



Warren County
Water District

January 6, 2016

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PUBLIC SERVICE
COMMISSION

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
211 SOWER BLVD
PO BOX 615
FRANKFORT KY 40602-0615

IN RE: Alvaton Area Sewer Project

Dear Mr. Derouen:

Case No. 2016-00035

Enclosed are the original and ten copies of the Application of Warren County Water District for a Certificate of Convenience and Necessity. This application also requests the Commission's approval of a Kentucky Infrastructure Authority loan for the subject sewer extension.

As detailed in the application, the proposed project will provide sewer service to an elementary school and a county park. We are requesting approval by February 15, 2016, to allow award of the construction contract before bids expire.

Thank you for your assistance on this project.

Sincerely,

John M. Dix, P.E.
General Manager

JMD:ska

Enclosures

Providing high-quality
water and wastewater
services to families and
businesses throughout
Warren County.

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PUBLIC SERVICE
COMMISSION



Warren County
Water District

ALVATON AREA SEWER PROJECT

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

THE APPLICATION OF WARREN COUNTY WATER DISTRICT, WARREN COUNTY, KENTUCKY, (A) FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY, PURSUANT TO KRS 278.020, AUTHORIZING SAID DISTRICT TO CONSTRUCT IMPROVEMENTS AND EXTENSIONS TO ITS EXISTING SEWER SYSTEM, WHICH IMPROVEMENTS AND EXTENSIONS WILL BE FINANCED IN WHOLE OR IN PART UNDER THE TERMS OF AN AGREEMENT BETWEEN THE WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY; AND (B) FOR AUTHORITY TO ISSUE CERTAIN SECURITIES AS REQUIRED BY KRS 278.300.

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JAN 07 2016
PUBLIC SERVICE
COMMISSION

CASE NO. 2016-00035

APPLICATION OF WARREN COUNTY WATER DISTRICT

The Applicant, Warren County Water District, situated in Warren County, Kentucky, hereby applies to the Public Service Commission of Kentucky for a Certificate of Convenience and Necessity authorizing the construction of certain improvements and extensions to its existing sewer system, including sewer lines and other appurtenances for the purposes of furnishing an adequate sewage disposal system for domestic, commercial and public use in said District, all in the interests of public health, safety and general welfare of the citizens and inhabitants of the District and its customers. The Applicant further requests that the Public Service Commission grant approval for the Applicant to secure a loan as herein set forth. The Applicant's proposed improvements and extensions are to be financed in part by the Kentucky Infrastructure Authority. Therefore, it is requested that the Commission promptly review the proposed project and agreements with the Kentucky Infrastructure Authority and issue its Certificate of

Convenience and Necessity without delay to allow service to the existing elementary school and existing county park take place as soon as possible.

In support of this Application, the Applicant represents as follows:

(1) Warren County Water District situated in Warren County, Kentucky, (The Applicant) is a water district existing by virtue of an Order entered by this Commission in its Case No. 5909 on December 18, 1973, the same being a matter before this Commission under authority of KRS 74.361. By its Order of December 18, 1973, in said Case No. 5909, the Commission merged the previously existing Northside Water District situated in Warren County, Kentucky, with the previously existing Westside Water District, a contiguous water district in said County, and ordered **inter alia** in pertinent part as follows:

That Northside Water District and Westside Water District be and they are hereby merged into a single water district, Warren County Water District, . . . That the rates to be charged by the merged District, Warren County Water District, shall be the existing rates on file with this Commission for the Northside Water District. . . That the merged District, Warren County Water District, shall acquire the assets and legal obligations of Northside Water District and Westside Water District....

(2) It is respectfully represented to the Commission that by virtue of KRS 74.36 1(5) and the Commission's Order entered on December 18, 1973, in said PSC Case No. 5909, it has followed as a matter of law that the previously existing Northside Water District and Westside Water District were merged into and became a new water district under the name and style "Warren County Water District" (The Applicant).

(3) The Applicant has found it necessary to undertake certain urgently needed improvements and extensions to its existing sewer system, including sewer lines and other appurtenances. The Water District's staff engineer, Ryan Leisey, P.E.,

Bowling Green, Kentucky (the "Engineer"), has prepared an Engineering Report as well as detailed plans and specifications for the construction and installation of the proposed major sewer facilities and improvements within the Water District (the "Project"). The Engineering Report contains, among other things, a description of the Project, cost figures and other pertinent financial data and projections and plans for the financing of the Project, pro forma adjustments and a copy of the low bid for the sewer line extensions. A copy of said Engineering Report is attached hereto marked **EXHIBIT A** and incorporated herein as if set forth in full.

(4) According to the engineering report of the Engineer, the estimated cost of constructing and installing the sewer line extensions is ONE MILLION EIGHT HUNDRED TWENTY-SEVEN THOUSAND SIX HUNDRED FIFTY DOLLARS (\$1,827,650.00), which cost shall be financed through a loan in the amount of ONE MILLION NINETY THOUSAND FIFTY DOLLARS (\$1,090,050.00) from the Kentucky Infrastructure Authority and contributions from the Warren Fiscal Court and Warren County Water District in accordance with the Kentucky Infrastructure Authority's letter dated February 5, 2015 and the Agreement dated January 27, 2015 attached hereto as **EXHIBITS B** and **C**, respectively, and incorporated herein as if set forth in full. The County of Warren has guaranteed to the District, pursuant to said Agreement (**EXHIBIT C**) the full debt service requirement, including principal, interest and service fees which may be required for the sewer loan. In addition, Warren County Board of Education has agreed to contribute FOUR HUNDRED NINETY THOUSAND SIX HUNDRED FIFTY DOLLARS (\$490,650.00) towards the construction of the Project for service to Alvaton Elementary School per the Connection Agreement dated August 31, 2015, attached hereto as **EXHIBIT D**. The Warren County Department of Public Works has

also agreed to contribute SIXTY SIX THOUSAND NINE HUNDRED FIFTY DOLLARS (\$66,950.00) towards the Project as stated in the letter dated January 4, 2016, attached hereto as **EXHIBIT E** for service to its facility.

(5) The Engineering Report (**EXHIBIT A**) and the Agreement (**EXHIBIT C**) describe a Sewer Interceptor Capital Recovery Area (SICRA) to be established in conjunction with the Project. The purpose of the SICRA is to create a program through which users of the Project contribute an equitable amount toward the initial cost of construction. To accomplish this, customers within the boundary delineated for the Alvaton SICRA will pay a capital recovery contribution in addition to the standard sewer connect fee. Details of the SICRA program are provided in the Engineering Report (**EXHIBIT A**). The District's tariff sheet which is amended to include the Alvaton SICRA Contributions is attached hereto as **EXHIBIT F** and will be submitted to the Public Service Commission through electronic filing.

(6) The Project includes extending sewer service to a county park and elementary school in the Alvaton Area in Warren County, Kentucky, which will enable both entities to eliminate existing onsite treatment systems. No public sewer facilities presently exist in those areas of the District for the provision of collecting sewage from domestic, commercial and public entities. The proposed sewer extension of the District and improvements thereto which shall consist of extensions off the existing system will not be in competition with services rendered or offered by any person, firm or corporation. It is further the opinion of the Commissioners of the District that the public health, safety and general welfare of the citizens and inhabitants of the District will be immeasurably promoted and served by the construction of the sewer extensions pursuant to authority of KRS Chapter 74 and the financing thereof.

(7) The Water District represents that, based upon the projections of the Engineer, the existing rates are adequate to meet the annual operating cost of the addition to the System.

(8) The following detailed information included with the Application and all **EXHIBITS** referred to herein are incorporated by reference as a part of this Application:

- EXHIBIT A** Engineering report (This is the only report).
- EXHIBIT B** Kentucky Infrastructure Authority's letter dated February 5, 2015
- EXHIBIT C** Agreement entered into between the Warren County Water District and Warren Fiscal Court providing the guarantee of debt service by Fiscal Court and commitments for additional contributions by both parties.
- EXHIBIT D** Connection Agreement with Warren County Board of Education
- EXHIBIT E** Warren County Department of Public Works' letter dated January 4, 2016
- EXHIBIT F** Revised Tariff
- EXHIBIT G** Certified statement from an authorized utility official confirming (1) that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:071, Sections 1 through 8; (2) that all other state approvals or permits have already been obtained; (3) that the existing rates are adequate to meet the annual operating cost of the addition to the System; and (4) dates when construction will begin and end.
- EXHIBIT H** Bid Tabulation
- EXHIBIT I** Balance sheet, revenue and expense statement for 12 months ending November 30, 2015

- EXHIBIT J** Audit for period ending December 31, 2014
- EXHIBIT K** Amortization schedule of present and proposed indebtedness
- EXHIBIT L** Copies of all trust deeds or mortgages – No trust deeds and mortgages

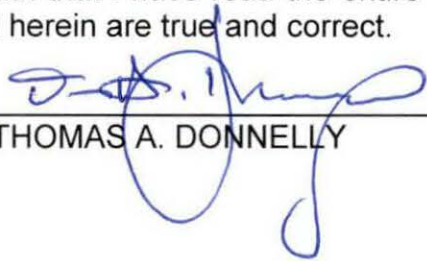
(9) The governing body of the District, its Commission, respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project.

WHEREFORE, the Applicant, Warren County Water District, upon the basis of the facts and circumstances hereinabove set forth and as represented by the **EXHIBITS** attached hereto and made a part hereof, requests that the Commission issue to the Applicant a Certificate of Convenience and Necessity authorizing the Applicant to construct and install the sewer service facilities outlined and recommended by the report of the Engineer and approving the Applicant's loan presently contemplated to be in the principal amount of ONE MILLION NINETY THOUSAND FIFTY DOLLARS (\$1,090,050.00).

COLE & MOORE PSC
921 College Street, P. O. Box 10240
Bowling Green, Kentucky 42102-7240
Phone: (270) 782-6666
Attorneys for Applicant,
Warren County Water District

BY: 
FRANK HAMPTON MOORE, JR.

I, Thomas A Donnelly, Vice-Chairman of the Warren County Water District Board of Commissioners, hereby state under oath that I have read the entire foregoing Application and that all matters of fact contained herein are true and correct.



THOMAS A. DONNELLY

COMMONWEALTH OF KENTUCKY

COUNTY OF WARREN

SUBSCRIBED AND SWORN TO before me by Thomas A. Donnelly on this day 6 of January, 2016, in Bowling Green, Warren County, Kentucky.



NOTARY PUBLIC, Ky. State-at-Large

My Commission Expires: 2-1-16



Warren County Water District
Sewer Division
Warren County, Kentucky

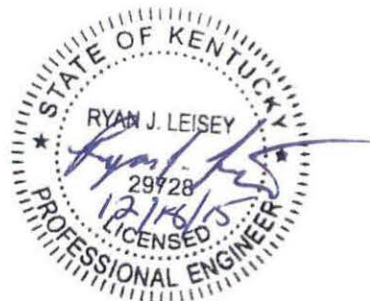
ENGINEERING REPORT

**ALVATON AREA
SEWER EXTENSION**



Warren County
Water District

December 18, 2015



Prepared by
Engineering Staff
Warren County Water District

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Exhibit A – Proposed Sewer Extension Map and SICRA

Appendix A - Bid

INTRODUCTION

The Warren County Board of Education owns and operates Alvaton Elementary School, located at 6350 Old Scottsville Road in South-Eastern Warren County, KY. There are approximately 650 students and staff at the facility. Wastewater from the school is currently treated on-site, using a package plant. This system requires a significant amount of maintenance and no longer operates at an optimum level. To reduce maintenance and compliance costs, the Board of Education desires to connect to the public sewer system, and retire its existing on-site sewer facilities.

The Warren County Parks & Recreation Department operates Phil Moore Park, located at 7101 Scottsville Road in South-Eastern Warren County, KY. The park property is on the northern bank of Drakes Creek. Canoe and kayak enthusiasts put-in and take-out on the park property. Within the park there are two (2) baseball fields with restrooms and concession facilities. There is also a heavily utilized gym building with two (2) basketball courts, restrooms, and a kitchen. Wastewater from the park is currently treated on-site, using a series of septic tanks, a pumping facility, and leach field. This system requires a significant amount of maintenance and no longer operates at an optimum level. To reduce maintenance requirements and prevent environmental concerns, the Parks Department desires to connect to the public sewer system, and retire its existing on-site sewer facilities.

Warren County Water District (Warren Water) is proposing the construction of approximately 8,000 feet of 8-inch and 12-inch public gravity sewers, 18,000 feet of 8-inch force main, and a sewer lift station to provide sewer service to the Alvaton Elementary School, Phil Moore Park, and surrounding areas.

The Alvaton Area Sewer Extension will be financed by a loan from the Kentucky Infrastructure Authority (KIA), contributions from the Warren Fiscal Court, contributions from the Warren County Board of Education, contributions from the Warren County Public Works Department, and Warren Water. No increase in the existing sewer rate is proposed at this time to cover the additional operating, maintenance, and capital expenses resulting from the proposed system additions.

EXISTING SEWER SYSTEM

Warren Water's existing sewer system currently includes approximately 150 miles of sewer lines with gravity sewers as large as 24 inches in diameter and 54 pumping stations to transport wastewater where gravity sewers are not practical. There are approximately 5,300 residential and 470 commercial sewer customers. These customers generate an average wastewater flow of approximately 1,900,000 gallons per day (gpd). Warren Water's wastewater is discharged into the Bowling Green Municipal Utilities (BGMU) sewer system at 7 separate points of connection for transport to the wastewater treatment plant (WWTP). BGMU's WWTP has a capacity of 12.0 million gallons per day (MGD), with provision to increase the capacity to 15.0 MGD in the future. The WWTP has ample capacity to receive wastewater from existing customers and the proposed project.

PROPOSED SEWER SYSTEM ADDITIONS

The proposed sewer force main begins at an existing sewer force main on the north-west corner of the intersection of Plano Road and the William H. Natcher Parkway. From this discharge point, an 8-inch sewer force main will cross Plano Road and extend approximately 5,000 feet generally easterly to a point approaching the tangent point of the William H. Natcher Parkway and Dye Ford Road. The force main will be bored under the William H. Natcher Parkway and continue generally easterly along the northern side of Dye Ford road. The force main will cross Dye Ford Road and continue along the south side of Scottsville Road in a south-easterly direction to the Phil Moore Park property. The force main will cross to the north side of Scottsville Road under the dry bridge on the park property. A 10" directional bore with hdpe carrier will be used to cross Drakes Creek. The 8-inch force main will continue south-easterly along the north side of Scottsville Road and the south side of the Knob Hill frontage road until the force main reaches the lift station site located approximately 1,200 feet north-west of the intersection of Scottsville Road and Wilson Road. From the lift station a 12-inch interceptor will run along the north side of Scottsville Road approximately 3,300 feet to the property line between Eastwood Baptist Church and the Warren Rural Electric Cooperative Sub-Station. An 8-inch sewer interceptor will extend from the end of the 12-inch interceptor, east, along the south property line of the church to Old Scottsville

Road. The 8-inch interceptor will turn south and run along the west side of Old Scottsville Road, past Alvaton Elementary School, to the intersection of Old Scottsville Road and Alvaton Road. The interceptor will cross Old Scottsville Road and continue along Alvaton Road approximately 500 feet to the termination of the project. The as-bid construction cost of this project is \$1,566,710.50. The projected engineering and inspection cost for the project is \$180,000. A map of the proposed sewer is included as Exhibit A.

The proposed facilities are to provide sanitary sewer service to Alvaton Elementary School, Phil Moore Park and likely several commercial and residential properties along Scottsville Road. This new interceptor will also accommodate wastewater flows from surrounding areas which are projected to experience a high rate of development. The area that the proposed interceptor is projected to serve includes approximately 1,600 acres. At build-out, approximately 1,500 residential units are projected within the area. Future sewer extensions will be constructed from the proposed interceptor to provide sanitary sewer service throughout the development area.

Initially, the wastewater flow from this interceptor will be less than 2,000 gpd. However, as growth occurs in the area, the wastewater flow will increase accordingly. At build-out, wastewater flows from the area are estimated at 200,000 gpd.

RESULTS OF CONSTRUCTION BIDS AND FINANCIAL CONSIDERATIONS

On December 16, 2015, Warren Water opened bids for the construction of the proposed improvements. The total low bid for the construction was \$1,566,710.50 and is within the funds available for the proposed project as adjusted after the bid opening. The proposal of the low bidder is included as Appendix A and a detailed breakdown of all estimated project costs is included in the Project Budget on Table 1.

TABLE 1
Project Budget
Alvaton Area Sewer Project
Warren County Water District

PROJECT COSTS		
1. Engineering		
a. Design	\$80,000	
b. Construction Supervision	35,000	
c. Inspection	50,000	
		\$165,000
2. Easement Acquisition		15,000
3. Construction		1,566,711
4. Contingency		80,939
		<u>1,827,650</u>
TOTAL PROJECT COST		
		<u>\$1,827,650</u>
PROJECT FUNDING		
1. KIA Loan		\$1,090,050
2. Warren County Public Works		66,950
3. Warren County Board of Education		490,650
4. Warren County Water District		180,000
		<u>1,827,650</u>
TOTAL PROJECT FUNDING		
		<u>\$1,827,650</u>

Various methods of financing this project have been evaluated. A loan from KIA was found to provide the lowest financing expense. In addition to a loan, contributions from the Warren County Board of Education, Warren County Public Works, and Warren Water complete the financing of the project. Warren Water will provide engineering and inspection services. The remaining project cost results in a loan amount from KIA of \$1,090,050.00 which will be at an interest rate of 3.0 percent over a twenty year term. Debt service costs also include a loan servicing fee of 0.2 percent of the outstanding balance.

The proposed facilities are associated with a Sewer Interceptor Capital Recovery Area (SICRA). The SICRA is proposed as an equitable program to facilitate the extension of sewer interceptors into areas previously not served by sanitary sewers. This approach allows Warren Water to design and construct sewer interceptors to serve all projected future growth in a given area and ensure that each customer pays a fair share of the construction cost. Warren Water has identified the properties expected to be served by the proposed interceptor, delineated the SICRA boundary, and calculated the capital recovery contribution amounts. Warren Water will collect the capital recovery contributions, along with the standard sewer tap fee, at the time each customer within the Alvaton Area SICRA applies for sewer service. During the 20 year term of the SICRA, Warren Water will apply all capital recovery contributions collected during the previous year to the debt service payment on the KIA loan. Warren Fiscal Court has agreed to subsidize the debt service payments, as required, if SICRA contributions are not sufficient to make the payments. If SICRA contributions exceed the payment amount for a given period, the excess funds will be held in escrow to fund future payments. At the end of the SICRA term (which coincides with the KIA loan term), Warren Water will cease collection of capital recovery contributions.

The Alvaton Area SICRA area generally consists of the properties which can be connected to the proposed interceptor sewer economically. Exhibit A also shows the Alvaton Area SICRA boundaries. The total area is approximately 1,600 acres in size, and the developable area has been determined to be 1,066 acres. Based on a land utilization of 75% an estimated residential development density of 2 units per acre there is a potential of approximately 1,600 residential units within the SICRA. With a loan amount of \$1,090,050.00, the contribution per residential unit equals \$680.00.

The \$680.00 capital recovery contribution is designated for standard 5/8-inch meters only. For larger meters the contribution is based on the meter diameter ratio. The capital recovery contributions for meters up to 6 inches in size are listed in Table 2.

TABLE 2

**Capital Recovery Contributions
for Various Meter Sizes**

Water Meter Size	Meter Diameter Ratio	Contribution Amount
5/8"	1	\$680
1"	1.6	\$1,088
1-1/2"	2.4	\$1,632
2"	3.2	\$2,176
3"	4.8	\$3,264
4"	6.4	\$4,352
6"	9.6	\$6,528

By utilizing the proposed SICRA Program and the assurance of Warren Fiscal Court described previously, a general rate increase for the proposed sewer system improvements is not necessary. The Proforma Adjustment for the WCWD Sewer Division's operating revenues and expenses is shown on Table 3.

