

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

JOINT APPLICATION OF TROUBLESOME	)	
CREEK ENVIRONMENTAL AUTHORITY, INC.	)	
FOR AN ORDER APPROVING A TRANSFER	)	CASE NO.
OF OWNERSHIP AND CONTROL OF A	)	2015- <u>00301</u>
JURISDICTIONAL ASSET TO KNOTT COUNTY	)	
WATER AND SEWER INC.	)	

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**DIRECT TESTIMONY OF KYLE SMITH  
ON BEHALF OF  
KNOTT COUNTY WATER AND SEWER INC., AND  
TROUBLESOME CREEK ENVIRONMENTAL AUTHORITY**

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**Filed: September 1, 2015**

1   **Q.   PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**  
2       **OCCUPATION.**

3   A.    Kyle Smith, 7777 Big Branch Rd., Vicco, KY 41773, Chief Financial Officer.

4   **Q.   PLEASE STATE YOUR EDUCATION AND PROFESSIONAL**  
5       **EXPERIENCE.**

6   A.    I received a Bachelor's in Business Administration with a minor in Accounting  
7       from Alice Lloyd College. I have performed accounting duties for coal and lumber  
8       companies as well as my current duties with the water district.

9   **Q.   PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR DUTIES AT**  
10       **KNOTT COUNTY WATER AND SEWER, INC., ("KCWSD").**

11  A.    I am the Chief Financial Officer, ("CFO") in charge of Accounts Payable,  
12       Accounts Receivable, Payroll, Provide financial reports, maintain accounting  
13       records, and comply with local, state and federal government reporting  
14       requirements and filings.

15  **Q.   WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
16       **PROCEEDING?**

17  A.    I am offering testimony to support the transfer of control of the Ball Creek  
18       Wastewater Treatment Plant ("Ball Creek Plant") and the fact that KCWSD has the  
19       managerial and financial ability to operate the Ball Creek Plant after the transfer if  
20       it is approved by the Commission.

21  **Q.   ARE YOU SPONSORING ANY EXHIBITS?**

22  A.    Yes. Exhibit A to my testimony is KCWSD's current tariffs on file with the  
23       Kentucky Public Service Commission. Exhibit B to my testimony is KCWSD's



1           2012 Audit Report. Exhibit C to my testimony is KCWSD's 2012 Annual Sewer  
2           Report. Exhibit D to my testimony is KCWSD's 2012 Annual Water Report.  
3           Exhibit E to my testimony is KCWSD's 2013 Audit Report. Exhibit F to my  
4           testimony is KCWSD's 2013 Annual Sewer Report. Exhibit G to my testimony is  
5           KCWSD's 2013 Annual Water Report. Exhibit H to my testimony is KCWSD's  
6           2014 Annual Sewer Report and Exhibit I to my testimony is KCWSD's 2014  
7           Annual Water Report.

8   **Q.   PLEASE GENERALLY DESCRIBE THE BUSINESS OPERATIONS OF**  
9   **KCWSD.**

10   A.   We provide water and wastewater service for commercial, wholesale & residential  
11       customers.

12   **Q.   PLEASE DESCRIBE THE RATES THAT KCWSD CURRENTLY**  
13   **CHARGES TO CUSTOMERS SERVED BY TROUBLESOME CREEK**  
14   **ENVIRONMENTAL AUTHORITY, INC., ("TEA") AND THE RATES**  
15   **THAT WILL BE CHARGED IF THE TRANSFER IS APPROVED.**

16   A.   See attached Exhibit A

17   **Q.   CAN YOU PLEASE DESCRIBE THE \$7500 ANNUAL STIPEND THAT**  
18   **KCWSD HAS AGREED TO PAY TO TEA AND WHAT THAT MONEY IS**  
19   **TO BE USED FOR?**

20   A.   This was the result of a mutual agreement between TEA and KCWSD to aid TEA  
21       in paying for essential needs for the organization.

