,179)</u>	<u>(130,475)</u>
NET LOSS	<u>(45,548)</u>	<u>(295,589)</u>
CAPITAL CONTRIBUTIONS	<u>56,856</u>	<u>168,370</u>
CHANGE IN NET POSITION	11,308	(127,219)
NET POSITION, JANUARY 1	<u>8,525,857</u>	<u>8,653,076</u>
NET POSITION, DECEMBER 31	<u>\$ 8,537,165</u>	<u>\$ 8,525,857</u>

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

PENDLETON COUNTY WATER DISTRICT STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2012 and 2011
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	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,244,176	\$ 1,249,421
Paid to suppliers for goods and services	(605,104)	(648,371)
Paid to or on behalf of employees for services	(406,622)	(415,324)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>232,450</u>	<u>185,726</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition and construction of fixed assets	(123,077)	(207,881)
Proceeds from sale of fixed assets	-	4,556
Interest received on investments	8,691	9,661
NET CASH USED BY INVESTING ACTIVITIES	<u>(114,386)</u>	<u>(193,664)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long term debt	(53,500)	(48,773)
Interest paid on long term debt	(86,767)	(88,799)
Contributed capital received	33,106	16,287
Grant proceeds	23,750	152,083
(Increase)/Decrease in restricted cash	(94,254)	77,529
Increase/(Decrease) in customer deposits	587	(2,813)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(177,078)</u>	<u>105,514</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59,014)	97,576
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>220,833</u>	<u>123,257</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 161,819</u>	<u>\$ 220,833</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 32,631	\$ (165,114)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	221,979	348,712
Change in operating assets and liabilities		
Decrease (Increase) in receivables	(21,357)	9,372
Decrease (Increase) in inventories	(8,168)	1,114
Decrease (Increase) in prepaid assets	(259)	(176)
Increase (Decrease) in accounts payable	6,381	(6,855)
Increase (Decrease) in other accrued liabilities	1,243	(1,327)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 232,450</u>	<u>\$ 185,726</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets (transmission mains, hydrants, etc.) contributed to the District	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ (86,767)</u>	<u>\$ (88,799)</u>

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

**PENDLETON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Pendleton County Water District (District) is a water utility, which provides service to residential and commercial customers in Pendleton County, Kentucky. The District was created by the Pendleton County Fiscal Court under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”) in 1958. The District’s current service area includes parts of Pendleton, Campbell, and Grant Counties.

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission (“PSC”) pursuant to KRS 278.040.

Basis of Accounting

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) Opinions of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The District has adopted, as applicable, GASB Statements 33 through 63 and related interpretations issued through December 31, 2012. Statement No. 33 required capital contributions to be recorded in the statement of revenues, expenses and changes in net assets. Statement 34 and subsequent statements and interpretations required certain other changes in terminology, format and content, as well as inclusion of the management’s discussion and analysis as required supplementary information.

All activities of the District are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, 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 measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into “invested in capital assets, net of related liabilities”; “restricted”; and “unrestricted” components.

**PENDLETON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011**

Cash Equivalents

For purposes of the statements of net position and statements of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgets

In accordance with Kentucky Revised Statute 65.065, the District is required to submit a balanced budget to the Pendleton County Fiscal Court prior to December 1. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year end.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

Distribution System, Building, and Equipment

Property, plant, transmission lines and equipment are recorded at cost and depreciated over their estimated useful lives using the straight line method. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the "Non-Operating Income (Expense)" portion of the Statements of Revenues, Expenses, and Changes in Net Assets.

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use at year end are held as "Construction in Progress". When the related asset is ready for use, related costs are transferred to the related asset account. The Construction in Progress account was \$0 at both December 31, 2012 and 2011.

Miscellaneous Deferred Charges

The costs of issuance of the District's Revenue Bonds are deferred and recorded as unamortized issue costs and are amortized over the life of the bond issues.

Capital Contributions

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and other contributions to recover the costs of extensions of the distribution system. The District also includes estimated cost figures for those lines contributed by outside contractors.