TABLE 3

**PROFORMA ADJUSTMENT
ALVATON AREA SEWER LINE EXTENSION
WARREN COUNTY WATER DISTRICT - SEWER DIVISION**

	EXISTING SYSTEM	CHANGES DUE TO PROJECT		OTHER CHANGES	TOTAL FUTURE SYSTEM AFTER PROJECT
OPERATING REVENUE:					
Metered Revenue - Residential	\$ 1,427,846	\$ -		\$ -	\$ 1,427,846
Metered Revenue - Commercial	2,300,714	4,752	(1)	-	2,305,466
Forfeited Discounts	42,997	-		-	42,997
Miscellaneous Service Revenue	23,715	-		-	23,715
Other Sewer Revenue	600	73,268	(2)	65,640 (10)	139,508
Interest Income	6,933	-		-	6,933
Rental Revenue - Office Building	19,077	-		-	19,077
TOTAL OPERATING REVENUE	\$ 3,821,880	\$ 78,020		\$ 65,640	\$ 3,965,540
OPERATING EXPENSES:					
SOURCE OF SUPPLY & PUMPING					
Disposal Costs	\$ 2,244,959	\$ 3,924	(3)	\$ -	\$ 2,248,883
Purchased Power	103,890	180	(4)	-	104,070
Contractual Services	3,125	5	(4)	-	3,130
Insurance	4,182	7	(4)	-	4,189
TRANSMISSION & DISTRIBUTION					
Wages & Benefits	\$ 19,101	\$ 569	(6)	\$ -	\$ 19,670
Materials & Supplies	769	23	(6)	-	792
Contractual Services	1,948	58	(6)	-	2,006
Equipment	2,410	72	(6)	-	2,482
Insurance	2,436	73	(6)	-	2,509
CUSTOMER ACCOUNTS					
Wages & Benefits	\$ 95,487	\$ 34	(5)	\$ -	\$ 95,521
Materials & Supplies	3,139	1	(5)	-	3,140
Contractual Services	48,324	17	(5)	-	48,341
Equipment	193	-	(5)	-	193
Insurance	2,436	1	(5)	-	2,437
Bad Debts	1,851	1	(5)	-	1,852
Miscellaneous	-	-	(5)	-	-
ADMINISTRATIVE & GENERAL					
Wages & Benefits	\$ 66,003	\$ 23	(5)	\$ -	\$ 66,026
Materials & Supplies	2,592	1	(5)	-	2,593
Contractual Services	28,751	10	(5)	-	28,761
Equipment	54	-	(5)	-	54
Insurance	4,790	2	(5)	-	4,792
Miscellaneous	4,274	2	(5)	-	4,276
Commissioner Fees	15,000	5	(5)	-	15,005
Regulatory Commission Assessment	6,535	2	(5)	-	6,537
TOTAL OPERATING EXPENSE	\$ 2,662,249	\$ 5,010		\$ -	\$ 2,667,259

TABLE 3 (Continued)

**PROFORMA ADJUSTMENT
ALVATON AREA SEWER LINE EXTENSION
WARREN COUNTY WATER DISTRICT - SEWER DIVISION**

	EXISTING SYSTEM	CHANGES DUE TO PROJECT	OTHER CHANGES	TOTAL FUTURE SYSTEM AFTER PROJECT
MAINTENANCE EXPENSE:				
Wages & Benefits	\$ 40,089	\$ 1,194 (6)	\$ -	\$ 41,283
Chemicals	44,820	1,334 (6)	-	46,154
Materials & Supplies	7,319	218 (6)	-	7,537
Contractual Services	40,418	1,203 (6)	-	41,621
Equipment	6,934	206 (6)	-	7,140
DEPRECIATION & OTHER:				
Depreciation	\$ 872,752	\$ 36,553 (7)	\$ -	\$ 909,305
Non-Utility Income	(2)	-	-	(2)
Consumer Deposit Interest	245	-	(5)	245
Amortization Expense	165	2,180 (8)	-	2,345
PRINCIPAL & INTEREST EXPENSE:				
Principal Payments - KIA	\$ 108,904	\$ -	\$ -	\$ 108,904
Interest Payments - KIA	36,702	-	-	36,702
Principal Payment - KRWFC	8,226	-	-	8,226
Interest Payment - KRWFC	3,173	-	-	3,173
Principal Payment - USDA	18,000	-	-	18,000
Interest Payment - USDA	24,143	-	-	24,143
Principal Payments - KIA New		40,567 (9)	-	40,567
Interest Payments - KIA New		32,702 (9)	-	32,702
TOTAL OPERATING, MAINTENANCE, AND OTHER EXPENSES	\$ 3,874,139	\$ 121,174	\$ -	\$ 3,995,306
NET OPERATING INCOME	\$ (52,258)	\$ (43,154)	\$ 65,640	\$ (29,765)

NOTES FOR PROFORMA ADJUSTMENT

- (1) Commercial revenue projection based on 2 new commercial customers.
- (2) Reimbursement from Warren Fiscal Court for debt service not covered by SICRA contributions.
- (3) Disposal expense for 1,208,400 gallons at \$3.2473/1,000 gallons from new customers projected in Note (1).
- (4) Prorated amount of existing expense based on new gallons processed to total gallons.
- (5) Prorated amount of existing expense (2 new customer/5,658 existing customers).
- (6) Prorated amount of existing expense (4.9 new miles of main/164.58 existing miles of main).
- (7) \$1,827,650 x 2%
- (8) Loan servicing fee - 0.2% of outstanding balance.
- (9) Principal & Interest on loan amount of \$1,090,050 at a term of 20 years and 3.0% interest.
- (10) Reimbursement of principal & interest on KIA loans C11-02, A97-04, & A98-02 by Warren Fiscal Court & City of Bowling Green.

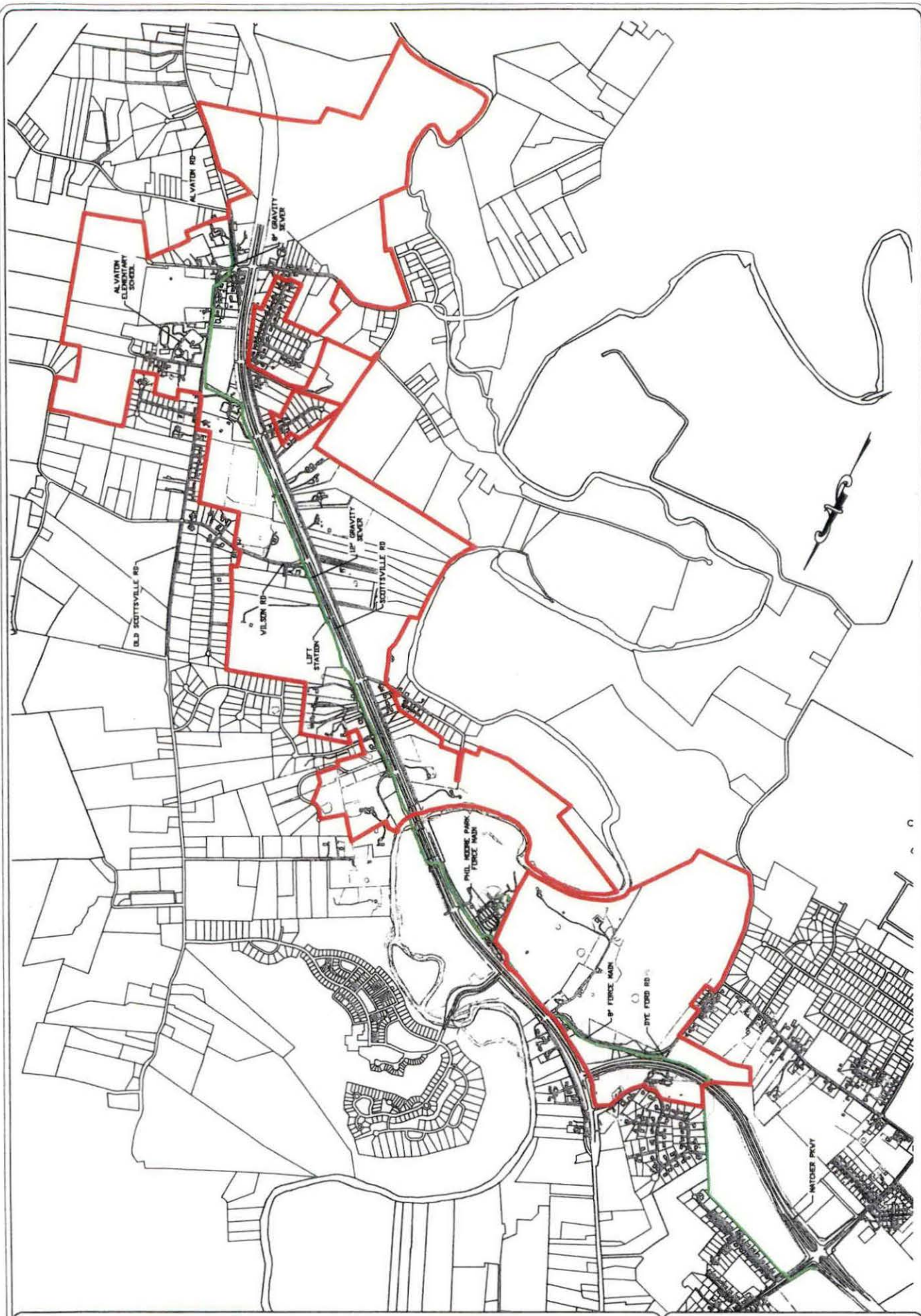


EXHIBIT A
PROPOSED SEWER EXTENSION MAP
& SICRA

APPENDIX A

BID

BID

Proposal of AKINS EXCAVATING CO., INC (hereinafter called "BIDDER") organized and existing under the laws of the State of KENTUCKY doing business as A CORPORATION * to Warren County Water District, 523 US 31W By Pass, Bowling Green, Kentucky 42101 (hereinafter called "OWNER").

In compliance with your Advertisement for Bids, BIDDER hereby proposes to perform all WORK for Alvaton Area Sewer Project in strict accordance with the CONTRACT DOCUMENTS, within the time set forth therein, and at the prices stated below.

By submission of this BID, each BIDDER certifies, and in the case of a joint BID each party thereto certifies as to its own organization, that this BID has been arrived at independently, without consultation, communication or agreement as to any matter relating to this BID with any other BIDDER or with any competitor.

BIDDER hereby agrees to commence WORK under this Contract on or before a date to be specified in the NOTICE TO PROCEED. The BIDDER further agrees fully complete the PROJECT within two hundred seventy (270) consecutive calendar days after the date specified in the NOTICE TO PROCEED. The BIDDER further agrees to pay as liquidated damages, the sum of \$400 for each consecutive calendar day thereafter as provided in Section 15 of the General Conditions.

*Insert "a corporation", "a partnership", or "an individual" as applicable.

BIDDER acknowledges receipt of the following ADDENDUM:

1 - 12/10/15

2 - 12/11/15

BIDDER agrees to perform all the work described in the CONTRACT DOCUMENTS for the following unit prices or lump sum:

NOTE: BIDS shall include sales tax and all other applicable taxes and fees.

BASE BID SCHEDULE

NO.	ITEM	UNIT	UNIT PRICE	AMOUNT	TOTAL PRICE
1	18" Stl. Casing by Bore w/12" SDR 35 Grav. Swr.	LF	260 ⁰⁰	122	31,720 ⁰⁰
2	12" Stl. Casing by Bore w/8" SDR 35 Grav. Swr.	LF	175 ⁰⁰	395	69,125 ⁰⁰
3	12" Stl. Casing by Bore w/8" SDR 17 HDPE	LF	178 ⁰⁰	566	100,798 ⁰⁰
4	12" Stl. Casing by Bore w/8" Class 160 PVC	LF	178 ⁰⁰	48	8,544 ⁰⁰
5	8" Class 160 PVC	LF	11 ⁵⁰	16,781	192,981 ⁵⁰
6	8" SDR 17 HDPE by Open Cut	LF	48 ⁰⁰	154	7,392 ⁰⁰
7	8" Class 160 PVC by Uncased Bore	LF	52 ⁰⁰	91	4,732 ⁰⁰
8	12" DIP Gravity Sewer	LF	96 ⁰⁰	61	5,856 ⁰⁰
9	12" SDR 35 Gravity Sewer (0-6' Depth)	LF	35 ⁰⁰	269	9,415 ⁰⁰
10	12" SDR 35 Gravity Sewer (6-8' Depth)	LF	40 ⁰⁰	1,176	47,040 ⁰⁰
11	12" SDR 35 Gravity Sewer (8-10' Depth)	LF	44 ⁰⁰	1,381	60,764 ⁰⁰
12	12" SDR 35 Gravity Sewer (10-12' Depth)	LF	48 ⁰⁰	523	25,104 ⁰⁰
13	12" SDR 35 Gravity Sewer (12-14' Depth)	LF	62 ⁰⁰	402	24,924 ⁰⁰
14	12" SDR 35 Gravity Sewer (14-16' Depth)	LF	72 ⁰⁰	304	21,888 ⁰⁰
15	12" SDR 35 Gravity Sewer (16-18' Depth)	LF	88 ⁰⁰	384	33,792 ⁰⁰
16	8" SDR 35 Gravity Sewer (0-6' Depth)	LF	30 ⁰⁰	695	20,850 ⁰⁰
17	8" SDR 35 Gravity Sewer (6-8' Depth)	LF	36 ⁰⁰	336	12,096 ⁰⁰
18	8" SDR 35 Gravity Sewer (8-10' Depth)	LF	39 ⁰⁰	273	10,647 ⁰⁰
19	8" SDR 35 Gravity Sewer (10-12' Depth)	LF	44 ⁰⁰	510	22,440 ⁰⁰
20	8" SDR 35 Gravity Sewer (12-14' Depth)	LF	57 ⁰⁰	884	50,388 ⁰⁰
21	8" SDR 35 Gravity Sewer (14-16' Depth)	LF	68 ⁰⁰	388	26,384 ⁰⁰

BASE BID SCHEDULE (CONTINUED)

NO.	ITEM	UNIT	UNIT PRICE	AMOUNT	TOTAL PRICE
22	8" SDR 35 Gravity Sewer (16-18' Depth)	LF	<u>84⁰⁰</u>	475	<u>39,900⁰⁰</u>
23	8" SDR 35 Gravity Sewer (18-20' Depth)	LF	<u>95⁰⁰</u>	215	<u>20,425⁰⁰</u>
24	8" SDR 26 Gravity Sewer (20-22' Depth)	LF	<u>110⁰⁰</u>	65	<u>7,150⁰⁰</u>
25	Air Release Valve Station – Force Main	EA	<u>4,745⁰⁰</u>	9	<u>42,705⁰⁰</u>
26	Flushing Station – Force Main	EA	<u>3,900⁰⁰</u>	3	<u>11,700⁰⁰</u>
27	8" Gate Valve – Force Main	EA	<u>1,600⁰⁰</u>	9	<u>14,400⁰⁰</u>
28	Alvaton Lift Station	LS	<u>160,525⁰⁰</u>	1	<u>160,525⁰⁰</u>
29	Drakes Creek Directional Bore – 8" SDR 11	LS	<u>45,000⁰⁰</u>	1	<u>45,000⁰⁰</u>
30	Phil Moore Park Lift Station Upgrade & Yard Piping	LS	<u>47,000⁰⁰</u>	1	<u>47,000⁰⁰</u>
31	3" Class 160 PVC	LF	<u>19⁰⁰</u>	1,050	<u>19,950⁰⁰</u>
32	3" Gate Valve, 3" Check Valve, Box, Tie-In	LS	<u>3,860⁰⁰</u>	1	<u>3,860⁰⁰</u>
33	Standard 4' Dia. Manhole	EA	<u>2,545⁰⁰</u>	29	<u>73,805⁰⁰</u>
34	Manhole Barrel Extension	VF	<u>135⁰⁰</u>	162	<u>21,870⁰⁰</u>
35	Ductile Iron Fittings (Epoxy Coated)	LB	<u>4⁰⁰</u>	3,700	<u>15,170⁰⁰</u>
36	Silt Fence	LF	<u>5²⁵</u>	2,500	<u>13,125⁰⁰</u>
37	Asphaltic Concrete Pavement	TN	<u>138⁰⁰</u>	55	<u>7,590⁰⁰</u>
38	Crushed Stone	TN	<u>25⁰⁰</u>	8000	<u>200,000⁰⁰</u>
39	Concrete	CY	<u>250⁰⁰</u>	30	<u>7,500⁰⁰</u>
40	Rip Rap Check Dam	TN	<u>35⁰⁰</u>	50	<u>1,750⁰⁰</u>
41	8"x6" Service Wye & Plug	EA	<u>80⁰⁰</u>	6	<u>480⁰⁰</u>
42	12"x6" Service Wye & Plug	EA	<u>252⁰⁰</u>	6	<u>1,512⁰⁰</u>

43	6" Sewer Lateral	LF	<u>25⁰⁰</u>	150	<u>3,825⁰⁰</u>
44	SWPPP Inspection & Reporting	LS	<u>3,000⁰⁰</u>	1	<u>3,000⁰⁰</u>
45	Final Cleanup	LF	<u>\$0.50</u>	25,276	<u>\$12,638.00</u>

TOTAL BASE BID

\$ 1,561,710⁰⁰

A1 Total Additional Cost to Increase Drakes Creek crossing to 10" SDR 11

LS	<u>5,000⁰⁰</u>	1	<u>5,000⁰⁰</u>
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TOTAL BASE BID with Alternates

\$ 1,566,710⁰⁰

Respectfully submitted:


Signature

PRESIDENT
Title

12/14/2015
Date

N/A
License No. (If Applicable)

182 BUSY LANE
Address

CORBIN, KY 40701
City, State, Zip

(606) 528-9144
Phone Number

(606) 528-9061
Facsimile Number

SEAL - (if BID is by a corporation)

ATTEST: Terry Bransy



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

February 5, 2015

Henry Honaker, Chairman
Warren County Water District
P.O. Box 10180
Bowling Green, KY 42102

**KENTUCKY INFRASTRUCTURE AUTHORITY
GOVERNMENTAL AGENCIES PROGRAM
CONDITIONAL COMMITMENT LETTER (C15-003)**

Dear Chairman Honaker:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 5, 2015, the Authority approved your loan for the Alvaton Area Sewer Extension Project, subject to the conditions stated below. The total cost of the project shall not exceed \$1,760,700 of which the Authority loan shall provide up to \$1,090,050 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Warren County Water District upon satisfactory performance of the conditions set forth in this letter. You must meet the conditions set forth in this letter and enter into an Assistance Agreement by February 5, 2016 (twelve months from the date of this letter). A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$1,090,050.
2. The loan shall bear interest at the rate of 3.0 percent per annum commencing with the first draw of funds.

3. The loan shall be repaid over a period not to exceed 20 years from the date of the last draw of funds, unless another date has been specified by the Authority.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal and interest payments will commence on June 1, or December 1, immediately succeeding the date of the last draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1, or December 1, which is at least six months from the date of the last draw of funds. Full payments of principal and interest will be due on the first day of each month thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority requires that an annual financial audit be provided for the life of the loan.
9. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.

2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable state and local procurement laws.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. Any special conditions listed in Attachment A must be satisfied before the project is presented before the Committee.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. Based on the final "as bid" project budget, the borrower must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
8. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement

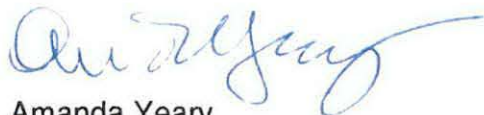
acquisitions shall be provided to the Authority.

9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return the attached "Authorization for Electronic Deposit of Vendor Payment" form to the Authority.
11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). The recipient shall provide the Authority a digital copy (pdf) of the record drawings from the project within three months of construction completion.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Amanda Yeary
Kentucky Infrastructure Authority

Attachments

cc: John Dix, Warren County Water District
Ryan Leisey, Warren County Water District
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Warren County Water District - C15-003

Chairman Honaker
February 5, 2015
Page 5

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization for Electronic Deposit of Vendor Payment" Form.

Henry Honaker 2-24-15
Accepted Date

AGREEMENT

This **AGREEMENT** made and entered into this 27th day of January 2015, by and between **WARREN FISCAL COURT** of Warren County, Kentucky (hereinafter referred to as "County") and the **WARREN COUNTY WATER DISTRICT** (hereinafter referred to as "Water District").

WITNESSETH:

WHEREAS, the County has found, determined and declared that it is in the best interest of the County to construct a public project consisting of a sanitary sewer system (the "System") in the vicinity of the Scottsville Road generally along the route shown on **EXHIBIT 1** attached to this Agreement and titled "Alvaton Area Sewer Interceptor Capital Recovery Area (SICRA)", dated October 16, 2014. The capital recovery area shown on **EXHIBIT 1** is hereinafter referred to as the "SICRA"; and

WHEREAS, the Water District has agreed to prepare the plans and specifications and to construct the System and to obtain financing to pay for the System (the "Loan") with the understanding that the County agrees to assist in the payment of the indebtedness evidenced by the Loan in an amount equal to the required debt service payments not offset by the Water District's collections of capital recovery contributions generated within the SICRA as shown in the **EXHIBIT 2**; and

WHEREAS, the County further finds and determines that benefits will accrue to the County and to the citizens thereof from the construction of the System by providing sanitary sewer service to a county park, increasing development by providing sanitary sewer services to promote the construction of residential structures, by increasing employment in that area and by increases in tax revenues generated by increased development; and

WHEREAS, in consideration of the social and economic benefits to be received by the County and the residents thereof and in furtherance of the public purposes to be accomplished through the construction of the System, the County hereby commits to assist in the financing of the System; and,

WHEREAS, in order to assist in financing the System, the Water District agrees to apply for and strive to obtain the Loan from the Kentucky Infrastructure Authority (KIA) as necessary to pay for the installation of the System; the Water District agrees to charge appropriate fees to use the System; and the County agrees to guarantee payments on the loan for any amounts which are not covered by capital recovery contributions received by the Water District from customers located within the SICRA.

NOW, THEREFORE, in consideration of the premises contained herein, the County and Water District covenant and agree as follows:

1. The Water District will apply for the Loan required to pay all necessary costs for the installation of the System in the vicinity of the Scottsville Road as depicted in the attached **EXHIBIT 1**. The Loan shall be used solely for the purposes of installing the System with appurtenances thereto and all costs attendant therewith.

2 The Water District agrees to establish and collect appropriate capital recovery contributions to help defray the cost of the installation of the System in accordance with its tariff as may be amended and approved by the Public Service Commission. These contributions shall be collected from customers who apply for sewer service on properties located within the SICRA boundary shown on **EXHIBIT 1** throughout the term of the Loan.

