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**BRACKEN COUNTY WATER DISTRICT
BROOKSVILLE, KENTUCKY
AUDITED FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015**



Penny R. Stanfield, CPA & Co., PLLC

2202 Old Main Street, Maysville, KY 41056

Phone: (606) 759-0606

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BRACKEN COUNTY WATER DISTRICT
BROOKSVILLE, KENTUCKY
Years Ended December 31, 2016 and 2015

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Penny R. Stanfield, CPA & Co., PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Bracken County Water District
Brooksville, Kentucky 41004

Report on the Financial Statements

I have audited the accompanying financial statements of Bracken County Water District, as of and for the years ended December 31, 2016 and 2015, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

2202 Old Main Street, Maysville, KY 41056

Phone: (606) 759-0606 Fax: (606) 759-8606 Email: pstanfield@windstream.net

Members American Institute of Certified Public Accountants and Kentucky Society of Certified Public Accountants

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bracken County Water District as of December 31, 2016 and 2015, 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

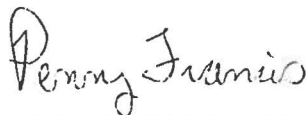
Management has omitted the management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is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

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bracken County Water District's basic financial statements. The accompanying supplemental information on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated October 18, 2017, on my consideration of the Bracken County Water District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Bracken County Water District's internal control over financial reporting and compliance.



PENNY R. STANFIELD, CPA & CO., PLLC
Maysville, Kentucky

October 18, 2017

BRACKEN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUND
December 31, 2016 and 2015

| | 2016 | 2015 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents - Unrestricted | \$ 946,974 | \$ 828,040 |
| Unbilled Revenue | 75,391 | 75,391 |
| Accounts Receivable - Customers, Net of Allowance for Uncollectible (\$9,431) | 147,607 | 133,810 |
| Inventory | 52,110 | 52,413 |
| Prepaid Insurance | 17,260 | 18,774 |
| Total Current Assets | 1,239,342 | 1,108,428 |
| Noncurrent assets: | | |
| Cash and Cash Equivalents - Restricted | 241,920 | 236,080 |
| KRWFC Sinking Fund | 135,278 | 133,503 |
| Nondepreciable Capital Assets: | | |
| Land | 17,990 | 14,491 |
| Construction in Progress | - | 300,744 |
| Depreciable Capital Assets: | | |
| Property, Plant and Equipment | 17,088,178 | 16,634,333 |
| Less: Accumulated depreciation | (5,591,221) | (5,314,902) |
| Total Noncurrent Assets | 11,892,145 | 12,004,249 |
| TOTAL ASSETS | \$ 13,131,487 | \$ 13,112,677 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts Payable | \$ 51,146 | \$ 98,981 |
| Customer Deposits | 65,919 | 66,700 |
| Accrued Wages and Vacation Pay | 34,495 | 31,912 |
| Taxes Payable | 4,863 | 4,716 |
| Accrued Interest | 67,960 | 71,523 |
| Current Portion of Long-Term Debt | 269,693 | 248,675 |
| Total Current Liabilities | 494,076 | 522,507 |
| Noncurrent Liabilities: | | |
| Notes Payable, Net of Current Portion | 4,171,254 | 4,378,450 |
| TOTAL LIABILITIES | 4,665,330 | 4,900,957 |
| NET POSITION | | |
| Net Investment in Capital Assets | 7,074,000 | 7,007,541 |
| Restricted for: | | |
| Debt Service | 200,832 | 197,114 |
| Capital Projects and Replacement | 108,507 | 104,252 |
| Customer Deposits | 67,888 | 68,217 |
| Unrestricted | 1,014,930 | 834,596 |
| TOTAL NET POSITION | \$ 8,466,157 | \$ 8,211,720 |

The notes to the financial statements are an integral part of this statement.