**PENDLETON COUNTY WATER DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2012 and 2011**

During 2012 and 2011 these contributions consisted of the following:

Source	2012	2011
Tap in fees and construction costs paid by new customers	\$ 33,106	\$ 16,287
Construction funding from Pendleton County Fiscal Court	23,750	-
State funding from the Kentucky Highway Department	-	152,083
Total	<u>\$ 56,856</u>	<u>\$ 168,370</u>

Income Tax Status

The District is exempt from federal and state income taxes since it is a governmental entity. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sales of fixed assets and interest income.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the statement of net position as “Cash and Cash Equivalents” and “Restricted Assets”. At December 31, 2012 and 2011, the bank balances were \$161,819 and \$220,833, respectively, which were the same as the carrying amount. The District has amounts on deposit with three banks in excess of FDIC insured amounts. The banks have pledged collateral to cover such excess amounts.

Funds in excess of current expenses or obligations of the District are invested in certificates of deposit issued by, or other interest bearing accounts of, banks that are insured by the Federal Deposit Insurance Corporation.

Effective January 1, 1998, investments are reported at fair value which is determined using the selected basis. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair market value.

The District's investments are categorized to give an indication of the level of risk assumed by the District at December 31, 2012.

PENDLETON COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2012 and 2011

The categories are described as follows:

Category 1 - Insured and registered, with securities held by the entity or its agent in the entity's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name;

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

	Category 1	Category 2	Category 3	Fair Value/ Carrying Cost	Cost
Deposits	\$ 161,819	\$ -	\$ -	\$ 161,819	\$ 161,819
Investments	1,216,939	-	24,011	1,240,950	1,240,950
Total	<u>\$ 1,378,758</u>	<u>\$ -</u>	<u>\$ 24,011</u>	<u>\$ 1,402,769</u>	<u>\$ 1,402,769</u>

In accordance with GASB 40, the District has \$24,011 in bond sinking funds held in investments in federally backed US Treasury Obligations rated AAA/Aaa. The market risk on these investments is negligible.

NOTE 3 – RESTRICTED NET ASSETS

Net position is comprised of net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted. Invested in capital assets, net of related debt consists of all capital assets net of accumulated depreciation and reduced by outstanding debts, that is attributable to the acquisition, construction and improvement of those assets. The restricted portion of net position consists of assets, net of related liabilities, for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. The unrestricted portion of net position consists of all other assets, net of related liabilities, not included in the above categories.

Included in the restricted portion of net position at December 31,

	2012	2011
Depreciation Reserve Fund	\$ 170,880	\$ 104,000
Bond Sinking Fund	52,120	50,823
Total Restricted Net Position	<u>\$ 223,000</u>	<u>\$ 154,823</u>

NOTE 4 – UTILITY PLANT IN SERVICE

All property, plant and equipment, including infrastructure assets, are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or

PENDLETON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

The property, plant and equipment accounts are summarized as follows:

Asset Type	Balance at December 31, 2011	Additions	Retirements	Balance at December 31, 2012
Land	\$ 63,176	\$ -	\$ -	\$ 63,176
Buildings and improvements	270,232	56,080	-	326,312
Construction in progress	-	35,927	(35,927)	-
Distribution reservoirs and standpipes	786,103	-	-	786,103
Furniture and fixtures	71,194	11,449	(15,618)	67,025
Hydrants	176,754	-	-	176,754
Meter system and installation	568,502	-	-	568,502
Other plant and misc. equipment	113,872	-	-	113,872
Pumping equipment	440,074	-	-	440,074
Services	673,405	18,614	-	692,019
Tools and equipment	18,699	-	-	18,699
Transmission mains	9,461,528	35,094	-	9,496,622
Transportation equipment	170,575	1,840	-	172,415
Subtotal	12,814,114	159,004	(51,545)	12,921,573
Accumulated depreciation	(3,770,854)	(221,979)	15,618	(3,977,215)
Capital Assets, net	<u>\$ 9,043,260</u>	<u>\$ (62,975)</u>	<u>\$ (35,927)</u>	<u>\$ 8,944,358</u>

NOTE 5 – BONDED INDEBTEDNESS

Water Works System Revenue Bonds, U.S. Department of Agriculture 1977

On May 26, 1978, the District sold \$263,000 of revenue bonds for the purpose of financing the costs of major water system facilities, which represent collateral on the bonds. All bonds mature on December 1st of each year beginning in 1980, ending in 2017. Interest is payable on June 1st and December 1st and principal is due in annual installments on December 1st through 2017.