3. The County, in order to induce the Water District to obtain the Loan and to install the System, does hereby guarantee to the Water District that the County shall appropriate and pledge to pay any shortfall in debt service not generated by capital recovery contributions received by the Water District from customers located within the SICRA for the fiscal year of the County ending June 30, 2016. Debt service payments shall include principal, interest and any additional service fees which may be required by KIA. The County agrees to automatically renew this pledge for each subsequent fiscal year until the Loan is paid in full unless the County notifies the Water District in writing, within sixty (60) days prior of the end of any fiscal year that such pledge shall not so renew.

4. For the purpose of this Agreement and in order that the County will know the sums required to be paid pursuant to this Agreement, the Water District shall in November of each year during the term of this Agreement and so long as any principal balance of the Loan is outstanding, calculate the total capital recovery contributions received by the Water District from customers who are located within the SICRA through the previous 12-month period ending October 31. On or before December 1 of each year, the Water District shall notify the County of the amount of such contributions allocated to debt service for the Loan and the remaining amounts of the upcoming debt service required to be paid by the County. Such payments from the County shall be received by the Water District on or before December 20 of each year during the term of the Agreement.

In any year that the capital recovery contributions exceed the debt service for the Loan, such excess amount shall be held by the Water District to help offset future annual debt service payments on the Loan.

5. The parties agree to take all necessary action and to execute all necessary documents permitted by law and existing contractual commitments to carry out this Agreement. The parties further acknowledge that the performance of the Water District's obligations hereunder are subject to the approval of the Public Service Commission of Kentucky.

6. The Water District is directed by the County to proceed with preparation of plans and specifications in anticipation of the construction of the System and to proceed to take such other actions as may, in the Water District's sole discretion, be deemed advisable in order to expedite the public project contemplated by this Agreement with the exception of final execution of the Loan Agreement. All costs incurred by the Water District in preparation of plans and specifications, acquisition of any needed rights-of-way and easements, preparation of contract documents and requests for bids, filing of required application with the Public Service Commission to obtain approval for the proposed System, obtaining the required financing, and construction contract inspection and administration shall be borne by the Water District representing its in kind contribution toward the total cost of the System.

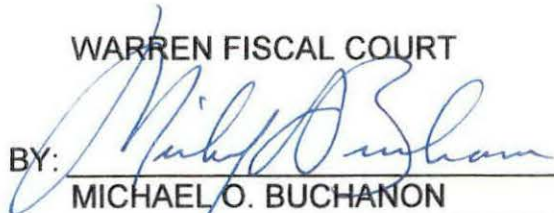
The Water District will not finalize the Loan Agreement with KIA until specifically instructed by the County that the County wishes the public project to go forward and that all conditions contained in this Agreement have been met, at which time the Water District will be so instructed to proceed with the Loan Agreement.

7. This Agreement contains the entire agreement between the parties and may not be modified except in writing executed by all parties. If any provision of this Agreement is held to be invalid or unenforceable, the invalidity of such provision shall not affect the remaining provisions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

WARREN FISCAL COURT

BY:



MICHAEL O. BUCHANON
WARREN COUNTY JUDGE/EXECUTIVE

ATTEST:



BRENDA HALE, FISCAL COURT CLERK

WARREN COUNTY WATER DISTRICT

BY:



HENRY HONAKER, CHAIRMAN

ATTEST:



GLEN JOHNSON, SECRETARY

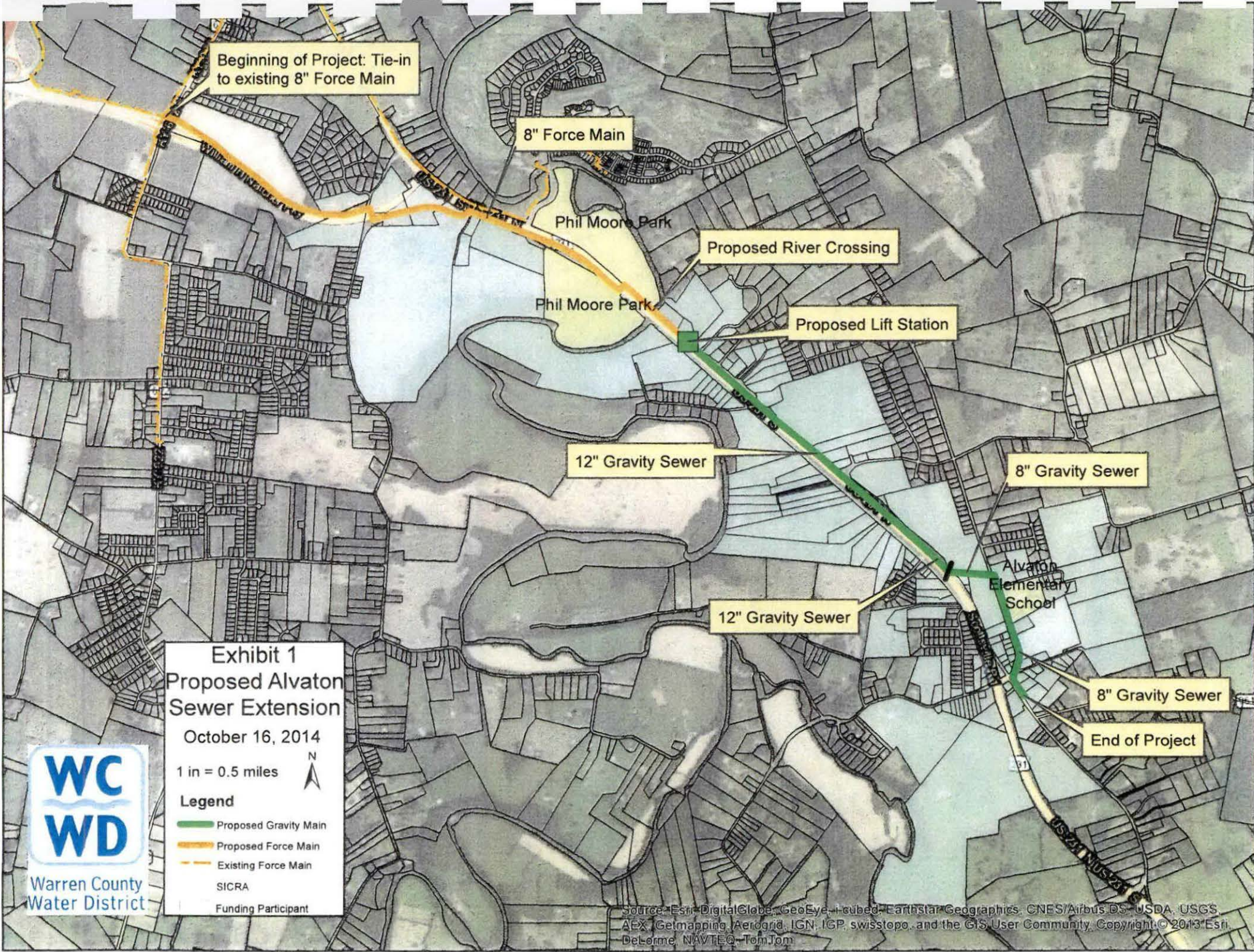


Exhibit 1
Proposed Alvaron
Sewer Extension

October 16, 2014

1 in = 0.5 miles



Legend

- Proposed Gravity Main
- Proposed Force Main
- Existing Force Main
- SICRA
- Funding Participant



Warren County
 Water District

Source: Esri, DigitalGlobe, GeoEye, i-cubed, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community, Copyright © 2013 Esri, DeLorme, NAVTEQ, TomTom

Exhibit 2
Alvaton Area Sewer Interceptor
 Warren County Water District
 October 16, 2014

PROJECT COST

ITEM NO.	DESCRIPTION	QTY.	UNIT	UNIT COST	TOTAL COST
1	Drakes Creek Lift Station	1	LS	\$225,000.00	\$225,000.00
2	River Crossing 8" Rest. Jt. DIP	260	LF	100.00	26,000.00
3	Air/Vac Release Station	6	EA	3,000.00	18,000.00
4	8" CL 160 PVC Sewer Force Main	13,900	LF	32.00	444,800.00
5	8" Gravity Sewer	4,000	LF	45.00	180,000.00
6	12" Gravity Sewer	8,000	LF	55.00	440,000.00
7	Manhole	33	EA	2,500.00	82,500.00
8	Easement & Property Acquisition	1	LS	20,700.00	20,700.00
Subtotal					\$1,437,000.00
Construction Contingency					143,700.00
Total Construction Estimate					\$1,580,700.00
Design, Inspection, and Construction Services					\$180,000.00
Total Project Cost					\$1,760,700.00

PROJECT FUNDING

1	School Contribution	\$490,650.00
2	WCWD Contribution	\$180,000.00
3	SICRA Capital Cost	\$1,090,050.00
Total Project Funding		\$1,760,700.00

SICRA FINANCING

SICRA Capital Cost	\$1,090,050.00
KIA Financing - (20 Yr, 3%)	\$73,268.48
Existing Properties	98
Developable Lots	1519
Total Units	1617
SICRA Assessment	\$674.12
Use	\$680.00

Capital Recovery Contributions

Water Meter Size	Meter Diameter Ratio	Contribution Amount
5/8"	1	\$680
1"	1.6	\$1,090
1-1/2"	2.4	\$1,630
2"	3.2	\$2,180
3"	4.8	\$3,260
4"	6.4	\$4,350
6"	9.6	\$6,530

CONNECTION AGREEMENT

This Connection Agreement by and between the Warren County Board of Education d/b/a Warren County Public Schools, acting through its Chairman, Kerry Young, 303 Lovers Lane, Bowling Green, Kentucky, 42103, hereinafter ("WCPS") and the Warren County Water District, 523 U.S. 31-W By-Pass, Bowling Green, Kentucky, 42101, acting by and through its General Manager, John M. Dix, hereinafter ("Warren Water").

WHEREAS, WCPS owns and operates the Alvaton Elementary School located on Old Scottsville Road, in southern Warren County and is desirous of procuring sewer service;

WHEREAS, Warren Water is desirous of providing sewer service to the Alvaton Elementary School and other properties in that vicinity by constructing a public project consisting of a sanitary sewer extension (the "Project") generally as shown on **EXHIBIT A** attached to this Agreement; and

WHEREAS, both parties are making significant contributions to fund the Project in consideration of the public, environmental, social and economic benefits accomplished by the proposed construction;

NOW, THEREFORE, in consideration of the premises contained herein, WCPS and Warren Water covenant and agree as follows:

1. Warren Water will prepare construction plans and specifications for the Project, obtain construction bids, and construct the Project by contracting with a qualified utility contractor. Expenses incurred by Warren Water in performing engineering and administrative work are included in the estimated

cost of the Project. Warren Water will strive to have the Project ready to provide service by May 31, 2016.

2. The total estimated cost of the Project is \$1,760,700 of which WCPS will contribute an estimated amount of \$490,650, this amount being the estimated cost of the proposed facilities if they were sized to provide service only to the school.

3. Warren Water will contribute an approximate amount of \$180,000 toward the total estimated cost of the Project and will obtain a Kentucky Infrastructure Authority loan in the amount of \$1,090,050, the sum of these amounts being the estimated cost to increase the capacity of the facilities to serve other properties in the vicinity.

4. After bids are received and before Warren Water awards the construction contract, both parties must concur in writing that construction prices are acceptable and the Project should move forward. If both parties do not concur at that point, this agreement shall be terminated.

5. Upon completion of approximately 70 percent of the Project, and within thirty (30) days of the receipt of an invoice from Warren Water, WCPS will pay the sum of TWO HUNDRED AND FIFTY THOUSAND (\$250,000.00). Upon completion of approximately 90 percent of the Project, and within thirty (30) days of the receipt of an invoice, WCPS will pay to Warren Water the sum of ONE HUNDRED AND FIFTY THOUSAND DOLLARS (\$150,000.00). Percentages of completion shall be determined by the project engineer. WCPS will be consulted on any construction change orders that will affect the cost allocated to WCPS during the course of the Project.

6. After completion of the Project, Warren Water will provide WCPS with a summary of all actual costs related to the Project. The actual total contribution by each respective party shall be in proportion to the estimated amounts given in Sections 2 and 3, hereinbefore. Based on this final cost summary with deductions for previous payments, WCPS will pay Warren Water its remaining balance.

7. Warren Water will provide through the project a connection point on the Alvaton Elementary School site for connection of the school's wastewater system. The school will complete the standard application for service and shall be responsible for required infrastructure for connection. The payments by WCPS to Warren Water shall constitute the connection fee and there shall be no additional connection charges assessed.

8. WCPS will provide easement as required by Warren Water for the sewer line as shown on **EXHIBIT B**.

9. From the inception of the Project, Warren Water shall be considered the owner of the public facilities and therefore Warren Water shall own and maintain the completed Project except for the sewer service line connecting the school to the public gravity sewer.

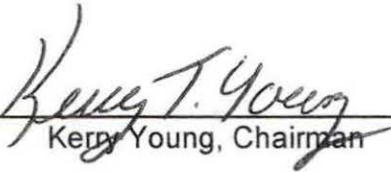
10. The parties agree to take all necessary action and to execute all necessary documents permitted by law and existing contractual commitments to carry out this Agreement. The parties further acknowledge that the performance of Warren Water's obligations hereunder is subject to the approval of the Public Service Commission of Kentucky.

11. This Agreement contains the entire agreement between the parties and may not be modified except in writing and executed by all parties. If any provision of this Agreement is held to be invalid or unenforceable, the invalidity of such provision shall not affect the remaining provisions of this Agreement.

12. Each party shall indemnify and hold harmless the other party, including reasonable attorneys fees, from any claim asserted against the indemnitee as a result of the alleged negligence of the indemnitor.

WITNESS THE HANDS OF THE PARTIES on this the day and date first above mentioned.

WARREN COUNTY BOARD OF EDUCATION

BY: 
Kerry Young, Chairman

ATTEST:


Secretary

WARREN COUNTY WATER DISTRICT

BY: 
John M. Dix, General Manager

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF WARREN)

I, the undersigned, do hereby certify that the foregoing was this day produced before me in the aforementioned state and county, and it was signed, sworn to, acknowledged, and delivered by Kerry Young, **Chairman of the Warren County Board of Education**, to be his voluntary act and deed for the purposes therein contained on this 31st day of August, 2015.

Katie J. Blankenship
NOTARY PUBLIC

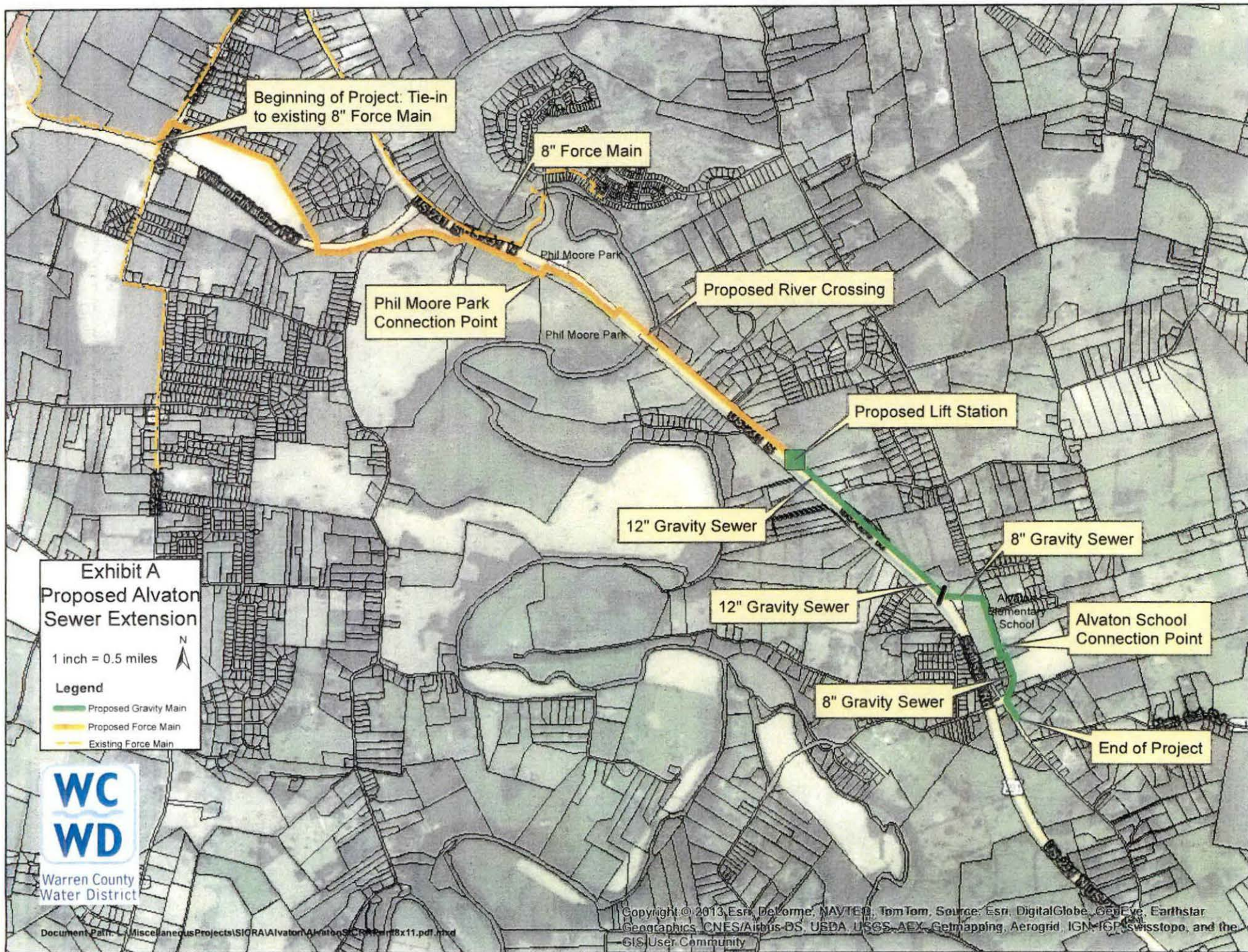
My Commission expires: 3-23-19

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF WARREN)

I, the undersigned, do hereby certify that the foregoing was this day produced before me in the aforementioned state and county, and it was signed, sworn to, acknowledged, and delivered by John M. Dix, **General Manager of Warren Water**, to be his voluntary act and deed for the purposes therein contained on this 28th day of August, 2015.

Shelly Kay Anderson
NOTARY PUBLIC

My Commission expires: 2-1-16
ID#458223



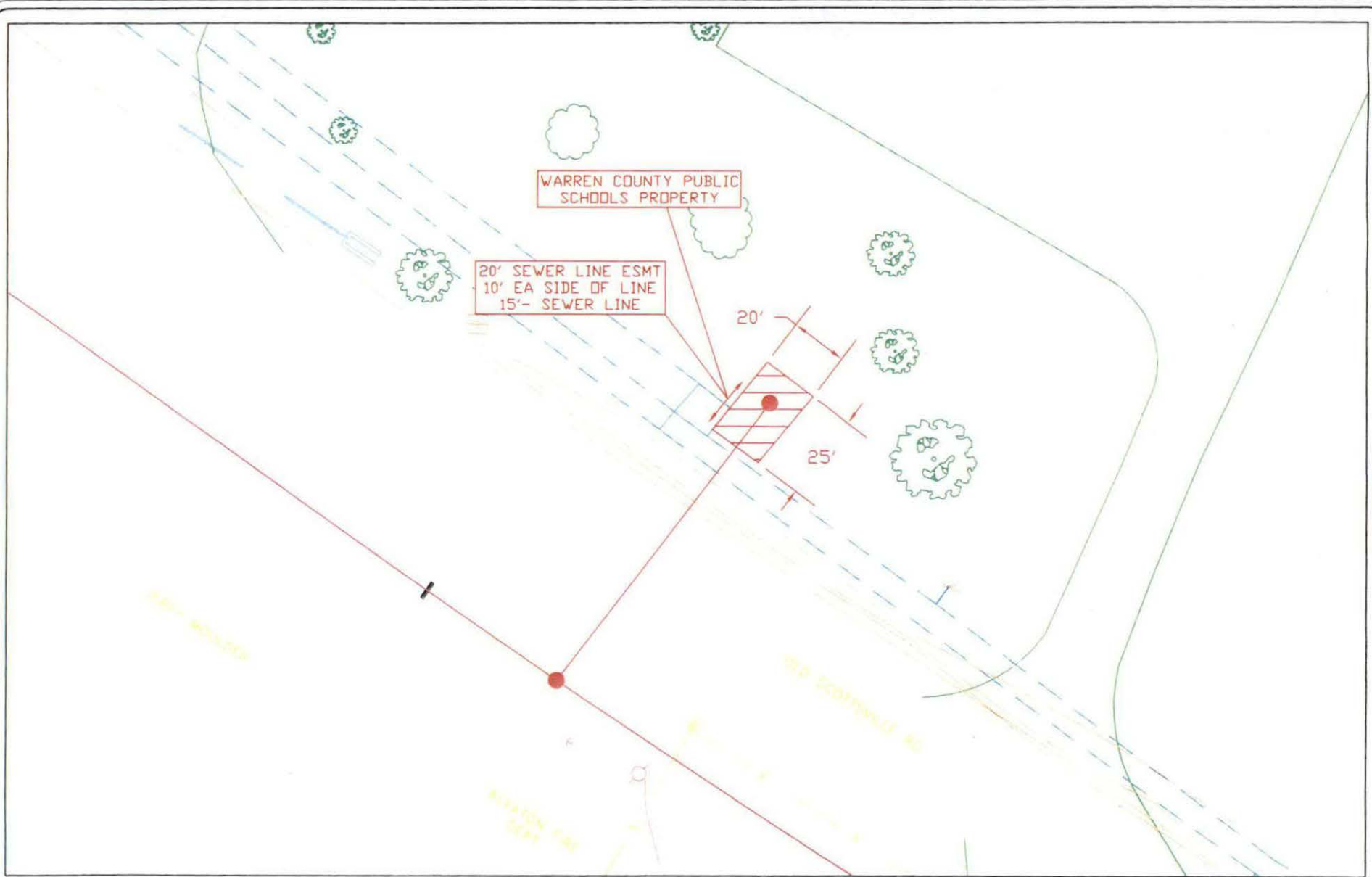


EXHIBIT B
ALVATON SEWER EASEMENT 14 -
ALVATON ELEMENTARY SCHOOL

SCALE:	NTS
DATE:	6-17-15
PROJECT #:	349772
DESIGNED:	JNL
DRAWN:	JNL
CHECKED:	RJL



WARREN COUNTY DEPARTMENT OF PUBLIC WORKS

1141 STATE STREET, SUITE 202
BOWLING GREEN, KENTUCKY 42101

Josh Moore
Director
Tel: 270.843.5360
Fax: 270.781.9275
josh.moore@ky.gov

Jack Wright
Andrea Strange
Stormwater Management
Tel: 270.843.5363
Fax: 270.843.5304
jack.wright@ky.gov
andrea.strange@ky.gov

Stan Reagan
Environmental Planning
Tel: 270.843.5353
Fax: 270.843.5304
itan.reagan@ky.gov

Nikki Koller
Planning, Design, &
Construction
Code Enforcement
Tel: 270.843.5305
Fax: 270.781.9275
Nikki.koller@ky.gov

Craig Hunt
Building & Electric
Tel: 270.843.5360
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craig.hunt@ky.gov

Berry Young
Ed Dyer
Road Department
Tel: 270.843.8328
Fax: 270.843.5355
ed.dyer@ky.gov

Joseph Manning
Code Enforcement
Tel: 270.843.5305
Fax: 270.843.5304
joseph.manning@ky.gov

January 4, 2016

Warren County Water District
523 U.S. Hwy 31-W Bypass
Bowling Green, KY 42101

ATT: Mr. Ryan J. Leisey, P.E.