BRACKEN COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For The Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|---|-------------------------|-------------------------|
| OPERATING REVENUES: | | |
| Water Sales | \$ 1,512,479 | \$ 1,451,141 |
| Service Charges and Other Revenue | 44,763 | 52,866 |
| TOTAL OPERATING REVENUES | 1,557,242 | 1,504,007 |
| OPERATING EXPENSES: | | |
| Water Purchased | 350,320 | 366,766 |
| Salaries | 229,114 | 239,292 |
| Employee Pensions and Benefits | 44,332 | 37,023 |
| Electricity | 43,207 | 44,428 |
| Maintenance | 27,386 | 21,762 |
| Materials and Supplies | 54,805 | 47,699 |
| Insurance | 37,572 | 38,385 |
| Advertising | 252 | 184 |
| Accounting and Legal Fees | 30,438 | 77,307 |
| Transportation | 11,166 | 13,787 |
| Water Analysis Fee | 2,619 | 2,813 |
| Regulatory Commission Expense | 2,958 | 3,006 |
| Depreciation and Amortization | 297,285 | 299,612 |
| Payroll Taxes | 17,143 | 17,534 |
| TOTAL OPERATING EXPENSES | 1,148,597 | 1,209,598 |
| OPERATING INCOME | 408,645 | 294,409 |
| NONOPERATING REVENUES (EXPENSES): | | |
| Customer Tap Fees | 24,000 | 25,500 |
| Gain/Loss on Sale of Assets | - | (2,510) |
| Interest Income | 4,024 | 1,005 |
| Interest Expense | (182,232) | (184,679) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (154,208) | (160,684) |
| Net Income Before Capital Contribution | 254,437 | 133,725 |
| Capital Contribution | - | - |
| CHANGE IN NET POSITION | 254,437 | 133,725 |
| NET POSITION- Beginning of year | 8,211,720 | 8,173,523 |
| Prior Period Adjustment | - | (95,528) |
| NET POSITION- End of year | \$ 8,466,157 | \$ 8,211,720 |

The notes to the financial statements are an integral part of this statement.

BRACKEN COUNTY WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
For The Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Receipts from Customers | \$ 1,504,961 | \$ 1,462,753 |
| Cash Payments to Suppliers for Goods and Services | (680,669) | (614,210) |
| Cash Payments for Salaries and Benefits | (232,072) | (288,361) |
| Other Receipts (Payments) | 52,281 | 52,866 |
| Net Cash Provided (Used) by Operating Activities | 644,501 | 613,048 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| KRWFC Sinking Fund | (1,775) | 618 |
| Interest Income | 4,024 | 1,005 |
| Net Cash Provided (Used) by Investing Activities | 2,249 | 1,623 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds From Capital Debt | 62,498 | 295,502 |
| Principal Paid on Capital Debt | (248,676) | (233,922) |
| Purchases of Capital Assets | (177,566) | (414,359) |
| Contributed Capital - Tap Fees | 24,000 | 25,500 |
| Interest Paid on Capital Debt | (182,232) | (188,135) |
| Net Cash Provided (Used) by Financing Activities | (521,976) | (515,414) |
| NET INCREASE (DECREASE) IN CASH | 124,774 | 99,257 |
| Cash and Cash Equivalents - Beginning of Year | 1,064,120 | 964,863 |
| Cash and Cash Equivalents, End of Year | \$ 1,188,894 | \$ 1,064,120 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating Income (Loss) | \$ 408,645 | \$ 294,409 |
| Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities: | | |
| Depreciation Expense | 297,285 | 299,612 |
| Amortization Expense | - | - |
| Change in Assets and Liabilities: | | |
| Accounts Receivable | (13,797) | 7,112 |
| Inventories | 303 | (1,097) |
| Prepaid Expense | 1,514 | (851) |
| Accounts Payable and Other Payables | (51,250) | 3,875 |
| Customer Deposits | (781) | 4,500 |
| Accrued Wages and Vacation | 2,582 | 5,488 |
| Net Cash Provided (Used) by Operating Activities | \$ 644,501 | \$ 613,048 |

The notes to the financial statements are an integral part of this statement.

**BRACKEN COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bracken County Water District was created and organized as a public body corporate in Bracken County, Kentucky, pursuant to Chapter 74 of the Kentucky Revised Statutes, by the Bracken County Fiscal Court to operate a water distribution system. The District is regulated by the Kentucky Public Service Commission.

The Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Bracken County Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of government authority, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service and financing relations. The entities included in the financial statements are the general operations of the District. Bracken County Water District No. 1 merged with Western Bracken County Water District effective December 27, 1995 by order of the Public Service Commission.

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

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounts of the District are maintained on the accrual basis of accounting. The District's financial statements include the operations of all entities for which the District exercises oversight responsibility. Oversight responsibility includes, but is not limited to financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Inventory

Inventory is valued at the lower of cost or market.

BRACKEN COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Depreciation is applied on the straight-line method over the estimated useful life of the asset, using rates determined by reference to Utility Standards Rates (NARUC). Asset lives range from 75 years for system lines and plant, to 20 years for pumping equipment, 20 years for meters, and from 5 to 20 years for vehicles and office equipment. The provisions for depreciation in 2016 reflect those standard rates by asset class. The District's capitalization threshold is \$1,000.

Unbilled Revenue

The District records revenue as billed to its customers on monthly meter reading cycle. At the end of each year, water service that has been rendered from the latest date of each meter reading to the year-end is unbilled.

Power Costs

The cost of power purchases for pumping water is charged to expense as used.

Income Tax Status

The District is a political subdivision created under Kentucky Revised Statutes 74.012, and as such, is exempt from federal and state income taxes. Accordingly, the financial statements include no provision for income taxes.

Cash Flows

For purposes of the statement of cash flows, the District uses the direct method of reporting net cash flow from operating activities, and considers certificates of deposit with a maturity of six months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are legal limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**BRACKEN COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015**

NOTE 2: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash and cash equivalents consist of checking and savings accounts with local banks. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016, \$451,581 of the bank balance was exposed to custodial credit risk as follows:

| | |
|--|------------------|
| Uninsured and collateral held by pledging bank | <u>\$451,581</u> |
| Total | <u>\$451,581</u> |

NOTE 3: LONG-TERM DEBT

In connection with two major construction projects, the District obtained new loans to pay for construction not otherwise covered by Federal or State grants or by local funds. On October 7, 2004, the District finalized a long-term loan with USDA Rural Development in the amount of \$980,000 for the Southwestern Project. On August 31, 2004, the District finalized a \$928,000 loan from KIA for the Berlin-Lenoxtburg Project.

The Rural Development loan is for 40 years, 4.5%, principal payable on December 1 of each year and interest paid semi-annually. The KIA loan is for 20 years, 3.0%, principal and interest payable monthly.

The Delisle Curve and office building projects were funded by loans through the Kentucky Rural Water Finance Corporation (KRWFC). In April 2006, the District obtained short-term financing in the amount of \$3,085,000 to begin construction on these projects. In August 2007, bonds were issued in the amount of \$3,350,000 to payoff the short-term financing and for additional construction costs. The loan is for 20 years, 4.175% to 4.550%, principal and interest payments made monthly into the sinking fund at KRWFC.

On March 1, 2012, the District obtained two loans from Kentucky Infrastructure Authority (KIA) to commence construction on two projects. The first project is a line replacement project which was funded by Loan Fund C in the amount of \$621,000. The second project was for the Short Road improvement and upgrade project which was funded by Loan Fund B in the amount of \$475,000, of which 80% of the principal was forgiven. Both loans were financed at a 3% interest rate.

The KY 19 Master Meter to Kelly Ridge project was funded by a Kentucky Infrastructure Authority (KIA) loan on September 1, 2015 in the amount of \$358,000. Repayment of the loan began in December 2016 with semi-annual payments of \$10,624 with an interest rate of 1.75%.

**BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2016 and 2015**

NOTE 3: LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|-------------------|---------------------------|
| \$791,334, 02-10 KIA For construction through December 31, 2003, loan maximum \$928,000, interest at 3.00% | \$ 486,168 | \$ - | \$ 47,812 | \$ 438,356 |
| \$980,000, 2004 Rural Development dated 10/07/04, due 2044, principal payable annually on Dec. 1 and interest payable semi-annually at 4.50% | 859,000 | - | 15,000 | 844,000 |
| \$3,350,000, Kentucky Rural Water Finance Corp. Series 2007 D, dated 07/30/07, principal payable annually, interest payable semi-annually at 4.175-4.55% | 2,330,000 | - | 150,000 | 2,180,000 |
| \$475,000 KIA (principal forgiven \$380,000) Loan #B10-10, dated 12/09/10 principal payable semi-annually, interest payable semi-annually at 3.00% | 82,181 | - | 3,915 | 78,266 |
| \$358,000 KIA Loan #B15-002, dated 09/01/2015 payable semi-annually, principal in varying amounts, interest ratet 1.75% | 295,502 | 62,498 | 7,514 | 350,486 |
| \$621,000, KIA Loan #C11-01, dated 03/01/12 payable monthly, principal in varying amounts, interest at 3.00% | 574,274 | | 24,435 | 549,839 |
| | <u>4,627,125</u> | <u>62,498</u> | <u>248,676</u> | <u>4,440,947</u> |
| Less: Current Maturities | <u>248,675</u> | | | <u>269,693</u> |
| Totals | <u>\$4,378,450</u> | | | <u>\$4,171,254</u> |

The following is a schedule of long-term debt maturities:

| | <u>Principal</u> | <u>Interest</u> |
|-----------|---------------------|--------------------|
| 2017 | 269,693 | 172,880 |
| 2018 | 278,337 | 162,613 |
| 2019 | 287,057 | 151,738 |
| 2020 | 300,857 | 140,855 |
| 2021 | 308,738 | 129,155 |
| 2022-2026 | 1,628,021 | 588,408 |
| 2027-2031 | 688,231 | 182,850 |
| 2032-2036 | 353,013 | 100,889 |
| 2037-2041 | 225,000 | 49,165 |
| 2042-2045 | 102,000 | 7,898 |
| | <u>\$ 4,440,947</u> | <u>\$1,686,451</u> |

BRACKEN COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

NOTE 4: RESERVES

The Bracken County Water District is required to comply with the KIA and Rural Development bond agreements as follows:

A. SINKING FUND

On or before the 20th day of each month and after the required payment to the Operation and Maintenance Fund Account, the District is required to set aside an amount into a special account known as the "Bracken County Water District Waterworks, Bond and Interest Sinking Fund". The amount to be set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

- (1) A sum equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
- (2) A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding January 1.

The District had set aside \$200,833 at December 31, 2016 into the restricted account. Deposits were made to the sinking fund on a monthly basis as required in (1) and (2).

B. DEPRECIATION FUND

The District is required to deposit \$470 and \$310 for Rural Development and KIA each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development and KIA, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project. Whenever the balance in the Depreciation Fund shall equal \$56,400 (\$37,000 for KIA) the monthly payments may be discontinued, or by the order of the governing body of the District, may be diverted into the Sinking Fund Account to be held as a part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance. The District is also required to deposit \$1,200 annually until the account reaches \$12,000 and \$1,600 annually until the account reaches \$16,000 for new KIA loans. The District had set aside \$107,575 at December 31, 2016 into restricted accounts.

BRACKEN COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2016 and 2015

NOTE 5: FIXED ASSETS

Capital asset activity for the fiscal year ended December 31, 2016 was as follows:

| Business-Type Activities | Balance Jan. 1, 2016 | Additions | Deductions | Balance Dec. 31, 2016 |
|--|-----------------------------|--------------------------|--------------------------|-----------------------------|
| Cost: | | | | |
| Land | \$ 14,490 | \$ 3,500 | \$ - | \$ 17,990 |
| Plant in Service | 16,108,518 | 472,316 | - | 16,580,834 |
| Other Depreciable Assets | 525,815 | 2,495 | 20,966 | 507,344 |
| Construction in Progress | 300,744 | 211,690 | 512,434 | - |
| Totals at historical cost | <u>16,949,567</u> | <u>690,001</u> | <u>533,400</u> | <u>17,106,168</u> |
| Less accumulated depreciation: | | | | |
| Land & Land Rights | 835 | - | - | 835 |
| Plant in Service | 4,844,450 | 252,024 | - | 5,096,474 |
| Other Depreciable Assets | 469,617 | 45,261 | 20,966 | 493,912 |
| Total accumulated depreciation | <u>5,314,902</u> | <u>297,285</u> | <u>20,966</u> | <u>5,591,221</u> |
| Business-Type Activities Capital Assets - Net | <u>\$ 11,634,665</u> | <u>\$ 392,716</u> | <u>\$ 512,434</u> | <u>\$ 11,514,947</u> |