PENDLETON COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2012 and 2011

The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2013	5.00%	\$ 12,000	\$ 3,350	\$ 15,350
2014	5.00%	13,000	2,750	15,750
2015	5.00%	13,000	2,100	15,100
2016	5.00%	14,000	1,450	15,450
2017	5.00%	15,000	750	15,750
Totals		<u>\$ 67,000</u>	<u>\$ 10,400</u>	<u>\$ 77,400</u>

Water Works System Revenue Bonds, U.S. Department of Agriculture 1997

On April 2, 1998, the District sold \$747,000 of revenue bonds for the purpose of financing the costs of major water system facilities, which represent collateral on the bonds. All bonds mature on December 1st of each year beginning in 2000 and ending in 2037. Interest is payable on June 1st and December 1st of each year and principal is due in annual installments on December 1st through 2037. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2013	5.125%	\$ 10,500	\$ 33,928	\$ 44,428
2014	5.125%	11,000	33,389	44,389
2015	5.125%	12,000	32,826	44,826
2016	5.125%	12,500	32,211	44,711
2017	5.125%	13,500	31,570	45,070
2018-2022	5.125%	83,500	146,422	229,922
2023-2027	5.125%	118,000	121,719	239,719
2028-2032	5.125%	166,500	86,843	253,343
2033-2037	5.125%	234,500	37,720	272,220
Totals		<u>\$ 662,000</u>	<u>\$ 556,628</u>	<u>\$ 1,218,628</u>

Kentucky Rural Water Finance Corporation Revenue Bonds, Series 2001A

On June 27, 2001, the District participated in the Kentucky Rural Water Finance Corporation's first Flexible Term Finance Program Remarketing wherein the proceeds of the revenue bonds issued were used to provide refunding and new money for twelve water systems throughout Kentucky. The District's share of the bond proceeds was \$374,000. The water systems represent collateral on the bonds. All bonds mature on January 1st of each year beginning in 2003 and ending in 2024. Interest is payable on January 1st and July 1st of each year and principal is due in annual installments on January 1st through 2024.

PENDLETON COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2012 and 2011

The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2013	5.099%	\$ 16,000	\$ 12,742	\$ 28,742
2014	5.099%	17,000	11,860	28,860
2015	5.099%	18,000	10,893	28,893
2016	5.099%	19,000	9,873	28,873
2017	5.099%	20,000	8,794	28,794
2018-2022	5.099%	114,000	25,589	139,589
2023-2024	5.099%	41,000	2,138	43,138
Totals		<u>\$ 245,000</u>	<u>\$ 81,889</u>	<u>\$ 326,889</u>

Water Works System Revenue Bonds, U.S. Department of Agriculture 2004

On January 29, 2005, the District sold \$596,000 of revenue bonds for the purpose of financing the costs of major water system facilities, which represent collateral on the bonds. All bonds mature on January 1st of each year beginning in 2007, with debt service requirements beginning in 2006, and ending in 2044. Interest is payable on January 1st and July 1st of each year and principal is due in annual installments on January 1st through 2044. The remaining debt service is as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2013	4.50%	\$ 8,000	\$ 24,930	\$ 32,930
2014	4.50%	8,000	24,570	32,570
2015	4.50%	9,000	24,210	33,210
2016	4.50%	9,000	23,805	32,805
2017	4.50%	10,000	23,400	33,400
2018-2022	4.50%	56,000	109,935	165,935
2023-2027	4.50%	69,000	96,165	165,165
2028-2032	4.50%	86,000	79,245	165,245
2033-2037	4.50%	107,000	57,960	164,960
2038-2042	4.50%	132,000	31,725	163,725
2043-2044	4.50%	60,000	4,095	64,095
Totals		<u>\$ 554,000</u>	<u>\$ 500,040</u>	<u>\$ 1,054,040</u>

Water Works System Revenue Bonds, U.S. Department of Agriculture 2010

On July 30, 2010, the District sold \$220,000 of revenue bonds for the purpose of financing the costs of major water system facilities, which represent collateral on the bonds. All bonds mature on January 1st of each year beginning in 2012, with debt service requirements beginning in 2010, and ending in 2049. Interest and principal are due in annual installments on January 1st through 2049.