RE: Phil Moore Park Sewer Improvements Financial Commitment

Ryan,

We have reviewed the attached documents, Pages from 14-245 Phil Moore Park Sewer (1), which describe the Phil Moore Park Force Main portion of the Alvaton Sewer Project – 349772.

Our Agency is prepared to accept the financial commitment for completing bid items 30 and 31 totaling \$66,950. As discussed at our meeting today we will confirm after further review which portions of these two bid items we will complete with our on forces.

Please advise if you have questions concerning this letter of commitment.

Respectfully,

Charles J. "Jack" Wright, PE
Manager
Warren County Fiscal Court
Plum Springs Warren County
Joint Stormwater Sewer Agency

CC: Mr. Josh Moore, Director
Warren County Public Works

Attachment: Pages from 14-245 Phil Moore Park Sewer(1)

FOR Entire Service Area
Community, Town or City

P.S.C. KY. NO. 2

Original SHEET NO. 9B

CANCELLING P.S.C. KY. NO. _____

SHEET NO. _____

Warren County Water District – Sewer Division
(Name of Utility)

I. RATES AND CHARGES

4. Alvaton Area Sewer Interceptor Capital Recovery Area Contributions N

In addition to the standard connect fees listed in Section I.C.1. through December 31, 2036, or until the total assessment of \$1,090,050, whichever occurs first, customers applying for initial sewer service on the property within the boundary delineated for the Alvaton Area Sewer Interceptor Capital Recovery Area as shown on Exhibit C shall pay the following contribution:

<u>Water Meter Size</u>	<u>Capital Recovery Contribution Amount</u>
5/8 x 3/4 inch	\$ 680.00
1 inch	1,090.00
1-1/2 inch	1,630.00
2 inch	2,180.00
3 inch	3,260.00
4 inch	4,350.00
6 inch	6,530.00

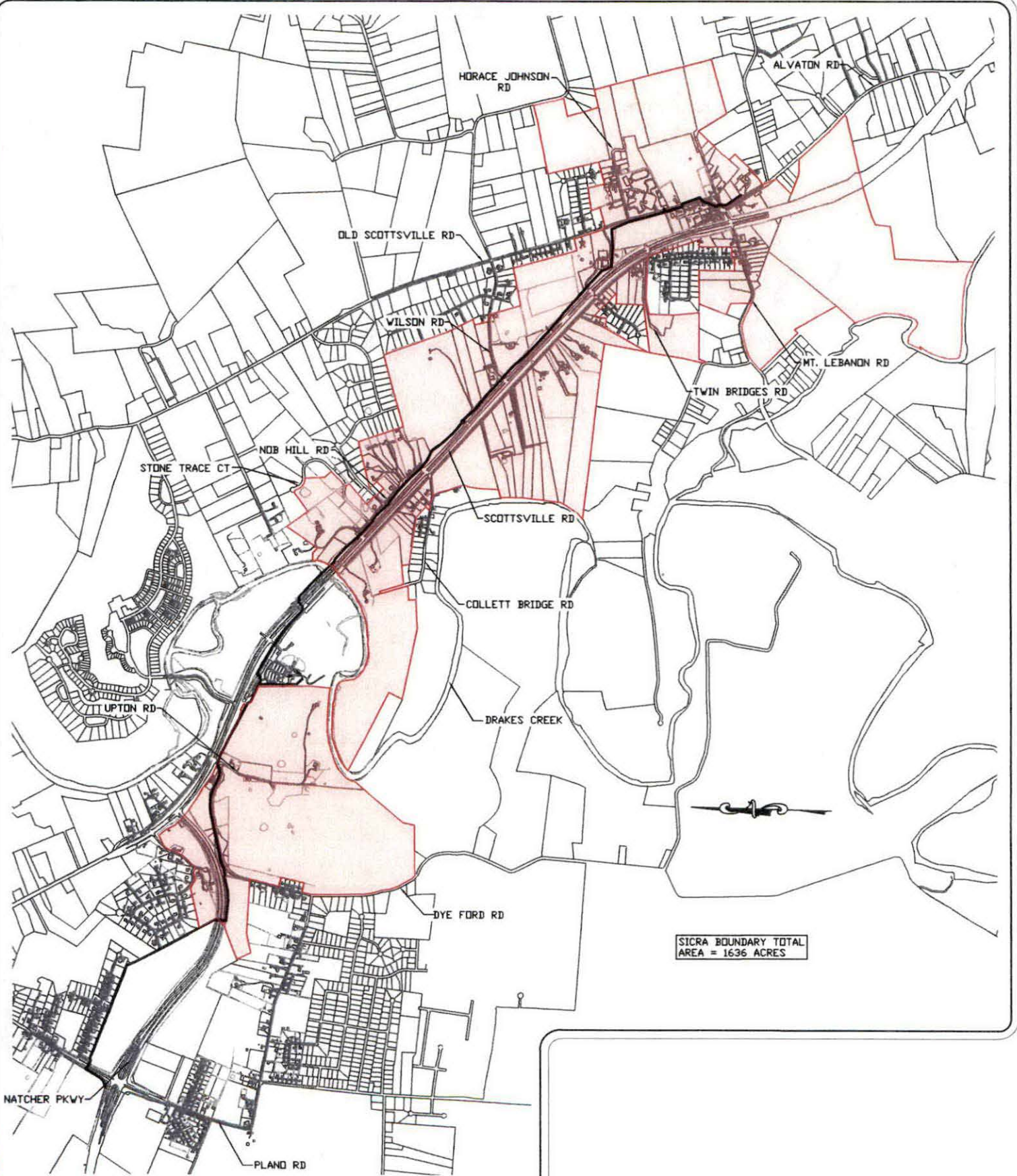
DATE OF ISSUE January 4, 2016
Month / Date / Year

DATE EFFECTIVE March 1, 2016
Month / Date / Year

ISSUED BY /s/ Henry Honaker
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____



SICRA BOUNDARY TOTAL
AREA = 1636 ACRES


EXHIBIT C
ALVATON SEWER
SICRA AREA
TARIFF SHEET NO. 9C

SCALE:	1" = 2750'
DATE:	1-4-16
PROJECT #:	349772
DESIGNED:	WCWD
DRAWN:	JNL
CHECKED:	RJL

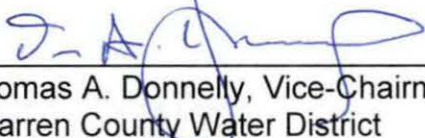
**CERTIFIED STATEMENT
OF
WARREN COUNTY WATER DISTRICT
SEWER DIVISION**

**CONCERNING PROPOSED
KENTUCKY INFRASTRUCTURE AUTHORITY FINANCED
ALVATON AREA SEWER LINE EXTENSION**

We hereby certify that the proposed plans and specifications for the project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:071, Section 1 through 8. The plans and specifications for the project have also been designed to meet the minimum construction and operating requirements of the Kentucky Energy and Environmental Cabinet, Department for Environmental Protection, Division of Water. All the required state approvals and/or permits have been obtained. The existing rates are adequate to meet the annual operating costs of the addition to the System. The construction is anticipated to begin on March 1, 2016. The Project will take two hundred and seventy (270) days to complete which will make the completion dated November 30, 2016.



Ryan J. Leisey, P.E.
Warren County Water District
Sewer Division



Thomas A. Donnelly, Vice-Chairman
Warren County Water District
Sewer Division

COMMONWEALTH OF KENTUCKY)
COUNTY OF WARREN)

I, Glen Johnson, being first duly sworn according to law, state that I am Secretary of the Board of Commissioners of Warren County Water District (Sewer Division), Warren County, Kentucky, that the Board of Commissioners approved the foregoing Statement, and that the statements of fact set forth therein are true and accurate to the best of our knowledge and belief.

Witness my signature this 6 day of January, 2016.



Glen Johnson, Secretary

TABULATION OF BIDS
ALVATON AREA SEWER PROJECT
WARREN COUNTY WATER DISTRICT
December 16, 2015

ITEM NO.	BASE BID SCHEDULE DESCRIPTION	QTY.	UNITS	Akins Excavating Company Corbin, Ky		Cumberland Pipeline, LLC Russell Springs, Ky		Scott & Ritter, Inc. Bowling Green, Ky		Charles Deweese Const., Inc. Franklin, Ky		United Pipeline, Inc. Tompkinsville, Ky	
				UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL
1.	18" Stl. Casing by Bore w/12" SDR 35 Grav. Swr.	122	LF	\$260.00	\$31,720.00	\$251.00	\$30,822.00	\$422.00	\$51,484.00	\$312.79	\$38,160.38	\$360.00	\$43,920.00
2.	12" Stl. Casing by Bore w/8" SDR 35 Grav. Swr.	395	LF	175.00	69,125.00	146.40	57,828.00	377.00	148,915.00	222.81	87,930.95	210.00	82,950.00
3.	12" Stl. Casing by Bore w/8" SDR 17 HDPE	566	LF	178.00	100,748.00	208.30	116,765.80	248.00	140,368.00	207.40	117,368.40	215.00	121,690.00
4.	12" Stl. Casing by Bore w/8" Class 160 PVC	48	LF	178.00	8,544.00	148.90	7,147.20	361.00	17,328.00	219.78	10,549.44	210.00	10,080.00
5.	8" Class 160 PVC	18,781	LF	11.50	192,981.50	18.00	302,058.00	15.65	262,622.65	21.94	368,175.14	24.00	402,744.00
6.	8" SDR 17 by Open Cut	154	LF	48.00	7,392.00	31.38	4,832.52	31.00	4,774.00	48.57	7,171.78	50.00	7,700.00
7.	8" Class 160 PVC by Uncased Bore	91	LF	52.00	4,732.00	22.74	2,069.34	244.00	22,204.00	194.58	17,706.78	70.00	6,370.00
8.	12" DIP Gravity Sewer	61	LF	96.00	5,856.00	88.34	5,388.74	97.00	5,917.00	100.83	6,150.63	120.00	7,320.00
9.	12" SDR 35 Gravity Sewer (0'-6' Depth)	269	LF	35.00	9,415.00	37.00	9,953.00	38.50	10,356.50	37.16	9,996.04	67.00	18,023.00
10.	12" SDR 35 Gravity Sewer (6'-8' Depth)	1,176	LF	40.00	47,040.00	39.00	45,864.00	39.50	46,452.00	38.85	45,697.60	67.00	78,792.00
11.	12" SDR 35 Gravity Sewer (8'-10' Depth)	1,381	LF	44.00	60,764.00	41.00	56,621.00	40.50	55,930.50	40.83	56,388.23	67.00	82,527.00
12.	12" SDR 35 Gravity Sewer (10'-12' Depth)	523	LF	48.00	25,104.00	66.00	34,518.00	41.50	21,704.50	44.09	23,059.07	67.00	35,041.00
13.	12" SDR 35 Gravity Sewer (12'-14' Depth)	402	LF	82.00	24,924.00	45.00	18,090.00	42.50	17,085.00	47.17	18,962.34	67.00	26,934.00
14.	12" SDR 35 Gravity Sewer (14'-16' Depth)	304	LF	72.00	21,888.00	51.00	15,504.00	43.50	13,224.00	52.52	15,966.08	67.00	20,398.00
15.	12" SDR 35 Gravity Sewer (16'-18' Depth)	384	LF	88.00	33,792.00	56.00	21,504.00	44.50	17,088.00	60.13	23,089.92	67.00	25,728.00
16.	8" SDR 35 Gravity Sewer (0'-6' Depth)	895	LF	30.00	20,850.00	33.00	22,935.00	68.50	47,807.50	34.38	23,694.10	90.00	62,550.00
17.	8" SDR 35 Gravity Sewer (6'-8' Depth)	338	LF	36.00	12,096.00	35.00	11,780.00	69.50	23,352.00	38.08	12,116.16	90.00	30,240.00
18.	8" SDR 35 Gravity Sewer (8'-10' Depth)	273	LF	39.00	10,647.00	37.00	10,101.00	70.50	19,246.50	38.05	10,387.85	90.00	24,570.00
19.	8" SDR 35 Gravity Sewer (10'-12' Depth)	510	LF	44.00	22,440.00	39.00	19,890.00	71.50	36,485.00	41.31	21,068.10	90.00	45,900.00
20.	8" SDR 35 Gravity Sewer (12'-14' Depth)	884	LF	57.00	50,388.00	70.00	61,880.00	72.50	64,090.00	44.38	39,231.92	90.00	79,560.00
21.	8" SDR 35 Gravity Sewer (14'-16' Depth)	388	LF	68.00	26,384.00	43.00	16,684.00	73.50	28,518.00	49.74	19,299.12	90.00	34,920.00
22.	8" SDR 35 Gravity Sewer (16'-18' Depth)	475	LF	84.00	39,900.00	48.00	22,800.00	74.50	35,387.50	57.34	27,236.50	90.00	42,750.00
23.	8" SDR 35 Gravity Sewer (18'-20' Depth)	215	LF	95.00	20,425.00	158.00	33,970.00	75.50	16,232.50	69.01	14,837.15	90.00	19,350.00
24.	8" SDR 35 Gravity Sewer (20'-22' Depth)	65	LF	110.00	7,150.00	84.00	4,160.00	76.50	4,972.50	82.86	5,385.90	90.00	5,850.00
25.	Air Release Valve Station - Force Main	9	EA	4,745.00	42,705.00	3,320.00	29,880.00	3,235.00	29,115.00	4,932.65	44,393.85	4,000.00	36,000.00
26.	Flushing Station - Force Main	3	EA	3,900.00	11,700.00	2,845.00	8,535.00	2,700.00	8,100.00	4,703.75	14,111.25	5,000.00	15,000.00
27.	8" Gate Valve - Force Main	9	EA	1,600.00	14,400.00	1,174.00	10,566.00	1,250.00	11,250.00	1,205.27	10,847.43	2,000.00	18,000.00
28.	Alvaton Lift Station	1	LS	160,525.00	160,525.00	172,464.00	172,464.00	168,355.35	168,355.35	199,138.26	199,138.26	173,300.00	173,300.00
29.	Drakes Creek Directional Bore - 8" SDR 11	1	LS	45,000.00	45,000.00	84,584.00	84,584.00	75,900.00	75,900.00	96,034.88	96,034.88	70,000.00	70,000.00
30.	Phil More Park Lift Station Upgrade & Yard Piping	1	LS	47,000.00	47,000.00	42,282.00	42,282.00	31,700.00	31,700.00	68,715.39	68,715.39	43,000.00	43,000.00
31.	3" Class 160 PVC	1,050	LF	19.00	19,950.00	3.65	3,832.50	15.00	15,750.00	24.28	25,494.00	20.00	21,000.00
32.	3" Gate Valve, 3" Check Valve, Box, Tie-In	1	LS	3,860.00	3,860.00	2,230.00	2,230.00	2,100.00	2,100.00	2,337.02	2,337.02	6,000.00	6,000.00
33.	Standard 4" Dia. Manhole	29	EA	2,545.00	73,805.00	2,118.80	61,445.20	2,700.00	78,300.00	2,942.32	85,327.28	2,200.00	63,800.00
34.	Manhole Barrel Extension	162	VF	135.00	21,870.00	180.00	29,160.00	216.00	34,992.00	136.05	22,040.10	150.00	24,300.00
35.	Ductile Iron Fittings (Epoxy Coated)	3,700	LB	4.10	15,170.00	4.13	15,281.00	3.00	11,100.00	4.39	16,243.00	0.00	0.00
36.	Silt Fence	2,500	LF	6.25	13,125.00	1.22	3,050.00	2.00	5,000.00	3.30	8,250.00	8.00	20,000.00
37.	Asphaltic Concrete Pavement	55	TN	138.00	7,590.00	200.00	11,000.00	169.00	9,295.00	103.50	5,692.50	60.00	3,300.00
38.	Crushed Stone	8,000	TN	25.00	200,000.00	16.00	128,000.00	15.70	125,600.00	11.93	95,440.00	19.00	152,000.00
39.	Concrete	30	CY	250.00	7,500.00	125.00	3,750.00	125.00	3,750.00	174.90	5,247.00	250.00	7,500.00
40.	Rip Rap Check Dam	50	TN	35.00	1,750.00	150.00	7,500.00	20.00	1,000.00	33.60	1,680.00	24.00	1,200.00
41.	8"x6" Service Wye & Plug	6	EA	80.00	480.00	100.00	600.00	220.00	1,320.00	91.85	551.70	400.00	2,400.00
42.	12"x6" service Wye & Plug	6	EA	252.00	1,512.00	255.00	1,530.00	360.00	2,160.00	230.55	1,383.30	590.00	3,480.00
43.	6" service Lateral	150	LF	25.50	3,825.00	28.50	3,975.00	15.00	2,250.00	30.04	4,506.00	45.00	6,750.00
44.	SWPPP Inspection & Reporting	1	LS	3,000.00	3,000.00	3,500.00	3,500.00	4,000.00	4,000.00	5,000.00	5,000.00	5,000.00	5,000.00
45.	Final Cleanup	25,276	LF	0.50	12,638.00	0.50	12,638.00	0.50	12,638.00	0.50	12,638.00	0.50	12,638.00
TOTAL BASE BID					\$1,561,710.50		\$1,568,758.30		\$1,745,000.00		\$1,744,908.34		\$2,010,545.00
A1	Total Additional Cost to Increase Drakes Creek crossing to 10" SDR 11		LS		5,000.00		37,250.00		5,000.00		19,000.00		15,000.00
TOTAL BASE BID with Alternates					\$1,566,710.50		\$1,606,008.30		\$1,750,000.00		\$1,763,908.34		\$2,025,545.00