Capital asset activity for the fiscal year ended December 31, 2015 was as follows:

| Business-Type Activities | Balance Jan. 1, 2015 | Additions | Deductions | Balance Dec. 31, 2015 |
|--|-----------------------------|--------------------------|------------------------|-----------------------------|
| Cost: | | | | |
| Land | \$ 14,491 | \$ - | \$ - | \$ 14,491 |
| Plant in Service | 15,996,589 | 111,929 | - | 16,108,518 |
| Other Depreciable Assets | 530,404 | 1,686 | 6,275 | 525,815 |
| Construction in Progress | - | 300,744 | - | 300,744 |
| Totals at historical cost | <u>16,541,484</u> | <u>414,359</u> | <u>6,275</u> | <u>16,949,568</u> |
| Less accumulated depreciation: | | | | |
| Land & Land Rights | 835 | - | - | 835 |
| Plant in Service | 4,597,576 | 246,874 | - | 4,844,450 |
| Other Depreciable Assets | 420,644 | 52,738 | 3,765 | 469,617 |
| Total accumulated depreciation | <u>5,019,055</u> | <u>299,612</u> | <u>3,765</u> | <u>5,314,902</u> |
| Business-Type Activities Capital Assets - Net | <u>\$ 11,522,429</u> | <u>\$ 114,747</u> | <u>\$ 2,510</u> | <u>\$ 11,634,666</u> |

BRACKEN COUNTY WATER DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY RURAL DEVELOPMENT
December 31, 2016

NOTE 6: ECONOMIC DEPENDENCY

The District purchases all of its water from the District of Augusta Water Treatment Plant, through a long-term contract at rates determined annually on the basis of operating costs of the Water Treatment Plant.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts - theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by the District's managements.

NOTE 8: SUBSEQUENT EVENTS

Subsequent events were considered through October 18, 2017, which represents the release date of this report.

SUPPLEMENTAL INFORMATION

**BRACKEN COUNTY WATER DISTRICT
 SUPPLEMENTARY INFORMATION REQUIRED BY RURAL DEVELOPMENT
 December 31, 2016**

Schedule of Insurance in Force

| <u>Insurance Coverage</u> | <u>Amount of Coverage</u> | <u>Expiration Date of Policy</u> |
|-----------------------------------|---------------------------|--------------------------------------|
| General Liability | \$3,000,000 | 07-01-17 |
| Property - Building & Contents | \$5,109,820 | 07-01-17 |
| Equipment & Vehicles | \$384,392 | 07-01-17 |
| Treasurer and Commissioners | \$300,000 and \$10,000 | 04-25-17 |
| Workers Compensation | Statutory | 07-01-17 |
| Encroachment Permit | \$25,000 | Indefinite |



Penny R. Stanfield, CPA & Co., PLLC

Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Bracken County Water District
Brooksville, Kentucky 41004

I have audited, 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, the financial statements of Bracken County Water District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Bracken County Water District's basic financial statements, and have issued my report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Bracken County Water District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bracken County Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bracken 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

2202 Old Main Street, Maysville, KY 41056

Phone: (606) 759-0606 Fax: (606) 759-8606 Email: pstanfield@windstream.net

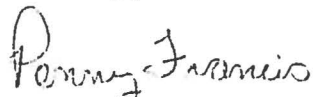
Members American Institute of Certified Public Accountants and Kentucky Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bracken County Water District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



PENNY R. STANFIELD, CPA & CO., PLLC
Maysville, Kentucky

October 18, 2017