PENDLETON COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2012 and 2011

The remaining debt service is as follows:

<u>Year</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2013	3.50%	\$ 3,000	\$ 7,595	\$ 10,595
2014	3.50%	3,000	7,490	10,490
2015	3.50%	3,000	7,385	10,385
2016	3.50%	3,500	7,280	10,780
2017	3.50%	3,500	7,158	10,658
2018-2022	3.50%	19,000	33,898	52,898
2023-2027	3.50%	22,500	30,346	52,846
2028-2032	3.50%	26,500	26,112	52,612
2033-2037	3.50%	32,000	21,123	53,123
2038-2042	3.50%	38,000	15,103	53,103
2043-2047	3.50%	45,000	7,981	52,981
2048-2049	3.50%	18,000	910	18,910
Totals		<u>\$ 217,000</u>	<u>\$ 172,381</u>	<u>\$ 389,381</u>

NOTE 6 – CAPITAL LEASE

In 1997, the District signed a capital sublease agreement for its office and storage facilities. The leased property of \$137,718 is included in buildings and improvements on the fixed asset summary in Note 4 and represents collateral on the lease. Amortization of the lease is included in depreciation expense. Accumulated amortization amounted to \$50,497 and \$47,054 at December 31, 2011 and 2010, respectively. Future minimum lease payments are as follows:

<u>Year</u>	<u>Rent Amount</u>	<u>Interest Amount</u>	<u>Total Lease Payment</u>
2013	\$ 7,000	\$ 2,141	\$ 9,141
2014	7,000	1,695	8,695
2015	8,000	1,190	9,190
2016	8,000	680	8,680
2017	10,000	53	10,053
Totals	<u>\$ 40,000</u>	<u>\$ 5,759</u>	<u>\$ 45,759</u>

NOTE 7 – DEVELOPER REFUNDS

During 2003, a developer installed waterlines within a subdivision that he owns. The District will refund \$887 to this developer (the actual cost of 50 feet of waterline) for each customer that buys a lot and connects to the waterline within ten years as of December 1, 2004. The total refund could be \$115,245. As of December 31, 2012, eighteen customers had tapped into this line, leaving a balance of \$99,288. The refund period will expire in December 2013; therefore, the entire remaining balance of \$99,288 is recognized as a current liability as of December 31, 2012.

PENDLETON COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 8 – INDEBTEDNESS SUMMARY

The changes in long-term indebtedness are as follows:

Debt Instrument	Balance at December 31, 2011	Additions	Retirements	Balance at December 31, 2012
Revenue bonds of 1977	\$ 79,000	\$ -	\$ (12,000)	\$ 67,000
Revenue bonds of 1997	671,500	-	(9,500)	662,000
Series 2001A bonds	259,000	-	(14,000)	245,000
Revenue bonds of 2004	562,000	-	(8,000)	554,000
Revenue bonds of 2010	220,000	-	(3,000)	217,000
Capitalized lease	47,000	-	(7,000)	40,000
Developer refunds	99,288	-	-	99,288
Subtotal	1,937,788	\$ -	\$ (53,500)	1,884,288
Less: current portion of long-term debt	(66,273)			(166,788)
Total Long-Term Indebtedness	\$ 1,871,515			\$ 1,717,500

NOTE 9 – OPERATING LEASE

The District leases a copier under an operating lease that began in July 2008 and will remain in force until June 2013. Rental payments under this lease were \$2,446 and \$2,425 for 2012 and 2011, respectively. Future minimum lease payments are as follows:

Year	Lease Payments
2013	\$ 734
Totals	\$ 734

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System (CERS) of Kentucky. It is a cost sharing multiple-employer defined benefit pension plan created by and operated under Kentucky law. CERS covers substantially all regular full-time employees of each county and school board, and any additional local agencies electing to participate in the system. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the State Legislature. For the years ended December 31, 2012 and 2011, plan members were required to contribute 5% of their annual creditable compensation. Members hired on or after September 1, 2008 are required to contribute 6%. The additional 1% is considered a health insurance contribution. Employer contribution rates are actuarially determined. Such contribution rates are determined by the Board of Trustees of the Kentucky Retirement System. They may amend contribution rates as of the first day of July, if it is determined necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. From January until July 2012 the employer contribution rates were 18.96%. From July until December 2012, the employer rates

PENDLETON COUNTY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2012 and 2011

were 19.55%. From January until July 2011 the employer contribution rates were 16.93%. From July until December 2011, the employer rates were 18.96%.