TABULATION OF BIDS
ALVATON AREA SEWER PROJECT
 WARREN COUNTY WATER DISTRICT
 December 16, 2015

ITEM NO.	BASE BID SCHEDULE DESCRIPTION		Basham Const. & Rental Co., Inc. Fairdale, Ky		Cleary Construction Inc. Tompkinsville, Ky		Twin States Utilities Mount Hermon, Ky		Norris Bros. Excavating Crossville, Tn	
			UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL	UNIT PRICE	TOTAL
1.	18" Stl. Casing by Bore w/12" SDR 35 Grav. Swr.	122 LF	\$380.00	\$46,360.00	\$390.00	\$47,580.00	\$300.00	\$36,600.00	\$285.00	\$34,770.00
2.	12" Stl. Casing by Bore w/8" SDR 35 Grav. Swr.	395 LF	375.00	148,125.00	300.00	118,500.00	270.00	106,650.00	285.00	112,575.00
3.	12" Stl. Casing by Bore w/8" SDR 17 HDPE	566 LF	290.00	164,140.00	250.00	141,500.00	240.00	135,840.00	266.00	150,556.00
4.	12" Stl. Casing by Bore w/8" Class 160 PVC	48 LF	290.00	13,920.00	350.00	16,800.00	240.00	11,520.00	266.00	12,768.00
5.	8" Class 160 PVC	16,781 LF	30.00	503,430.00	17.50	293,667.50	22.00	369,182.00	34.20	573,910.20
6.	8" SDR 17 by Open Cut	154 LF	65.00	10,010.00	44.00	6,776.00	40.00	6,160.00	114.00	17,556.00
7.	8" Class 160 PVC by Uncased Bore	91 LF	95.00	8,645.00	165.00	15,015.00	200.00	18,200.00	114.00	10,374.00
8.	12" DIP Gravity Sewer	61 LF	200.00	12,200.00	200.00	12,200.00	180.00	10,980.00	85.50	5,215.50
9.	12" SDR 35 Gravity Sewer (0'-8' Depth)	269 LF	37.00	9,953.00	102.00	27,438.00	107.00	28,783.00	104.50	28,110.50
10.	12" SDR 35 Gravity Sewer (8'-8' Depth)	1,176 LF	40.00	47,040.00	108.00	127,008.00	107.00	125,832.00	114.00	134,064.00
11.	12" SDR 35 Gravity Sewer (8'-10' Depth)	1,381 LF	43.00	59,383.00	113.00	156,053.00	107.00	147,767.00	123.50	170,553.50
12.	12" SDR 35 Gravity Sewer (10'-12' Depth)	523 LF	58.00	30,334.00	119.00	62,237.00	117.00	61,191.00	133.00	69,559.00
13.	12" SDR 35 Gravity Sewer (12'-14' Depth)	402 LF	68.00	27,336.00	127.00	51,054.00	137.00	55,074.00	152.00	61,104.00
14.	12" SDR 35 Gravity Sewer (14'-16' Depth)	304 LF	82.00	24,928.00	143.00	43,472.00	157.00	47,728.00	171.00	51,984.00
15.	12" SDR 35 Gravity Sewer (16'-18' Depth)	384 LF	85.00	32,640.00	157.00	60,288.00	177.00	67,968.00	190.00	72,960.00
16.	8" SDR 35 Gravity Sewer (0'-8' Depth)	695 LF	32.00	22,240.00	97.00	67,415.00	103.00	71,585.00	76.00	52,820.00
17.	8" SDR 35 Gravity Sewer (8'-8' Depth)	336 LF	39.00	13,104.00	103.00	34,608.00	103.00	34,608.00	85.50	28,728.00
18.	8" SDR 35 Gravity Sewer (8'-10' Depth)	273 LF	42.00	11,466.00	108.00	29,484.00	103.00	28,119.00	95.00	25,935.00
19.	8" SDR 35 Gravity Sewer (10'-12' Depth)	510 LF	45.00	22,950.00	114.00	58,140.00	113.00	57,630.00	114.00	58,140.00
20.	8" SDR 35 Gravity Sewer (12'-14' Depth)	884 LF	65.00	57,460.00	123.00	108,732.00	133.00	117,572.00	123.50	109,174.00
21.	8" SDR 35 Gravity Sewer (14'-16' Depth)	388 LF	70.00	27,160.00	139.00	53,932.00	153.00	59,364.00	133.00	51,604.00
22.	8" SDR 35 Gravity Sewer (16'-18' Depth)	475 LF	75.00	35,625.00	153.00	72,675.00	173.00	82,175.00	152.00	72,200.00
23.	8" SDR 35 Gravity Sewer (18'-20' Depth)	215 LF	175.00	37,625.00	180.00	38,700.00	193.00	41,495.00	190.00	40,850.00
24.	8" SDR 35 Gravity Sewer (20'-22' Depth)	65 LF	325.00	21,125.00	213.00	13,845.00	214.00	13,910.00	332.50	21,612.50
25.	Air Release Valve Station - Force Main	9 EA	6,600.00	59,400.00	3,450.00	31,050.00	4,000.00	36,000.00	3,040.00	27,360.00
26.	Flushing Station - Force Main	3 EA	3,500.00	10,500.00	3,015.00	9,045.00	3,800.00	11,400.00	3,325.00	9,975.00
27.	8" Gate Valve - Force Main	9 EA	1,500.00	13,500.00	1,350.00	12,150.00	1,500.00	13,500.00	950.00	8,550.00
28.	Alvaton Lift Station	1 LS	299,000.00	299,000.00	275,000.00	275,000.00	300,000.00	300,000.00	251,750.00	251,750.00
29.	Drakes Creek Directional Bore - 8" SDR 11	1 LS	112,500.00	112,500.00	100,000.00	100,000.00	110,000.00	110,000.00	93,100.00	93,100.00
30.	Phil More Park Lift Station Upgrade & Yard Piping	1 LS	71,000.00	71,000.00	45,000.00	45,000.00	80,000.00	80,000.00	166,250.00	166,250.00
31.	3" Class 160 PVC	1,050 LF	37.00	38,850.00	16.50	17,325.00	20.00	21,000.00	14.25	14,962.50
32.	3" Gate Valve, 3" Check Valve, Box, Tie-In	1 LS	5,000.00	5,000.00	4,300.00	4,300.00	8,000.00	8,000.00	760.00	760.00
33.	Standard 4' Dia. Manhole	29 EA	3,000.00	87,000.00	4,000.00	116,000.00	3,800.00	110,200.00	2,755.00	79,895.00
34.	Manhole Barrell Extension	162 VF	200.00	32,400.00	150.00	24,300.00	200.00	32,400.00	332.50	53,865.00
35.	Ductile Iron Fittings (Epoxy Coated)	3,700 LB	5.00	18,500.00	0.10	370.00	0.00	0.00	5.70	21,090.00
36.	Silt Fence	2,500 LF	3.00	7,500.00	5.50	13,750.00	2.00	5,000.00	2.85	7,125.00
37.	Asphaltic Concrete Pavement	55 TN	200.00	11,000.00	294.00	16,170.00	250.00	13,750.00	137.75	7,576.25
38.	Crushed Stone	8,000 TN	25.00	200,000.00	16.25	130,000.00	16.00	128,000.00	28.50	228,000.00
39.	Concrete	30 CY	200.00	6,000.00	200.00	6,000.00	200.00	6,000.00	114.00	3,420.00
40.	Rip Rap Check Dam	50 TN	50.00	2,500.00	50.00	2,500.00	20.00	1,000.00	34.20	1,710.00
41.	8"x6" Service Wye & Plug	6 EA	350.00	2,100.00	850.00	5,100.00	1,000.00	6,000.00	855.00	5,130.00
42.	12"x6" service Wye & Plug	6 EA	600.00	3,600.00	1,100.00	6,600.00	1,200.00	7,200.00	855.00	5,130.00
43.	6" service Lateral	150 LF	60.00	9,000.00	33.00	4,950.00	70.00	10,500.00	42.75	6,412.50
44.	SWPPP Inspection & Reporting	1 LS	7,200.00	7,200.00	6,000.00	6,000.00	15,000.00	15,000.00	3,800.00	3,800.00
45.	Final Cleanup	25,276 LF	0.50	12,638.00	0.50	12,638.00	0.50	12,638.00	0.50	12,638.00
TOTAL BASE BID				\$2,396,387.00		\$2,495,367.50		\$2,663,521.00		\$2,975,622.45
A1	Total Additional Cost to Increase Drakes Creek crossing to 10" SDR 11	LS		8,000.00		20,000.00		20,000.00		149,000.00
TOTAL BASE BID with Alternates				\$2,404,387.00		\$2,515,367.50		\$2,683,521.00		\$3,124,622.45

I hereby certify that this is a true and accurate tabulation of bids as received December 16, 2015 with corrections for mathematical errors.


 Ryan Leisey, PE

WARREN COUNTY WATER SYSTEM
SEWER DIVISION
 Balance Sheet
 November 30, 2015

	<u>Activity</u>	<u>Balance</u>
ASSETS AND OTHER DEBITS		
UTILITY PLANT:		
Utility Plant in Service	\$ -	\$ 42,810,618
Construction Work in Progress	17,226	729,289
Less Accumulated Depreciation	<u>(74,135)</u>	<u>(9,934,918)</u>
TOTAL UTILITY PLANT	<u>(56,909)</u>	<u>33,604,989</u>
OTHER PROPERTY AND INVESTMENTS		
Depreciation Reserve	9,728	1,983,225
Sinking Funds:		
USDA (RD), Series 1993	3,530	27,235
KIA Loan, SCKIP Barren River Rd	1,520	7,922
KIA Loan, Russellville Rd	5,880	30,157
KIA Loan, Buchanan Park	<u>35</u>	<u>5,930</u>
Total Sinking Funds	<u>10,965</u>	<u>71,245</u>
Debt Service Reserve	-	272,140
Special Funds:		
Sewer Replacement System	-	850,000
Hwy 68 West LS Upgrade	-	150,000
Future System Improvement	-	803,331
Alvaton Area Sewer Interceptor	-	180,000
Letter of Credit (KEDFA)	2	277,024
Customer Deposits	<u>147</u>	<u>233,369</u>
Total Special Funds	<u>149</u>	<u>2,493,724</u>
TOTAL OTHER PROPERTY AND INVESTMENTS	<u>20,842</u>	<u>4,820,333</u>
CURRENT AND ACCRUED ASSETS:		
Cash - General Operations	110,475	866,945
Accounts Receivable - Customer	3,626	183,859
Accounts Receivable - Misc	(78,179)	340,414
Prepayments	(1,416)	13,856
Other Current Assets	<u>3,134</u>	<u>24,376</u>
TOTAL CURRENT AND ACCRUED ASSETS	<u>37,640</u>	<u>1,429,450</u>
TOTAL ASSETS AND OTHER DEBITS	<u>1,573</u>	<u>39,854,772</u>

WARREN COUNTY WATER SYSTEM
SEWER DIVISION
Balance Sheet
November 30, 2015

	<u>Activity</u>	<u>Balance</u>
LIABILITIES AND OTHER CREDITS		
CAPITAL:		
Contributions in Aid of Construction	\$ 8,664	\$ 20,997,909
Customer Advance for Construction	(800)	10,807,643
TOTAL CAPITAL	<u>7,864</u>	<u>31,805,552</u>
LONG TERM DEBT:		
Bonds Held by Public:		
USDA (RD), Series 1993	-	527,500
Total Bonds Held by Public	<u>-</u>	<u>527,500</u>
Long Term Loans:		
KIA Loan, Russellville Rd	-	228,870
KIA Loan, Barren River Rd	-	59,052
KIA Loan, Buchanan Park	(2,691)	748,517
KRWFC Loan, Series 2013B	-	113,516
Total Long Term Loans	<u>(2,691)</u>	<u>1,149,955</u>
TOTAL LONG TERM DEBT	<u>(2,691)</u>	<u>1,677,455</u>
CURRENT AND ACCRUED LIABILITIES:		
Accounts Payable - General	(20,217)	100,631
Customer Deposits	2,495	235,748
Interest - Customer Deposits	60	80
Taxes and Equivalents Accrued	(917)	8,745
Total Current Liabilities	<u>(18,578)</u>	<u>345,204</u>
Interest Accrued - Long Term Debt:		
USDA (RD), Series 1993	1,978	9,889
KIA Loan, Russellville Rd	757	4,223
KIA Loan, Barren River Rd	195	1,086
KIA Loan, Buchanan, Park	23	1,831
KRWFC Loan, Series 2013B	258	1,032
Total Interest Accrued - Long Term Debt	<u>3,211</u>	<u>18,062</u>
TOTAL CURRENT AND ACCRUED LIABILITIES	<u>(15,367)</u>	<u>363,265</u>
ACCUMULATED EARNINGS:		
Beginning of Year		5,944,213
Current Year to Date	11,768	64,287
TOTAL ACCUMULATED EARNINGS	<u>11,768</u>	<u>6,008,500</u>
TOTAL LIABILITIES AND OTHER CREDITS	<u>1,573</u>	<u>39,854,772</u>

EXHIBIT I

**REVENUE & EXPENSE SUMMARY
12 MONTHS ENDING NOVEMBER 30, 2015
WARREN COUNTY WATER DISTRICT - SEWER DIVISION**

OPERATING REVENUE:

Metered Revenue - Residential	\$ 1,427,846
Metered Revenue - Commercial	2,300,714
Forfeited Discounts	42,997
Miscellaneous Service Revenue	23,715
Other Sewer Revenue	600
Interest Income	6,933
Rental Revenue - Office Building	19,077
TOTAL OPERATING REVENUE	\$ 3,821,880

OPERATING EXPENSES:

SOURCE OF SUPPLY & PUMPING

Disposal Costs	\$ 2,244,959
Purchased Power	103,890
Contractual Services	3,125
Insurance	4,182

TRANSMISSION & DISTRIBUTION

Wages & Benefits	19,101
Materials & Supplies	769
Contractual Services	1,948
Equipment	2,410
Insurance	2,436

CUSTOMER ACCOUNTS

Wages & Benefits	95,487
Materials & Supplies	3,139
Contractual Services	48,324
Equipment	193
Insurance	2,436
Bad Debts	1,851
Miscellaneous	-

ADMINISTRATIVE & GENERAL

Wages & Benefits	66,003
Materials & Supplies	2,592
Contractual Services	28,751
Equipment	54
Insurance	4,790
Miscellaneous	4,274
Commissioner Fees	15,000
Regulatory Commission Assessment	6,535

TOTAL OPERATING EXPENSE	\$ 2,662,249
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REVENUE & EXPENSE SUMMARY
12 MONTHS ENDING NOVEMBER 30, 2015
WARREN COUNTY WATER DISTRICT - SEWER DIVISION

MAINTENANCE EXPENSE:

Wages & Benefits	\$ 40,089
Chemicals	44,820
Materials & Supplies	7,319
Contractual Services	40,418
Equipment	6,934

DEPRECIATION & OTHER:

Depreciation	872,752
Non-Utility Income	(2)
Consumer Deposit Interest	245
Amortization Expense	165

INTEREST EXPENSE:

Interest Payments - KIA	34,548
Interest Payment - KRWFC	3,113
Interest Payment - USDA	23,800

**TOTAL OPERATING, MAINTENANCE,
AND OTHER EXPENSES**

\$ 3,736,451

**NET OPERATING INCOME BEFORE PRINCIPAL
PAYMENTS**

\$ 85,429

WARREN COUNTY WATER DISTRICT

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

For The Years Ended December 31, 2014 and 2013

WARREN COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of the Warren County Water District (the District) as of and for the years ended December 31, 2014 and 2013, 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 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 audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended in conformity 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 analysis information and budgetary comparison information on pages 3 through 11 and 33 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 the District's financial statements as a whole. The schedules of operating expenses and individual division Statements of Net Position and Statements of Revenue, Expenses and Changes in Net Position on pages 34 -38 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was 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 schedules of operating expenses and individual division Statement of Net Position and Statements of Revenue, Expenses and Changes in Net Position is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2015 on our consideration of the 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 the District's internal control over financial reporting and compliance.

Shelton CPAs, LLP

Shelton CPAs, LLP

April 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warren County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2014 and 2013. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

The following are highlights of Warren County Water District for year ending December 31, 2014:

- The District's net position increased by \$5,441,663 from \$82,729,770 to \$88,171,433 as of December 31, 2014.
- Total revenue for the year increased by \$1,076,536 or 8.7%, compared to last year. The water division's total revenue increased by \$693,201, or 7.6%, and the sewer division's total revenue increased by \$383,335, or 11.8%.
- In year 2014, total sales revenue increased by \$1,068,625 or 9.2%, compared to last year. Metered water sales increased by 675,897, or 8.0%, and metered sewer revenue increased by \$392,728, or 12.4%.
- Total expenses for the year increased by \$723,468, or 6.2%, compared to last year. The water division's total expenses increased by \$510,374, or 6.1%, and the sewer division's total expenses increased by \$213,094, or 6.4%.
- The water division added 554 customers throughout the year for a 2.1% increase and the sewer division added 302 customers for a 5.8% increase. The number of customers at the end of the year for the water and sewer divisions was 26,891 and 5,522 respectively.
- Average metered water revenue was \$21.15 per residential customer and \$124.38 per commercial customer. Average metered sewer revenue was \$23.03 per residential customer and \$401.26 per commercial customer.
- Total water sold to the District's customers during the year amounted to 2.48 billion gallons compared to 2.24 billion gallons in the prior year, an increase of 10.7%. The peak demand month was August 2014 with 268.8 million gallons sold.
- New water meter applications in year 2014 and year 2013 totaled 530 and 560 respectively, a decrease of 30 applications, or -5.4%. New sewer applications in year 2014 and year 2013 totaled 284 and 281 respectively, an increase of 3 applications, or 1.1%.
- The water division has a total of 1,134 miles of water main serving an average of 23.7 customers per mile. The sewer division has 161 miles of collection mains serving an average of 34.3 customers per mile.

Financial Highlights (continued)

- **Projects completed:** *Project 20* consisted of several water lines ranging in size from 4- to 10-inch to increase transmission capacity and system reliability. Additionally, a pump station was upgraded with new larger pumps. Total project cost was \$1,943,743. *Three Springs Road / Highway 242 Transmission Line* included the installation of 25,455 feet of 12" waterline to serve growth in the southern portion of the county. The project was funded by Kentucky Transportation Department with total project costs of \$1,116,237.
- **Projects under construction:** *Kentucky Transpark Relocations* consists of several water and sewer line relocations ranging in size from 6 to 20 inch main to accommodate construction of a new section of highway and new industrial facility. The project is funded by the Kentucky Transportation Department and Bilstein Cold Rolled Steel, L.P. with an estimated cost of \$2,150,000. *Three Springs Road Relocation, Phase 2* consists of line relocations ranging in size from 4 to 12 inch main to accommodate widening of Three Springs Road. The project is funded by the Kentucky Transportation Department and is estimated to cost \$578,000.

Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Warren County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

Financial Analysis

Budgetary Analysis

Total Revenue was higher than budget by \$925,709 or 7.4%, and *Total Expenses* were above budget by \$551,031 or 4.7%. *Metered Water Sales* were 5.7% over budget due to hot summer weather and *Metered Sewer Revenue* was 11.7% greater than budget. *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees were greater than budget by 14.1% or \$34,067 due to a focus on past due collections. *Interest Income* was less than budget by -14.0 % or -\$10,384 and includes interest earned on the operating fund, depreciation fund, reserve funds, and debt service funds. *All Other Revenues* which includes forfeited discounts, rental income, income from local agencies for providing billing services, and gains on the disposition of assets, and other income was higher than budget by 9.7% or \$39,166.

Operating Expenses related to providing water and sewer service and maintaining the District's distribution and collection facilities were greater than budget by 6.6%, or \$556,019. Operating expenses such as purchased water and wastewater disposal costs were greater than budget due to customer demand during hot summer weather. *Depreciation* was higher than budget by 1.1% or \$32,300 due to several residential developments placed into service sooner than budgeted. *Interest Expense* was less than budget by -0.5%, or -\$2,107 and *Net Income* totaled \$1,098,748 for the year, which was 51.7% higher than budget.

Financial Analysis (Continued)

Table 1

WARREN COUNTY WATER DISTRICT				
Statement of Revenue and Expense				
Comparison to Budget				
	<u>Actual 2014</u>	<u>Budget 2014</u>	Increase \	%
			(Decrease)	Change
<u>Revenues:</u>				
Metered Water Sales	\$ 9,131,036	\$ 8,640,100	490,936	5.7%
Metered Sewer Revenue	3,555,424	3,183,500	371,924	11.7%
Miscellaneous Service Revenue	276,097	242,030	34,067	14.1%
Interest Income	63,896	74,280	(10,384)	-14.0%
All Other Revenues	<u>444,956</u>	<u>405,790</u>	<u>39,166</u>	9.7%
Total Revenue	<u>13,471,409</u>	<u>12,545,700</u>	<u>925,709</u>	7.4%
<u>Expenses:</u>				
Operating Expenses	\$ 9,014,319	\$ 8,458,300	556,019	6.6%
Depreciation	2,965,480	2,933,180	32,300	1.1%
Interest Expense	383,593	385,700	(2,107)	-0.5%
All other Expenses	<u>9,269</u>	<u>44,450</u>	<u>(35,181)</u>	-79.1%
Total Expenses	<u>12,372,661</u>	<u>11,821,630</u>	<u>551,031</u>	4.7%
Net Income	<u>\$ 1,098,748</u>	<u>\$ 724,070</u>	<u>374,678</u>	51.7%

Financial Analysis (Continued)

Statement of Net Position

A summary of the District's Net Position is presented below in Table 2. The District's assets exceeded liabilities by \$88,171,433 in year 2014.

Capital Assets are the largest portion of the District's assets and include land, water distribution mains, sewer collection mains, pump stations, lift stations, storage tanks, vehicles, and equipment. In year 2014, capital assets totaled \$104,664,948 net of depreciation resulting in a 2.9% increase of \$2,984,713 over the prior year. Asset additions include Project 20 water line upgrades, two sewer lift station upgrades, and several residential developments placed into service throughout the year.

Restricted and Current Assets totaled \$15,287,857, a 1.4% increase of \$211,171 from last year. Funds restricted for future system improvements, equipment repairs and replacement, debt service, and customer deposits decreased by \$1,380,750. Current assets including cash and contractor receivables increased by \$1,591,921. *Other Assets* totaled \$366,033, a 12.1% increase of \$39,535 and includes miscellaneous assets, unamortized debt premiums and discounts, and unamortized retirement plan costs.

Long-Term Debt totaled \$9,665,782, a 5.2% reduction of \$528,517 due to principal payments. *Current Liabilities* totaled \$2,214,388, a 6.0% increase of \$125,519 from last year. Accounts payable increased by \$295,195 and other current liabilities decreased by a net amount of \$169,676. *Other Liabilities* totaled \$20,267,235, an 8.2% decrease of \$1,803,246 and includes customer deposits for water and sewer service, contractor advances for construction, and unearned revenue from leases to cellular providers. The majority of the decrease is due to expired developer rebate balances transferred to capital contributions.

The District's *Net Position Invested in Capital Assets* increased by \$5,477,397, or 7.8%. *Restricted Net Position* decreased by \$1,458,860 and includes funds restricted for the following: payment of principal and interest on bonds and loans, anticipated expenditures for capital improvements, and funds for emergencies. *Unrestricted Net Position* increased by \$1,423,126; or 135.5%. *Total Net Position* was \$88,171,433 in year 2014, a 6.6% increase of \$5,441,663 compared to the prior year.

Financial Analysis (Continued)

Table 2
 WARREN COUNTY WATER DISTRICT
 Condensed Statement of Net Position
 December 31, 2014

	<u>Year 2014</u>	<u>Year 2013</u>	Increase \ <u>Decrease</u>	% <u>Change</u>
Capital assets	104,664,948	101,680,235	2,984,713	2.9%
Restricted and current assets	15,287,857	15,076,686	211,171	1.4%
Other assets	<u>366,033</u>	<u>326,498</u>	<u>39,535</u>	<u>12.1%</u>
Total Assets	120,318,838	117,083,419	3,235,419	2.8%
Long term debt	9,665,782	10,194,299	(528,517)	-5.2%
Current liabilities	2,214,388	2,088,869	125,519	6.0%
Other liabilities	<u>20,267,235</u>	<u>22,070,481</u>	<u>(1,803,246)</u>	<u>-8.2%</u>
Total Liabilities	32,147,405	34,353,649	(2,206,244)	-6.4%
Net position invested in capital assets, net of related debt	75,538,253	70,060,856	5,477,397	7.8%
Restricted net position	10,159,802	11,618,662	(1,458,860)	-12.6%
Unrestricted net position	<u>2,473,378</u>	<u>1,050,252</u>	<u>1,423,126</u>	<u>135.5%</u>
Total Net Position	<u>88,171,433</u>	<u>82,729,770</u>	<u>5,441,663</u>	<u>6.6%</u>

Financial Analysis (Continued)

Statement of Revenues, Expenses and Changes in Net Position

This statement identifies various revenue and expense items, which impact the change in net position. A summary of this statement is presented in Table 3 below.

Table 3
WARREN COUNTY WATER DISTRICT
Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2014

	<u>Year 2014</u>	<u>Year 2013</u>	<u>Increase \</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
<u>Revenues:</u>				
Metered Water Sales	9,131,036	8,455,139	675,897	8.0%
Metered Sewer Revenue	3,555,424	3,162,696	392,728	12.4%
Miscellaneous Service Revenue	276,097	237,925	38,172	16.0%
Interest Income	63,896	101,183	(37,287)	-36.9%
All Other Revenues	<u>444,956</u>	<u>437,930</u>	<u>7,026</u>	1.6%
Total Revenue	<u>13,471,409</u>	<u>12,394,873</u>	<u>1,076,536</u>	8.7%
<u>Expenses:</u>				
Operating Expenses	9,014,319	8,378,536	635,783	7.6%
Depreciation	2,965,480	2,814,146	151,334	5.4%
Interest Expense	383,593	410,890	(27,297)	-6.6%
All other Expenses	<u>9,269</u>	<u>45,621</u>	<u>(36,352)</u>	-79.7%
Total Expenses	<u>12,372,661</u>	<u>11,649,193</u>	<u>723,468</u>	6.2%
Income Before Capital Contributions	1,098,748	745,680	353,068	47.3%
Capital Contributions	<u>4,342,915</u>	<u>744,265</u>	<u>3,598,650</u>	483.5%
Increase in Net Assets	5,441,663	1,489,945	3,951,718	265.2%
Net Position, Beginning of Year	<u>82,729,770</u>	<u>81,239,825</u>	<u>1,489,945</u>	1.8%
Net Position, End of Year	<u>88,171,433</u>	<u>82,729,770</u>	<u>5,441,663</u>	6.6%

Financial Analysis (Continued)

The volume of water sold in year 2014 totaled 2.48 billion gallons versus 2.24 billion gallons last year, a 10.7% increase of 240 million gallons. The volume of sewer revenue billed for year 2014 was 928.2 million gallons versus 812.8 million gallons last year, a 14.2% increase of 115.4 million gallons billed.

Metered Water Sales increased by 8.0% or \$675,897 and *Metered Sewer Revenue* increased by 12.4% or \$392,728. Water sales and sewer sales increased due to periods of very hot weather which increased customer demand. Customer growth within the District's service area continued with a 2.1% increase in water service customers and a 5.8% increase in sewer service customers. The water division added 554 customers for a total of 26,891, and the sewer division added 302 customers for a total of 5,522 customers. *Miscellaneous Service Revenue*, which includes connection fees, collection fees, and meter tampering fees increased by 16.0%, or \$38,172 due to increased efforts to collect on past due accounts. *Interest Income* decreased by 36.9%, or - \$37,287 due to lower rates of return earned on investments. *All Other Income* increased by \$7,026 and consists of increases in forfeited discounts, rental income, and non-utility income.

Operating Expenses increased by \$635,783, a 7.6% increase when compared to the prior year. A significant portion of the increase in operating expenses were related to meeting customer demand including purchased water, wastewater disposal, and purchased power which increased by \$291,040, \$144,555, and \$70,166 respectively. Other operating expenses that increased include wage and benefits, contractual services, and various other expenses of \$78,357, \$26,616, and \$25,049 respectively.

Depreciation expense increased by \$151,334 or 5.4%, corresponding to various asset additions recorded throughout the year including the Project 20 water line upgrades, two sewer lift station upgrades, and several residential developments. *Interest Expense* decreased by \$27,297, or - 6.6%, due to reductions in outstanding debt.

Capital Contributions of \$4,342,915 were received during the year including expired developer rebates of \$2,692,285, Kentucky Department of Transportation relocations of \$947,586, contributions for meter installations and sewer taps of \$441,053, contributions towards debt service of \$96,228, and reimbursements for special projects and relocations of \$165,763.

Financial Analysis (Continued)

Changes in Capital Assets

The largest portion of the District's assets is invested in the water distribution and sewer collection system amounting to \$101,518,460 net of depreciation, as of December 31, 2014. Table 4 details changes in capital assets.

Table 4
WARREN COUNTY WATER DISTRICT
Changes in Capital Assets
(Net of Depreciation)

<u>Capital Investment</u>	<u>Year 2014</u>	<u>Year 2013</u>	<u>Increase \</u> <u>Decrease</u>	<u>%</u> <u>Change</u>
WATER DIVISION:				
Land	\$ 1,324,352	\$ 1,324,352	-	0.0%
Structures	1,879,667	1,892,324	(12,657)	-0.7%
Pumping Equipment	2,645,794	1,819,707	826,087	45.4%
Storage Tanks	8,832,437	8,757,872	74,565	0.9%
Distribution Mains	39,338,365	38,736,737	601,628	1.6%
Meters	9,781,435	9,355,497	425,938	4.6%
Hydrants	2,721,941	2,690,327	31,614	1.2%
Hardware & Software	1,031,332	880,676	150,656	17.1%
Vehicles and Equipment	388,098	431,042	(42,944)	-10.0%
Other	421,922	152,862	269,060	176.0%
Subtotal - Water	<u>68,365,343</u>	<u>66,041,396</u>	<u>2,323,947</u>	3.5%
SEWER DIVISION:				
Land	\$ 70,602	\$ 70,602	-	0.0%
Structures	5,973,585	5,555,181	418,404	7.5%
Pumping Equipment	1,407,292	1,436,473	(29,181)	-2.0%
Collection Mains	23,119,185	23,068,790	50,395	0.2%
Taps	2,465,023	2,377,700	87,323	3.7%
Hardware & Software	115,232	113,174	2,058	1.8%
Other	2,198	11,584	(9,386)	-81.0%
Subtotal - Sewer	<u>33,153,117</u>	<u>32,633,504</u>	<u>519,613</u>	1.6%
Total - Water & Sewer	<u><u>101,518,460</u></u>	<u><u>98,674,900</u></u>	<u><u>2,843,560</u></u>	2.9%

Financial Analysis (Continued)

Total capital assets, net of depreciation, increased by \$2,843,560 or 2.9%, compared to the prior year. In year 2014, the following were recorded to capital assets: Project 20 water line upgrades, \$1,943,743; residential water and sewer developments, \$576,619 and \$432,371 respectively; three lift station upgrades, \$554,849; repaint elevated storage tanks, \$321,213; water meter installations, \$281,952; sewer taps, \$153,500; computer network upgrades, \$237,057; service line upgrades, \$142,130; water service line upgrades, \$139,140; SCADA system upgrades, \$97,398; GIS mapping & fieldwork, \$85,761; other various additions, \$657,539; and a reduction of \$2,779,712 for accumulated depreciation. Table 4 does not reflect construction projects in progress totaling \$3,146,488, an increase of \$141,153 from projects under construction this time last year of \$3,005,335.

Long-Term Debt

The District's debt obligations include United States Department of Agriculture (USDA) bonds, Water Revenue Bonds, Kentucky Rural Water Finance Corporation (KRWFC) loans, and Kentucky Infrastructure Authority (KIA) loans. As of December 31, 2014, the District had \$10,194,299 in outstanding debt compared to \$10,844,417 in the previous year. Principal payments throughout the year reduced outstanding debt by \$650,118.

Factors Affecting Next Year's Budget

- In April 2015, retail rate increases of 4% for water service and 3.8% for wastewater service are budgeted. The rate increase is a pass through of wholesale rate increases from the District's supplier, Bowling Green Municipal Utilities.
- Growth within the District's service area is expected to add 530 new water connections and 266 sewer connections.
- A normal weather year was projected resulting in reduced water demand compared to the previous year.
- Expenditures required for maintaining existing water distribution and sewer collection systems.
- The impact of regulatory changes forthcoming from the Kentucky Division of Water and the Environmental Protection Agency.

The District's board of commissioners adopted the budget for year 2015 at its meeting held in November 2014. Metered water sales and sewer revenue combined are budgeted to increase by 0.8%. Total revenue is budgeted to increase by 0.8% from year 2014, and total expenses are budgeted to increase by 4.0%. Debt service payments are expected to total \$921,120 for both divisions with a reduction in outstanding debt of \$542,090. Net income for year 2015 is budgeted to total \$595,960. Capital expenditures budgeted for the year totaled \$6,899,200.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Warren County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at www.warrenwater.com.

BASIC FINANCIAL STATEMENTS

WARREN COUNTY WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
UTILITY PLANT (at cost)		
Utility plant in service	\$ 142,839,679	\$ 137,216,407
Less accumulated depreciation	<u>(41,321,219)</u>	<u>(38,541,507)</u>
	101,518,460	98,674,900
Utility plant construction in progress	<u>3,146,488</u>	<u>3,005,335</u>
NET UTILITY PLANT	104,664,948	101,680,235
NONOPERATING PROPERTY, net of \$85,836		
accumulated depreciation	165,856	165,856
RESTRICTED ASSETS		
Bond and interest sinking funds	616,629	744,936
Debt service reserve for bond funds	318,800	318,800
Customer deposits	1,138,705	1,060,595
Construction funds	5,193,291	6,607,331
Depreciation funds	<u>4,031,082</u>	<u>3,947,595</u>
TOTAL RESTRICTED ASSETS	11,298,507	12,679,257
CURRENT ASSETS		
Cash and cash equivalents	1,677,131	998,886
Accounts receivable		
User charges, net of allowance for doubtful accounts: 2014-\$9,453 and 2013-\$9,453	544,450	571,435
Contractor receivable	826,458	3,065
Butler County Water System, Inc.	129,482	72,766
Simpson County Water District	71,664	41,597
Miscellaneous	14,221	12,653
Special deposits and transfers	1,630	1,630
Materials and supplies inventory	452,674	421,884
Prepaid expenses	96,572	86,489
Other receivables	<u>9,212</u>	<u>21,168</u>
TOTAL CURRENT ASSETS	3,823,494	2,231,573
OTHER ASSETS		
Miscellaneous	84,736	58,590
Unamortized debt premium/discount	77,654	86,923
Unamortized retirement costs and other expenses	<u>203,643</u>	<u>180,985</u>
TOTAL OTHER ASSETS	366,033	326,498
TOTAL ASSETS	\$ <u>120,318,838</u>	\$ <u>117,083,419</u>

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 75,538,253	\$ 70,060,856
Restricted	10,159,802	11,618,662
Unrestricted	<u>2,473,378</u>	<u>1,050,252</u>
TOTAL NET POSITION	88,171,433	82,729,770
LONG-TERM DEBT		
Bonds and loans payable	2,936,500	3,061,500
Notes payable	7,257,799	7,782,917
Less - Current portion of long-term debt	<u>(528,517)</u>	<u>(650,118)</u>
TOTAL LONG-TERM DEBT	9,665,782	10,194,299
CURRENT LIABILITIES		
Accounts payable	777,989	482,794
Butler County Water System, Inc.	55,220	46,003
Simpson County Water District	44,291	39,246
Accrued expenses	808,371	870,708
Current portion of long-term debt	<u>528,517</u>	<u>650,118</u>
TOTAL CURRENT LIABILITIES	2,214,388	2,088,869
OTHER LIABILITIES		
Customer meter deposits	1,098,028	1,059,121
Contractor advances for construction	19,098,252	20,940,818
Unearned revenue for cellular leases	<u>70,955</u>	<u>70,542</u>
TOTAL OTHER LIABILITES	<u>20,267,235</u>	<u>22,070,481</u>
TOTAL LIABILITIES	<u>32,147,405</u>	<u>34,353,649</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 120,318,838</u>	<u>\$ 117,083,419</u>

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Metered sales	\$ 12,846,745	\$ 11,785,396
Miscellaneous service revenue	<u>267,686</u>	<u>237,925</u>
TOTAL OPERATING REVENUES	13,114,431	12,023,321
OPERATING EXPENSES		
Source of supply	5,040,387	4,604,792
Pumping plant	701,297	618,886
Water treatment	42	252
Transmission and distribution	1,022,960	1,031,583
Customer accounts	1,413,254	1,319,793
Administrative and general	836,378	803,229
Depreciation	<u>2,965,480</u>	<u>2,814,146</u>
TOTAL OPERATING EXPENSES	11,979,798	11,192,681
OPERATING INCOME	1,134,633	830,640
NONOPERATING REVENUES (EXPENSES)		
Interest income	64,864	100,235
Rental revenue	134,022	131,781
Non-utility income	115,921	107,141
Gain on disposal of assets	42,170	3,425
Amortization of debt expense	(9,269)	(44,672)
Interest expense	(383,593)	(410,890)
Legal settlement	<u>-</u>	<u>28,020</u>
NET NONOPERATING REVENUES (EXPENSES)	(35,885)	(84,960)
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,098,748	745,680
CAPITAL CONTRIBUTIONS	<u>4,342,915</u>	<u>744,265</u>
INCREASE IN NET POSITION	5,441,663	1,489,945
NET POSITION, BEGINNING OF YEAR	<u>82,729,770</u>	<u>81,239,825</u>
NET POSITION, END OF YEAR	<u>\$ 88,171,433</u>	<u>\$ 82,729,770</u>

WARREN COUNTY WATER DISTRICT
 STATEMENTS OF CASH FLOW
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 12,241,628	\$ 12,099,982
Payments to suppliers	(7,088,216)	(6,361,375)
Payments to employees	<u>(1,703,193)</u>	<u>(1,646,846)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,450,219	4,091,761
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from notes	-	1,999,469
Principal paid on bonds and notes	(650,117)	(2,519,336)
Interest paid	(391,864)	(435,168)
Proceeds from disposal of capital assets	53,883	-
Acquisition and construction of capital assets	<u>(3,409,991)</u>	<u>(3,695,869)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,398,089)	(4,650,904)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	76,820	98,357
Purchase of investments in certificates of deposits	-	(677,745)
Proceeds from sale of investments in certificates of deposit	1,375,747	-
Proceeds from miscellaneous income	<u>249,943</u>	<u>238,922</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,702,510</u>	<u>(340,466)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	754,640	(899,609)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,449,889</u>	<u>3,349,498</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,204,529</u>	<u>\$ 2,449,889</u>

See Note B for reconciliation to balance sheet.

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided in operating activities:		
Operating income	\$ 1,134,633	\$ 830,640
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,965,480	2,814,146
Decrease (increase) in:		
Accounts receivable	(884,759)	77,979
Special Deposits and transfers	-	560
Prepaid insurance and pension contributions	(10,083)	(8,705)
Materials and supplies inventory	(30,790)	(10,666)
Other receivables	11,956	(1,878)
Deferred charges	(22,658)	22,791
Increase (decrease) in:		
Accounts payable and accrued liabilities	247,120	312,104
Deposits	38,907	47,548
Deferred revenues	413	7,242
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,450,219</u>	<u>\$ 4,091,761</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Private developers contributed constructed water and sewer lines at cost	<u>\$ 4,342,915</u>	<u>\$ - 744,265</u>
TOTAL NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	<u>\$ 4,342,915</u>	<u>\$ 744,265</u>

NOTES TO THE FINANCIAL STATEMENTS

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

**NOTE A-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Nature of Operations

The Warren County Water District (the District) was created by the County of Warren in accordance with the applicable provisions of Chapter 74 of the Kentucky Revised Statutes. The District operates water and sewer services for the residents of Warren County, Kentucky and surrounding areas. The financial statements of the District include the accounts of the Water Division and the Sewer Division after elimination of all significant inter-division accounts and transactions. The Warren County Judge Executive makes appointments to the Board of Directors.

Basis of Accounting

The District's financial statements are presented in accordance with accounting principles generally accepted in the United States of America for utility districts. The District follows the accounting policies and procedures set forth by the National Association of Regulatory Utility Commissioners and the guidance provided by the American Water Works Association in *Water Utility Accounting*.

The District operates as an enterprise activity, uses the flow of economic resources measurement focus and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

New Accounting Pronouncements: Changes in Accounting Principles and Restatements

On December 31, 2013, the District adopted the following new accounting pronouncement issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, and recognize certain items that were previously reported as assets and liabilities as outflows or resources or inflows of resources.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 and 2013

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety (90) days or less, to be cash equivalents.

Allowance for Doubtful Accounts

The provision for allowance for doubtful accounts is provided for on the reserve method based on historical experience and an evaluation of outstanding accounts receivable at the end of the year.

Material and Supplies Inventory Pricing

Cost of inventories is determined by using the weighted average cost method.

Utility Plant and Depreciation

Property and equipment is stated at cost. Costs of utility plant retirements are charged directly to utility plant accumulated depreciation. Interest relating to the financing of projects under construction is charged to construction works in progress based on the rates paid for long-term borrowing. When the related asset is ready for use, the costs are transferred to utility plant. The cost of current repairs and maintenance is charged to expense.

Depreciation is computed using the straight-line method, using composite rates based on estimated lives as follows: transmission and distribution reservoirs, tanks, and mains – 50 years; buildings – 50 years; equipment – 10 years; service trucks – 5-10 years; tools – 12.5 years; and furniture and fixtures – 10 years.

Restricted Assets

Certain proceeds of the District's revenue bonds and certain resources set aside for their repayment are classified as restricted assets because they are maintained in separate bank accounts and their use is restricted by applicable bond covenants. When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Unamortized Retirement Costs

In 1999 the District was given the opportunity to lower the retirement age of their employees to sixty two. The cost of reducing the retirement age of the District's retirement plan has been deferred and is being amortized using the straight-line method over a thirty-year period as allowed by the agreement with retirement group.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 and 2013

Capital Contributions and Contractor Advances for Construction

The donor cost of contributed property and equipment is included in capital contributions or, otherwise, referred to as contributions in aid of construction. These contributions are received from developers, local and state governmental agencies, and others. Contractor Advances for Construction are amounts advanced by contractors to improve property by adding water and sewer connections. These amounts are to be refunded either entirely or in part dependent on residents having services installed. Amounts not refunded are transferred to contributions in aid of construction after a ten-year period has lapsed.

Net Position

Accounting standards require the classification of Net Position into the following three components:

Invested in capital assets, net of related debt – This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of Net Position consists of constraints placed on net asset use by internal designation or externally imposed by creditors, (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.

Unrestricted – This component consists of Net Position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

Revenues and Expenses

Service rates are authorized by the Public Service Commission (PSC). The District currently uses eight billing cycle dates each month. Revenues between the last billing date and the end of the year are estimated to be an immaterial amount and, therefore, no accruals are recorded in the accompanying financial statements.

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues relate to the direct revenues generated as a result of services performed or sale of commodities. Non-operating revenues are generated from activities not directly related to the District’s core operations. Operating expenses are those directly related to the operations of the District in providing the core services and/or goods to the public. Some expenses, such as interest, are generally classified as non-operating.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 and 2013

Income Tax Status

The District is organized under KRS 74.101 as a division of county government, and is, therefore, exempt from federal and state income taxes.