The District has made 100% of all required contributions for each of the years ended December 31, 2012, 2011, 2010, 2009, and 2008. Information about the contributions made by the District and the employees, as well as gross payroll and covered payroll follows:

	2012	2011	2010	2009	2008
Gross Payroll - All Employees	\$ 328,445	\$ 323,777	\$ 314,299	\$ 296,050	\$ 286,209
Gross Payroll - Covered Employees	304,445	300,177	291,099	261,530	251,989
Employee Contribution	15,222	15,242	14,555	13,077	12,599
Employer Contribution (expense)	58,641	53,817	48,244	38,892	37,298

NOTE 11 – ECONOMIC DEPENDENCY/CREDIT RISK

Pendleton County Water District is a government agency operating with one office in Falmouth, Kentucky. It grants credit to customers who are primarily local residents and businesses. The District receives all of its operating revenues from customers in Pendleton, Campbell, and Grant Counties in Kentucky.

NOTE 12 – CONCENTRATIONS

The District has agreements to purchase water from the City of Falmouth, Kentucky and the Northern Kentucky Water District through the year 2047. In June 2001, the District signed an agreement to purchase water on an "as needed" basis from the City of Williamstown, Kentucky. This contract is in force until June 2021.

NOTE 13 – CHANGE IN ACCOUNTING ESTIMATE

During 2012, the District, per recommendation from the Kentucky Public Service Commission, changed the useful lives of its transmission and distribution mains from 40 years to 75 years. This change will be applied prospectively beginning in 2012.

NOTE 14 – SUBSEQUENT EVENTS

The District instituted a rate increase, which was approved by the Kentucky Public Service Commission, subsequent to December 31, 2012. The increase took effect on the District's billing date of February 18, 2013. The minimum bill amount varies based on meter size, and can fall between \$22 for the smallest and \$49 for the largest meter.

Also, the District refunded its Series 2001A Kentucky Rural Water Finance Corporation Revenue Bonds in March 2013. New bonds issued for the refunding are Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds, Series 2013C. The new principal balance on these bonds is \$215,000, with interest rates ranging from 2.3% to 4.8%. The first principal payment on the bonds will be made in January 2014.

PENDLETON COUNTY WATER DISTRICT SCHEDULES OF OPERATIONS, MAINTENANCE AND ADMINISTRATIVE EXPENSES For the Years Ended December 31, 2012 and 2011
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	<u>2012</u>	<u>2011</u>
Operations, Maintenance and Administrative Expenses		
Salaries and wages - employees	\$ 284,442	\$ 297,298
Employee pension and benefits	99,423	93,099
Advertising	2,610	1,166
Bad debt expense	3,824	4,632
Commissioners' fees	24,000	23,600
Contractual services - accounting	22,375	18,600
Contractual services - other	18,162	22,304
Insurance - general and vehicle	16,386	16,269
Insurance - other	1,057	1,209
Insurance - workers' compensation	4,427	4,618
Maintenance	6,871	2,397
Materials and supplies	49,233	82,809
Miscellaneous	4,057	3,757
Purchased power	16,758	15,553
Regulatory commission	2,243	1,953
Rental of equipment	2,446	2,425
Taxes	23,090	22,791
Transportation	26,718	21,877
Utilities	15,536	16,151
	<u> </u>	<u> </u>
Total Operations, Maintenance and Administrative Expenses	<u>\$ 623,658</u>	<u>\$ 652,508</u>



Van Gorder, Walker & Co., Inc.
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**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
Pendleton County Water District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pendleton County Water District as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements which collectively comprise Pendleton County Water District's basic financial statements and have issued our report thereon dated April 26, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Pendleton County Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pendleton County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pendleton County Water District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described below, that we consider significant deficiencies.



Lack of Segregation of Duties

Condition: We noted that due to the size of the District and financial considerations, some of the executing and recording of transactions are performed by the same person.

Criteria: Segregation of duties is a necessary part of any system of internal control. Segregating the processes of authorizing, executing and recording transactions is essential.

Effect: Lack of segregation of duties could allow for receipts to be diverted away from the District and expenses not attributed to the District could be paid for from the District's cash account. The District has determined that the cost of mitigation is not justified when compared to the risk of the related transactions.

Recommendation: Due to the size of the District and other financial considerations, internal controls should be implemented, to the highest appropriate level, to segregate the duties of the personnel. Controls should then be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pendleton 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 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 audits, 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.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
April 26, 2013