Concentration of Credit Risk

The majority of the District's business activity is with customers located within Warren County. The District typically collects within thirty (30) days approximately ninety (90) percent of the month-end balances owed by customers.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from these estimates. These differences may be material.

Reclassifications

Certain accounts in the 2013 financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE B-CASH AND INVESTMENTS

Various cash accounts or funds are restricted as follows:

The "Bond Interest and Sinking Fund" maintains monthly contributions equal to one-sixth of the next maturing semi-annual interest payment plus one-twelfth of the next annual repayment of debt principal. Amounts are then transferred to fiscal agents as required to make debt service payments.

The "Debt Service Reserve for Bond Funds" is the cash portion of the bond issues invested in interest bearing accounts and are subject to Arbitrage Filings for excess earnings. The bond indenture frequently calls for the accumulation of restricted assets during the life of the bond to provide for redemption of the bonds at maturity.

The "Rebate Fund" maintains the funds set aside for future payments resulting from Arbitrage Filings.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

The "Customer Deposit" account contains the deposits for services by the District's customers. Interest from this account is credited to each customer's account quarterly.

"Construction Funds" are those funds restricted for a specific construction project. They are normally derived from proceeds of long-term debt or from grants or from contributions from state or local governmental agencies or from excess income.

"Depreciation Funds" are savings set aside for meeting operating expenditures that are needed to maintain or improve the system.

Cash and cash equivalents with no restrictions are reflected on the Statement of Net Position as current assets.

At December 31, 2014, the District's cash and investments held at sixteen financial institutions are as follows:

	Book Balance	Bank Balance	FDIC Insurance	Collateral Pledged
Financial Institution A	\$ 1,777,399	\$ 1,777,399	\$ 250,000	\$ 1,571,888
Financial Institution B	750,000	750,000	250,000	592,421
Financial Institution C	127,856	127,856	250,000	-
Financial Institution D	4,031,135	4,578,109	250,000	4,916,945
Financial Institution E	3,809,099	3,809,099	250,000	3,584,683
Financial Institution F	250,000	250,000	250,000	-
Financial Institution G	250,000	250,000	250,000	-
Financial Institution H	250,000	250,000	250,000	-
Financial Institution I	250,000	250,000	250,000	-
Financial Institution J	410,972	410,972	-	410,972
Financial Institution K	142,466	142,466	250,000	-
Financial Institution L	250,000	250,000	250,000	-
Financial Institution M	404,740	404,740	250,000	236,222
Financial Institution N	216,420	216,420	250,000	-
Financial Institution O	54,330	54,330	250,000	-
	<u>\$ 12,974,417</u>	<u>\$ 13,521,391</u>	<u>\$ 3,500,000</u>	<u>\$ 11,313,131</u>

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

At December 31, 2014 and 2013 all balances were collateralized.

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 has an investment policy that requires balances in excess of FDIC insured amounts be secured with collateral held by a separate bank or trust company as custodian. Uninsured and collateralized balances held by pledging institution trust department or agent bank in the District's name are \$3,041,072.

The District places restricted cash in certificates of deposits, money markets, or other demand deposits with local financial institutions based on the highest bid interest rate and the ability to pledge sufficient collateral. The District's investments are in certificates of deposits and bonds. The District's cost basis, which approximates fair market value, in certificates of deposits at December 31, 2014 and 2013 were \$4,163,285 and \$5,531,023, respectively. At December 31, 2014, \$410,972 was held in AAA rated municipal bonds.

The reconciliation of restricted assets and cash and cash equivalents from the Statement of Net Position to the Statement of Cash Flows follows:

Cash and Investments	December 31,	
	2014	2013
Bond and Interest Sinking Funds	\$ 616,629	\$ 744,936
Debt Service Reserve	318,800	318,800
Customer deposits	1,138,705	1,060,595
Construction funds	5,193,291	6,607,331
Depreciation fund	4,031,082	3,947,595
Cash and cash equivalents	1,677,131	998,886
Total Cash and Investments	<u>12,975,638</u>	<u>13,678,143</u>
Less: Investments greater than ninety days	<u>(9,771,109)</u>	<u>(11,146,856)</u>
Total Cash and Cash Equivalents per Statements of Cash Flows	<u>\$ 3,204,529</u>	<u>\$ 2,531,287</u>

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

NOTE C-UTILITY PLANT

The costs of major classes of utility plant at December 31, 2014 were:

<u>Description</u>	<u>2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>2014</u>
Land *	\$ 1,394,954	\$ -	\$ -	\$ 1,394,954
Buildings/Improvements	8,936,495	605,624	-	9,542,119
Elec Pumping/Mains	102,972,208	3,895,567	163,822	106,703,953
Meters/Hydrants	20,630,442	1,021,769	57,731	21,594,480
Furniture and Equipment-Office	1,871,164	328,213		2,199,377
Equipment	<u>1,411,143</u>	<u>77,522</u>	<u>83,869</u>	<u>1,404,796</u>
Total Utility Plant in Service	137,216,406	<u>\$ 5,928,695</u>	<u>\$ 305,422</u>	142,839,679
Nonoperating Property *	251,692			251,692
Construction in Progress *	3,005,335			3,146,488
Accumulated Depreciation	<u>(38,627,342)</u>			<u>(41,407,055)</u>
	<u>\$ 101,846,091</u>			<u>\$ 104,830,804</u>

* Denotes items that are not depreciated.

The accumulated depreciation by major classes of utility plant at December 31, 2014 was:

<u>Description</u>	<u>2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>2014</u>
Buildings/Improvements	1,498,771	199,875	-	1,698,646
Elec Pumping/Mains	28,832,155	2,105,998	163,822	30,774,331
Meters/Hydrants	6,209,184	476,894	57,731	6,628,347
Furniture and Equipment-Office	859,816	178,272	-	1,038,088
Equipment	<u>1,227,416</u>	<u>112,382</u>	<u>72,155</u>	<u>1,267,643</u>
Total Utility Plant in Service	38,627,342	<u>\$ 3,073,421</u>	<u>\$ 293,708</u>	41,407,055
Nonoperating Property	<u>(85,836)</u>			<u>(85,836)</u>
	<u>\$ 38,541,506</u>			<u>\$ 41,321,219</u>

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

The costs of major classes of utility plant at December 31, 2013 were:

<u>Description</u>	<u>2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>2013</u>
Land *	\$ 1,396,982	\$ -	\$ 2,028	\$ 1,394,954
Buildings/Improvements	8,540,593	395,902	-	8,936,495
Elec Pumping/Mains	100,092,296	2,879,912	-	102,972,208
Meters/Hydrants	19,682,207	1,032,025	83,790	20,630,442
Furniture and Equipment-Office	1,794,404	171,220	94,460	1,871,164
Equipment	<u>1,298,392</u>	<u>133,677</u>	<u>20,926</u>	<u>1,411,143</u>
Total Utility Plant in Service	132,804,874	<u>\$ 4,612,736</u>	<u>\$ 201,204</u>	137,216,406
Nonoperating Property *	251,692			251,692
Construction in Progress *	2,182,345			3,005,335
Accumulated Depreciation	<u>(35,903,290)</u>			<u>(38,627,342)</u>
	<u>\$ 99,335,621</u>			<u>\$ 101,846,091</u>

The accumulated depreciation by major classes of utility plant at December 31, 2013 was:

<u>Description</u>	<u>2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>2013</u>
Buildings/Improvements	1,317,354	181,417	-	1,498,771
Elec Pumping/Mains	26,787,422	2,044,733	-	28,832,155
Meters/Hydrants	5,840,230	452,744	83,790	6,209,184
Furniture and Equipment-Office	823,446	130,830	94,460	859,816
Equipment	<u>1,134,838</u>	<u>113,504</u>	<u>20,926</u>	<u>1,227,416</u>
Total Utility Plant in Service	35,903,290	<u>\$ 2,923,228</u>	<u>\$ 199,176</u>	38,627,342
Nonoperating Property	<u>(85,836)</u>			<u>(85,836)</u>
	<u>\$ 35,817,454</u>			<u>\$ 38,541,506</u>

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

Construction Commitments

Transpark Connector Relocations consists of several water and sewer line relocations ranging in size from 6- to 20- inch, to accommodate construction of a new section of highway and the abandonment of another section of road to accommodate construction of a new industrial facility. Total expenditures as of 12/31/14 were \$692,000. The anticipated total cost of the project is \$2,150,000. This project is funded by the Kentucky Transportation Department and a private industry.

Three Springs Road Relocations consists of water line relocations ranging in size from 4- to 12- inch, to accommodate widening of Three Springs Road. Total expenditures as of 12/31/14 were \$343,000. The anticipated total cost of the project is \$578,000. This project is funded by the Kentucky Transportation Department.

NOTE D-NON-OPERATING PROPERTY

During 1999, the District closed its water treatment plant. The equipment has been reclassified to the non-operating property account and is no longer being depreciated. The water treatment building is being utilized for storage so it is still classified in plant assets and is being depreciated.

NOTE E-BONDS PAYABLE

Bonds have been issued through the United States Department of Agriculture, Economic Development Administration, Department of Housing and Urban Development, and public sales to finance the construction of the water and sewer systems:

Description	Interest Rate	Dated	Maturity Date	Original Amount
Series 1993	4.50%	11/23/94	07/01/33	761,000
Series 2004A*	2.00-4.50%	01/15/05	01/01/25	2,025,000
Series 2005A	4.25%	06/30/06	01/01/44	1,250,000
				<u>\$ 4,036,000</u>

* Interest rates for these issues have different fixed coupon rates, within the specified ranges, for serially maturing bonds. Generally, the bonds with shorter maturities have lower coupon rates than the bonds with longer maturities. The lower rate is applicable at the beginning of the term and increases in increments over the life of the issue to the higher rate, which is applicable at the end of the term.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

Summary of bond activity for the year ended December 31, 2014 was as follows:

Series	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
1993	\$ 562,500	\$ -	\$ 17,000	\$ 545,500	18,000
2004A*	1,355,000	-	90,000	1,265,000	100,000
2005A	1,144,000	-	18,000	1,126,000	18,000
	<u>\$ 3,061,500</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 2,936,500</u>	<u>\$ 136,000</u>

Summary of bond activity for the year ended December 31, 2013 was as follows:

Series	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
1993	\$ 578,500	\$ -	\$ 16,000	\$ 562,500	17,000
2004A*	1,440,000	-	85,000	1,355,000	90,000
2005A	1,161,000	-	17,000	1,144,000	18,000
	<u>\$ 3,179,500</u>	<u>\$ -</u>	<u>\$ 118,000</u>	<u>\$ 3,061,500</u>	<u>\$ 125,000</u>

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

As of December 31, 2014, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending December	Principal Payments	Interest Payments	Total
2015	136,000	121,659	257,659
2016	137,500	116,409	253,909
2017	140,000	110,921	250,921
2018	141,500	105,196	246,696
2019	144,000	99,284	243,284
2020-2024	870,500	391,796	1,262,296
2025-2029	457,500	230,404	687,904
2030-2034	347,500	149,803	497,303
2035-2039	230,000	88,825	318,825
2040-2044	284,000	32,130	316,130
2045	48,000	-	48,000
	<u>\$ 2,936,500</u>	<u>\$ 1,446,427</u>	<u>\$ 4,382,927</u>

The bonds have been issued in fully registered form, maturing as to principal in various amounts on various dates in each of the years through 2045. Interest is due semi-annually of each year. Amortization is provided on a straight-line basis over the life of the related bonds or notes.

Each bond issue is subject to prior redemption as set forth in the respective bond resolutions, and all bonds are secured by a parity lien and ratable payable from the assets and revenues of the District.

During the year 2006, the District partially refunded and defeased in substance its outstanding 1999B bond of \$3,294,000, carrying an interest rate ranging from 4.00 to 5.50%, the lower rate is applicable to the beginning of the term and increasing over the life of the bond, with a new loan, 2006A, of \$3,098,000 with a fixed interest rate of 4.30%. Both require level annual debt service payments with final payments in 2030.

The proceeds of the new loan are in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust account assets and liabilities for the defeased portion of the bonds are not included in the District's financial statements. As of December 31, 2014, \$2,674,000 of the bond considered defeased is still outstanding. This advanced refunding was undertaken to reduce total debt service payments over the next twenty-five years by \$600,208. The District's refunding of the 1999B bond resulted in an economic gain of \$422,281.

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 and 2013

During the year 2013, the District amended its outstanding 2003A and 2003C notes of \$1,815,000 and \$338,700 respectively, carrying an interest rate of 4.0% and 5.0% respectively, with a new loan, 2013B, of \$1,975,000 with an interest rate ranging from 2.3% to 3.3%. The lower rate is applicable to the beginning of the term and increasing over the life of the note. The new note requires annual debt service payments maturing in 2028. The District's amending of the 2003A and 2003C bonds resulted in total cash flow savings of \$264,654.

NOTE F-DEBT SERVICE RESERVE FOR BOND FUNDS

Water Division

Arbitrage rebate refers to the required payment, to the U.S. Treasury, of excess earnings received on tax exempt bond proceeds that are invested at a higher yield than the yield of the tax exempt bond issue. Federal law requires that arbitrage liability, and cumulative excess arbitrage earnings, be calculated and remitted to the U.S. Treasury at the end of the fifth bond year, and every fifth year thereafter. Series 2004A (defeasance of 1995B issue) are subject to arbitrage limitations. The bond resolutions authorizing the aforementioned issues require the debt service reserve account to hold funds equal to the "Reserve Amount". The combined reserve amount at December 31, 2014 and 2013 is \$46,660 and \$46,660, respectively.

Sewer Division

The bond resolution authorizing the District's "Sewer System Revenue Bonds, Series of 1993" required the establishment of a debt service reserve account. Funds are required to be deposited to this account until the balance is equal to the maximum annual principal and interest requirements on all sewer bonds authorized and issued. Withdrawals from the Debt Service Reserve Account are restricted to transfers to the bond and interest sinking fund if required at any time to prevent default in the payment of principal or interest on any bonds. Whenever withdrawals are made from the Debt Service Reserve, the deficiency in the fund is required to be restored when reserves are available. Income from investments of the Debt Service Reserve Fund is to be accumulated in the fund. The balance at December 31, 2014 and 2013 was \$272,140 and \$272,140, respectively.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

NOTE G-NOTES PAYABLE

Notes payable consists of four long-term construction loans with the Kentucky Infrastructure Authority (KIA) and three loans with Kentucky Rural Water Finance Corporation. The KIA loans have a repayment term of twenty years.

Description	Int. Rate	Dated	Maturity Date	Original Amount
Series 2006A*	4.30%	07/01/06	07/01/30	3,098,000
Series 2012B	2.00-4.25%	03/25/12	01/01/39	2,095,000
Series 2013B	2.30-3.30%	02/27/13	01/01/28	1,975,000
A97-04/317	3.80%	08/01/97	12/01/18	982,400
A98-02/353	3.80%	03/01/98	12/01/18	265,000
C11-02	3.00%	12/27/11	10/24/33	797,431
				<u>\$ 9,212,831</u>

Summary of note activity for the year ended December 31, 2014 was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2006A*	2,674,000	-	115,000	2,559,000	111,000
2012B	1,925,000	-	180,000	1,745,000	50,000
2013B	1,975,000	-	124,999	1,850,001	125,000
A97-04/317	318,095	-	58,921	259,174	61,182
A98-02/353	82,074	-	15,203	66,871	15,786
C11-02	808,748	-	30,995	777,753	29,549
	<u>\$ 7,782,917</u>	<u>\$ -</u>	<u>\$ 525,118</u>	<u>\$ 7,257,799</u>	<u>\$ 392,517</u>

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

Summary of note activity for the year ended December 31, 2013 was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2003A*	\$ 1,815,000	\$ -	\$ 1,815,000	\$ -	\$ -
2003C*	338,700	-	338,700	-	-
2006A*	2,778,000	-	104,000	2,674,000	115,000
2012B	2,095,000	-	170,000	1,925,000	180,000
2013B	-	1,975,000	-	1,975,000	125,000
B92-01/265	7,099	-	7,099	-	-
A97-04/317	374,840	-	56,745	318,095	58,921
A98-02/353	96,715	-	14,641	82,074	15,203
C11-02	797,432	24,469	13,153	808,748	30,609
	<u>\$ 8,302,786</u>	<u>\$ 1,999,469</u>	<u>\$ 2,519,338</u>	<u>\$ 7,782,917</u>	<u>\$ 524,733</u>

* Interest rates for these issues have different fixed coupon rates, within the specified ranges, for serially maturing bonds. Generally, the bonds with shorter maturities have lower coupon rates than the bonds with longer maturities. The lower rate is applicable at the beginning of the term and increases in increments over the life of the issue to the higher rate, which is applicable at the end of the term.

WARREN COUNTY WATER DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2014 and 2013

As of December 31, 2014, the future payments for the remaining note payable obligations by year are as follows:

Year Ending December	Principal Payments	Interest Payments	Total
2015	392,517	252,842	645,359
2016	415,828	238,775	654,603
2017	417,895	225,738	643,633
2018	434,109	212,288	646,397
2019	356,602	198,935	555,537
2020-2024	1,988,119	804,783	2,792,902
2025-2029	1,982,977	466,793	2,449,770
2030-2034	794,751	169,351	964,102
2035-2039	475,001	72,765	547,766
	<u>\$ 7,257,799</u>	<u>\$ 2,642,270</u>	<u>\$ 9,900,069</u>

The Kentucky Infrastructure Authority notes, A97-04/317 and A98-02/353 are subordinate to the parity lien bonds of the Sewer Divisions revenues. Interest has been accrued in the amount of \$155,876 and \$164,147 at December 31, 2014 and 2013, respectively.

NOTE H-CONTRIBUTIONS IN AID OF CONSTRUCTION

The contributions in aid of construction were derived from prospective users of the various water and sewer systems and certain governmental grants received by the District. They are recorded on the Statements of Revenues, Expenses, and Changes in Net Position as "Capital Contributions". The contributions were composed of the following at December 31, 2014:

	<u>2013</u>	<u>Additions</u>	<u>2014</u>
Original membership and tap-on fees and contributions for construction of various projects	\$ 35,530,723	\$ 4,342,915	\$ 39,873,638
Grants-in-aid	19,301,433	-	19,301,433
Total Capital Contributions	54,832,156	<u>\$ 4,342,915</u>	59,175,071
Retained Earnings	27,897,614		28,996,362
Total Net Position	<u>\$ 82,729,770</u>		<u>\$ 88,171,433</u>

WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 and 2013

NOTE I-MAJOR SUPPLIER

The District purchases all water and sewer services it supplies to its customers from Bowling Green Municipal Utilities. This agreement was renewed on March 17, 2003 for an additional forty-one years.

NOTE J-INSURANCE AND RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies that are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

NOTE K-EMPLOYEE BENEFITS

The District participates in a pooled defined benefit retirement plan through the National Rural Electric Cooperative Association (NRECA). The NRECA publishes a financial statement and a copy can be obtained by writing or calling the Plan Administrator, NRECA, PO Box 6007, Lincoln, NE 68506; telephone number 866-NRECA99. The District's contribution rate for 2014, 2013, and 2012 were 26.37%, 25.89%, and 23.98% respectively of employees' base pay for those employees who have been employed with the District for over one year and has worked the number of hours needed to qualify. Payments to the NRECA are charged to expense as incurred and the District carries no liability for the plan. For the years 2014, 2013, and 2012 the pension contributions are \$675,700, \$707,043, \$645,744, respectively. Upon retirement at the normal age of sixty-two, the annual estimated benefit is calculated as: Benefit Level (1.6% eligible service years from January 1, 1976 to April 1, 1999 and 1.85% for service after April 1, 1999) multiplied by the number of continuous years in the program multiplied by the average of the highest five salary years. Other plans were in effect prior to January 1, 1976, and benefit calculations will vary in accordance with an employee's hire date. The District decreased the normal retirement age to sixty-two and increased the benefit level by paying approximately \$185,000 for the improved benefits, which is being amortized over thirty years. During the 2002 year, the District adopted changes to the plan to maintain compliance with the new Internal Revenue Service regulations regarding cafeteria plan changes. The District's Board of Commissioners has the authority to provide provisions and amendments to the pension plan.

**WARREN COUNTY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014 and 2013**

The District participates in the Kentucky Public Employees Deferred Compensation Authority, a defined contribution 401(k) retirement plan. Full-time employees meeting certain eligibility requirements can participate in the plan to the extent allowed under Internal Revenue Service rules. The District's contribution to the plan is limited to 1% for those employees who have been employed for over one year and contribute a minimum of 4%.

Employees with less than twenty-five years of continuous service shall accrue annual leave at the rate of fifteen days-per year. Employees with more than twenty-five years of continuous service accrue annual leave at the rate of twenty days per year. Unused annual leave in excess of ten days accumulate at the end of the year and are payable upon request to employees with more than 240 accumulated annual leave days. All accumulated annual leave is payable to employees upon termination. At December 31, 2014 and 2013, the District's accrued compensated absences for annual leave totaled \$289,145 and 265,446, respectively.

Employees accrue sick days at the rate of one sick day per month worked. The sick pay accumulation is unlimited and is payable upon retirement for all sick leave in excess of 800 hours at the rate of one day's pay for each 100 hours or fraction thereof. At December 31, 2014 and 2013, the District's accrued compensated absences for sick leave totaled \$26,054 and \$35,866, respectively.

NOTE L-CONTINGENCES

The District entered into an agreement with an entity to develop the water and sewer system for their plant with a grant received from the Kentucky Cabinet for Economic development (KCED). To meet the requirements of the KCED the District had to place a surety with KCED for \$615,000 until July 1 2025, which is the cost of the grant. In turn the Inter-modal Transportation Authority (ITA) agrees to return the surety in the form of water and sewer improvement if the entity does not meet the employment goals required by the grant agreement.

NOTE M-RELATED PARTIES

Management of the District also serves as the management of the Butler County Water System, Inc. and the Simpson County Water District through a Joint Operations Agreement. Certain transactions, such as vehicle use, initiate billings of revenue between the districts. At December 31, 2014, the District carried net receivables of \$74,262 and \$27,373 from Butler and Simpson Counties, respectively. At December 31, 2013, the District carried net receivables of \$26,763 and \$2,351 from Butler and Simpson Counties, respectively.

NOTE N-SUBSEQUENT EVENTS

The company has evaluated subsequent events through April 20, 2015 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY WATER DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts 2014	Actual Amounts 2014	Variance
OPERATING REVENUES			
Metered sales	\$ 11,990,460	\$ 12,846,745	\$ 856,285
Miscellaneous service revenue	<u>242,030</u>	<u>267,686</u>	<u>25,656</u>
TOTAL OPERATING REVENUES	12,232,490	13,114,431	881,941
OPERATING EXPENSES			
Source of supply	4,631,020	5,040,387	(409,367)
Pumping plant	562,158	701,297	(139,139)
Water treatment	6,067	42	6,025
Transmission and distribution	1,120,196	1,022,960	97,236
Customer accounts	1,347,978	1,413,254	(65,276)
Administrative and general	790,881	836,378	(45,497)
Depreciation	<u>2,933,180</u>	<u>2,965,480</u>	<u>(32,300)</u>
TOTAL OPERATING EXPENSES	<u>11,391,480</u>	<u>11,979,798</u>	<u>(588,318)</u>
OPERATING INCOME	841,010	1,134,633	293,623
NONOPERATING REVENUES (EXPENSES)			
Interest income	74,280	64,864	(9,416)
Rental revenue	130,130	134,022	3,892
Non-utility income	108,800	115,921	7,121
Gain on disposal of assets	-	42,170	42,170
Amortization of debt expense	(44,450)	(9,269)	35,181
Interest expense	<u>(385,700)</u>	<u>(383,593)</u>	<u>2,107</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(116,940)</u>	<u>(35,885)</u>	<u>81,055</u>
INCREASE IN NET ASSETS	\$ <u>724,070</u>	\$ <u>1,098,748</u>	\$ <u>374,678</u>

OTHER SUPPLEMENTARY INFORMATION

WARREN COUNTY WATER DISTRICT
 SCHEDULES OF OPERATING EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
SOURCE OF SUPPLY EXPENSE		
Purchased water and disposal	\$ <u>5,040,387</u>	\$ <u>4,604,792</u>
PUMPING PLANT EXPENSE		
Power purchased	\$ 620,858	\$ 547,484
Chemicals	54,204	46,130
Miscellaneous pumping expense	225	343
Contractual services	6,838	6,251
Rental expense	5,036	4,985
Insurance	14,136	13,693
TOTAL PUMPING PLANT EXPENSE	\$ <u>701,297</u>	\$ <u>618,886</u>
WATER TREATMENT EXPENSE		
Power purchased	\$ <u>42</u>	\$ <u>252</u>
TOTAL WATER TREATMENT EXPENSE	\$ <u>42</u>	\$ <u>252</u>
TRANSMISSION AND DISTRIBUTION EXPENSE		
Salaries and benefits	\$ 606,436	\$ 623,255
Power purchased	(972)	2,024
Contractual services	130,853	126,410
Rental expense	19,304	19,110
Transportation	94,761	106,566
Insurance	45,586	44,163
Miscellaneous	-	102
Materials and supplies	126,992	109,953
TOTAL TRANSMISSION AND DISTRIBUTION EXPENSE	\$ <u>1,022,960</u>	\$ <u>1,031,583</u>

	<u>2014</u>	<u>2013</u>
CUSTOMER ACCOUNTS EXPENSE		
Salaries and benefits	\$ 976,409	\$ 910,247
Billing services	208,806	195,517
Contractual services	49,201	47,456
Uncollectible accounts	25,263	23,086
Rental expense	29,375	29,063
Transportation	103,494	95,019
Insurance	7,393	7,162
Miscellaneous	4,481	1,952
Materials and supplies	8,832	10,291
TOTAL CUSTOMER ACCOUNTS EXPENSE	<u>\$ 1,413,254</u>	<u>\$ 1,319,793</u>
ADMINISTRATIVE AND GENERAL EXPENSE		
Salaries and benefits	\$ 495,607	\$ 466,591
Office supplies	31,191	36,280
Commissioner Fees	30,000	30,000
Contractual services	220,188	213,636
Insurance	12,101	11,870
Rental expense	5,036	5,003
Regulatory commission expense	22,068	19,193
Miscellaneous	19,048	19,932
Transportation	1,139	724
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	<u>\$ 836,378</u>	<u>\$ 803,229</u>
DEPRECIATION EXPENSE	\$ 2,965,480	\$ 2,814,146

WARREN COUNTY WATER DISTRICT
WATER DIVISION
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
UTILITY PLANT (at cost)		
Utility plant in service	\$ 100,552,709	\$ 96,303,122
Less accumulated depreciation	<u>(32,187,365)</u>	<u>(30,261,726)</u>
	68,365,344	66,041,396
Utility plant construction in progress	<u>3,086,395</u>	<u>2,922,110</u>
NET UTILITY PLANT	71,451,739	68,963,506
NONOPERATING PROPERTY, net of \$85,836		
accumulated depreciation	165,856	165,856
RESTRICTED ASSETS		
Bond and interest sinking funds	579,275	708,713
Debt service reserve for bond funds	46,660	46,660
Customer deposits	906,964	849,951
Construction funds	3,209,960	4,804,583
Depreciation fund	<u>2,152,512</u>	<u>1,983,978</u>
TOTAL RESTRICTED ASSETS	6,895,371	8,393,885
CURRENT ASSETS		
Cash and cash equivalents	923,830	478,275
Net accounts receivable	1,148,328	424,672
Butler County Water System, Inc.	129,482	72,766
Simpson County Water District	71,664	41,597
Special deposits and transfers	680	680
Materials and supplies inventory	452,674	421,884
Prepaid insurance and postage	84,149	74,679
Other receivables	<u>8,964</u>	<u>17,121</u>
TOTAL CURRENT ASSETS	2,819,771	1,531,674
OTHER ASSETS		
Miscellaneous	84,736	58,590
Unamortized debt premium/discount	76,543	85,636
Unamortized retirement costs and other expenses	<u>181,127</u>	<u>158,395</u>
TOTAL OTHER ASSETS	342,406	302,621
TOTAL ASSETS	<u>\$ 81,675,143</u>	<u>\$ 79,357,542</u>

	<u>2014</u>	<u>2013</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 54,624,633	\$ 50,924,600
Restricted	5,988,407	7,543,934
Unrestricted	<u>1,239,657</u>	<u>24,803</u>
TOTAL NET POSITION	61,852,697	58,493,337
LONG-TERM DEBT		
Bonds payable	2,391,000	2,499,000
Notes payable	6,032,259	6,444,033
Less - Current portion of long-term debt	<u>(395,774)</u>	<u>(519,774)</u>
TOTAL LONG-TERM DEBT	8,027,485	8,423,259
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,486,577	1,313,005
Butler County Water System, Inc.	55,220	46,003
Simpson County Water District	44,291	39,246
Accounts payable - Sewer Division	295,849	340,177
Current portion of long-term debt	<u>395,774</u>	<u>519,774</u>
TOTAL CURRENT LIABILITIES	2,277,711	2,258,205
OTHER LIABILITIES		
Customer meter deposits	876,592	850,470
Contractor advances for construction	8,569,703	9,261,729
Unearned revenue from cellular leases	<u>70,955</u>	<u>70,542</u>
TOTAL OTHER LIABILITIES	9,517,250	10,182,741
TOTAL LIABILITIES	19,822,446	20,864,205
TOTAL LIABILITIES AND NET POSITION	<u>\$ 81,675,143</u>	<u>\$ 79,357,542</u>

WARREN COUNTY WATER DISTRICT
WATER DIVISION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Metered sales	\$ 9,256,898	\$ 8,582,636
Miscellaneous service revenue	<u>242,274</u>	<u>215,960</u>
TOTAL OPERATING REVENUES	9,499,172	8,798,596
OPERATING EXPENSES		
Source of supply expense:		
Purchased water	2,985,807	2,694,767
Pumping plant expense:		
Power purchased	524,000	455,858
Contractual services	3,712	3,125
Miscellaneous pumping expense	225	343
Rental expense	5,036	4,985
Insurance	<u>10,185</u>	<u>9,867</u>
	543,158	474,178
Water treatment expense:		
Power purchased	<u>42</u>	<u>252</u>
	42	252
Transmission and distribution expense:		
Salaries and benefits	530,203	550,518
Power purchased	(972)	2,024
Contractual services	89,554	91,736
Miscellaneous expense	-	102
Rental expense	19,304	19,110
Transportation	81,775	93,335
Insurance	43,285	41,935
Materials and supplies	<u>106,985</u>	<u>85,408</u>
	870,134	884,168

	<u>2014</u>	<u>2013</u>
Customer accounts expense:		
Salaries and benefits	894,390	830,298
Billing services	208,806	195,517
Contractual services	3,713	3,125
Uncollectible accounts	21,720	19,548
Rental expense	29,375	29,063
Transportation	103,287	94,984
Insurance	5,092	4,934
Miscellaneous	4,169	1,952
Materials and supplies	7,900	10,070
	<u>1,278,452</u>	<u>1,189,491</u>
Administrative and general expense:		
Salaries and benefits	424,030	406,540
Office supplies	28,925	34,239
Contractual services	193,618	185,819
Commissioner fees	15,000	15,000
Insurance	7,446	7,288
Rental expense	5,036	5,003
Regulatory commission expense	16,985	15,642
Miscellaneous	14,193	15,279
Transportation	1,139	724
	<u>706,372</u>	<u>685,534</u>
Depreciation	<u>2,111,407</u>	<u>2,000,581</u>
TOTAL OPERATING EXPENSES	<u>8,495,372</u>	<u>7,928,971</u>
OPERATING INCOME	1,003,800	869,625
NONOPERATING REVENUES (EXPENSES)		
Interest income	50,716	81,454
Rental revenue	119,591	115,294
Non utility income	115,888	107,136
Gain on disposal of assets	42,170	3,425
Debt expense	(9,093)	(42,094)
Interest expense	(317,495)	(340,113)
Legal settlement	-	28,020
	<u>1,777</u>	<u>(46,878)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,777</u>	<u>(46,878)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,005,577	822,747
CAPITAL CONTRIBUTIONS	<u>2,353,783</u>	<u>398,472</u>
INCREASE IN NET POSITION	3,359,360	1,221,219
NET POSITION, BEGINNING OF YEAR	<u>58,493,337</u>	<u>57,272,118</u>
NET POSITION, END OF YEAR	<u>\$ 61,852,697</u>	<u>\$ 58,493,337</u>

WARREN COUNTY WATER DISTRICT
 SEWER DIVISION
 STATEMENTS OF NET POSITION
 DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
UTILITY PLANT (at cost)		
Utility plant in service	\$ 42,286,970	\$ 40,913,285
Less accumulated depreciation	<u>(9,133,854)</u>	<u>(8,279,781)</u>
	33,153,116	32,633,504
Utility plant construction in progress	<u>60,093</u>	<u>83,225</u>
NET UTILITY PLANT	33,213,209	32,716,729
RESTRICTED ASSETS		
Bond and interest sinking funds	37,354	36,223
Debt service reserve for bond funds	272,140	272,140
Customer deposits	231,741	210,644
Construction Funds	1,983,331	1,802,748
Depreciation fund	<u>1,878,570</u>	<u>1,963,617</u>
TOTAL RESTRICTED ASSETS	4,403,136	4,285,372
CURRENT ASSETS		
Cash and cash equivalents	753,301	520,611
Net accounts receivable	236,801	162,481
Accounts receivable - Water Division	295,849	340,177
Special deposits and transfers	950	950
Prepaid insurance and postage	12,423	11,810
Other receivables	<u>248</u>	<u>4,047</u>
TOTAL CURRENT ASSETS	1,299,572	1,040,076
OTHER ASSETS		
Unamortized debt premium/discount	1,111	1,287
Unamortized retirement costs and other expenses	<u>22,516</u>	<u>22,590</u>
TOTAL OTHER ASSETS	23,627	23,877
TOTAL ASSETS	\$ 38,939,544	\$ 38,066,054

	<u>2014</u>	<u>2013</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 20,913,620	\$ 19,136,256
Restricted	4,171,395	4,074,728
Unrestricted	<u>1,233,721</u>	<u>1,025,449</u>
	26,318,736	24,236,433
 LONG-TERM DEBT AND DEFERRED CREDITS		
Bonds payable	545,500	562,500
Notes payable	1,225,540	1,338,884
Less - Current portion of long-term debt	<u>(132,743)</u>	<u>(130,344)</u>
	1,638,297	1,771,040
 CURRENT LIABILITIES		
Accounts payable and accrued expenses	99,783	40,497
Current portion of long-term debt	<u>132,743</u>	<u>130,344</u>
TOTAL CURRENT LIABILITIES	232,526	170,841
 OTHER LIABILITIES		
Customer meter deposits	221,436	208,651
Contractor advances for construction	<u>10,528,549</u>	<u>11,679,089</u>
TOTAL OTHER LIABILITIES	<u>10,749,985</u>	<u>11,887,740</u>
TOTAL LIABILITIES	<u>12,620,808</u>	<u>13,829,621</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 38,939,544</u>	<u>\$ 38,066,054</u>

WARREN COUNTY WATER DISTRICT
 SEWER DIVISION
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Metered sales	\$ 3,589,847	\$ 3,202,760
Miscellaneous service revenue	25,412	21,965
TOTAL OPERATING REVENUES	<u>3,615,259</u>	<u>3,224,725</u>
OPERATING EXPENSES		
Source of supply expense:		
Disposal expense	2,054,580	1,910,025
Pumping plant expense:		
Power purchased	96,858	91,626
Chemicals	54,204	46,130
Contractual services	3,126	3,126
Insurance	3,951	3,826
	<u>158,139</u>	<u>144,708</u>
Transmission and distribution expense:		
Salaries and benefits	76,233	72,737
Materials and supplies	20,007	24,545
Contractual services	41,299	34,674
Transportation	12,986	13,231
Insurance	2,301	2,228
	<u>152,826</u>	<u>147,415</u>
Customer accounts expense:		
Salaries and benefits	82,019	79,949
Uncollectible accounts	3,543	3,538
Contractual services	45,488	44,331
Insurance	2,301	2,228
Materials and supplies	932	221
Transportation	207	35
Miscellaneous	312	-
	<u>134,802</u>	<u>130,302</u>

	<u>2014</u>	<u>2013</u>
Administrative and general expense:		
Salaries and benefits	71,577	60,051
Contractual services	26,570	27,817
Commissioner fees	15,000	15,000
Insurance	4,655	4,582
Regulatory commission expense	5,083	3,551
Office supplies	2,266	2,041
Miscellaneous	4,855	4,653
	<u>130,006</u>	<u>117,695</u>
Depreciation	854,073	813,565
TOTAL OPERATING EXPENSES	<u>3,484,426</u>	<u>3,263,710</u>
OPERATING INCOME	130,833	(38,985)
NONOPERATING REVENUES (EXPENSES)		
Interest income	14,148	18,781
Rental revenue	14,431	16,487
Non utility income	33	5
Debt expense	(176)	(2,578)
Interest expense	(66,098)	(70,777)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(37,662)</u>	<u>(38,082)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	93,171	(77,067)
CAPITAL CONTRIBUTIONS	<u>1,989,132</u>	<u>345,793</u>
INCREASE IN NET POSITION	2,082,303	268,726
NET POSITION, BEGINNING OF YEAR	<u>24,236,433</u>	<u>23,967,707</u>
NET POSITION, END OF YEAR	<u>\$ 26,318,736</u>	<u>\$ 24,236,433</u>

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

To the Board of Commissioners
Warren County Water District
Bowling Green, Kentucky

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 Warren County Water District (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated April 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

To the Board of Commissioners
Warren County Water District
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shelton CPAs, LLP

Shelton CPAs, LLP
April 20, 2015

**WARREN COUNTY WATER DISTRICT - SEWER DIVISION
DEBT SERVICE SUMMARY**

Lender:	USDA			KIA			KIA			KRWFC			KIA			KIA			TOTAL ANNUAL DEBT SERVICE REQUIREMENT		
Issued:	1993			1997			1997			2013			2011			2015					
Rate:	4.50%			3.80%			3.80%			4.58%			3.00%			3.00%					
Loan ID:	92-17			A97-04 (Russellville Rd Ext)			A98-02 (Barren River Rd Ext)			Series 2013G (SC Ky Ind Park)			C11-02 (Buchanan Park Ext)			C15-003 (Alvaton)					
Loan Amt:	\$761,000			\$980,781			\$253,057			\$129,967			\$823,900			\$1,090,050					
Year	Principal	Interest	Total	Principal	Interest & Service Fee	Total	Principal	Interest & Service Fee	Total	Principal	Interest & Service Fee	Total	Principal	Interest & Service Fee	Total	Principal	Interest & Service Fee	Total	Principal	Interest & Service Fee	Total
2015	18,000	24,143	42,143	61,182	9,761	70,943	15,786	2,518	18,304	8,226	3,173	11,399	31,936	24,422	56,358				135,130	64,017	199,147
2016	18,500	23,321	41,821	63,529	7,290	70,819	16,391	1,881	18,272	8,555	2,980	11,535	32,907	23,386	56,294				139,883	58,859	198,742
2017	20,000	22,455	42,455	65,966	4,725	70,691	17,020	1,219	18,239	8,555	2,783	11,338	33,908	22,319	56,227	40,567	34,882	75,449	186,016	88,383	274,399
2018	20,500	21,544	42,044	68,497	2,061	70,558	17,673	532	18,205	8,555	2,587	11,141	34,940	21,218	56,158	41,784	33,583	75,367	191,948	81,525	273,474
2019	22,000	20,588	42,588							8,884	2,386	11,270	36,002	20,085	56,087	43,038	32,246	75,284	109,924	75,305	185,229
2020	22,500	19,586	42,086							9,213	2,178	11,391	37,097	18,917	56,014	44,329	30,869	75,198	113,139	71,550	184,689
2021	24,000	18,540	42,540							9,213	1,943	11,156	38,226	17,713	55,939	45,658	29,451	75,109	117,097	67,647	184,744
2022	25,000	17,438	42,438							9,542	1,680	11,222	39,389	16,473	55,862	47,028	27,990	75,018	120,959	63,681	184,639
2023	26,500	16,279	42,779							9,871	1,409	11,280	40,587	15,195	55,782	48,439	26,485	74,924	125,397	59,367	184,764
2024	27,500	15,064	42,564							10,200	1,121	11,321	41,821	13,878	55,699	49,892	24,935	74,827	129,413	54,998	184,411
2025	29,000	13,793	42,793							10,200	817	11,017	43,093	12,522	55,615	51,389	23,338	74,727	133,682	50,469	184,151
2026	30,500	12,454	42,954							9,213	521	9,733	44,404	11,123	55,527	52,891	21,694	74,624	137,047	45,791	182,839
2027	32,000	11,048	43,048							9,542	223	9,765	45,754	9,683	55,437	54,519	20,000	74,518	141,816	40,953	182,768
2028	33,500	9,574	43,074										47,146	8,198	55,344	56,154	18,255	74,409	138,774	36,060	174,834
2029	35,500	8,021	43,521							48,580	6,669	55,249	57,839	16,458	74,297	57,839	16,458	74,297	141,919	31,148	173,067
2030	37,000	6,390	43,390							50,058	5,093	55,150	59,574	5,093	55,150	59,574	14,607	74,181	146,632	26,090	172,722
2031	39,000	4,690	43,690							51,580	3,469	55,049	61,361	12,701	74,062	61,361	12,701	74,062	151,841	20,850	172,691
2032	41,000	2,880	43,880							53,149	1,795	54,944	63,202	10,738	73,940	63,202	10,738	73,940	157,351	15,413	172,764
2033	43,500	979	44,479										27,178	254	27,432	65,098	8,715	73,813	135,776	9,948	145,724
2034																67,051	6,632	73,683	67,051	6,632	73,683
2035																69,063	4,486	73,549	69,063	4,486	73,549
2036																71,134	2,276	73,411	71,134	2,276	73,411
TOTALS	\$545,500	\$268,774	\$814,274	\$259,173	\$23,838	\$283,011	\$66,871	\$6,150	\$73,021	\$121,742	\$23,833	\$145,575	\$777,755	\$252,412	\$1,030,167	\$1,090,050	\$400,341	\$1,490,391	\$2,861,091	\$975,348	\$3,836,439