22   **Q.   PLEASE DESCRIBE THE 2012 AUDIT REPORT PREPARED BY CHRIS**  
23   **GOOCH, PARTICULARLY THE INCREASE TO INFRASTRUCTURE**

1           **ASSETS OF \$5,612,963 AND ANY FUNDING RECEIVED FOR THIS**  
2           **INFRASTRUTURE.**

3    A.    Mr. Chris Gooch, CPA and his staff conducted an examination of the books of  
4           account of the KCWSD for the calendar year of 2012. The audit was conducted  
5           according to GAAP and included a single audit examination due to the receipt by  
6           the district of more than \$500,000 in Federal funds. The increase to infrastructure  
7           assets of \$5,612,963 is a result of new construction of waterlines funded  
8           predominately by AML grant funds.

9    **Q.    PLEASE DESCRIBE ANY MATERIAL CHANGES TO KCWSD'S**  
10          **FINANCIAL CONDITION SINCE THE 2012 AUDIT REPORT.**

11   A.    The financial condition of the KCWSD has improved substantially since the 2012  
12          audit report. This is a result of the implementation of tighter controls in the billing  
13          of customers via new billing software as well as drastic improvements in the  
14          monitoring of customer metering.

15   **Q.    IS KCWSD'S 2013 AUDIT REPORT COMPLETE?**

16   A.    Yes. It is attached to my testimony as Exhibit E.

17   **Q.    EXPLAIN WHY THE TOTAL DEPRECIATION EXPENSE REPORTED IN**  
18          **THE 2012 FINANCIAL AND STATISTICAL REPORT FILED BY KCWSD**  
19          **ON BEHALF OF ITS WATER DIVISION INCREASED BY 388 PERCENT.**

20   A.    The total depreciation expense increased by this percent due to the district having  
21          to do a "catchup" of multiple years of less than accurate recording of depreciation  
22          expense and the current year addition of over \$5.5 million to its infrastructure.

23   **Q.    HAS KCWSD COMPLETED ITS 2013 ANNUAL REPORT?**

1 A. Yes.

2 **Q. PLEASE EXPLAIN THE DIFFERENCES BETWEEN THE ASSETS**  
3 **LISTED IN KCWSD'S 2012 ANNUAL FINACIAL STATISTICAL REPORT**  
4 **AND 2012 AUDIT REPORT.**

5 A. The 2012 audit report was performed after the KCWSD 2012 annual report. During  
6 the audit the CPA determined that certain assets needed reclassification.

7 **Q. WHY ARE KCWSD AND TEA PROPOSING THIS TRANSFER?**

8 A. KCWSD and TEA are proposing this transfer to ensure that customers can continue  
9 to receive safe and reliable services.

10 **Q. DO YOU BELIEVE THAT KCWSD HAS THE FINANCIAL ABILITY TO**  
11 **PROVIDE RELIABLE AND COST-EFFECTIVE SERVICE TO TEA'S 28**  
12 **CUSTOMERS SHOULD THE COMMISSION APPROVE THIS**  
13 **TRANSFER?**

14 A. KCWSD has been successfully operating and maintaining the Ball Creek Plant  
15 since the MOU was signed in September 2013. No changes in personnel would  
16 need to take place in order to continue to provide the same safe and reliable service  
17 KCWSD has been providing to TEA's customer for the past couple of years.  
18 KCWSD believes that once current projects are completed and new customers are  
19 added it will provide sufficient revenue to justify the acquisition.

20 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

21 A. It is my belief that the acquisition of this facility will be beneficial to all parties  
22 involved including TEA, KCWSD & most importantly, the customers. KCWSD  
23 has proven it has the financial and managerial ability to operate and maintain the

1 Ball Creek Plant by successfully operating it over the past two years. KCWSD will  
2 be able to continue to provide safe and reliable service to TEA's current customers  
3 and will be able to provide safe and reliable service to any future customers that  
4 may be added as a result of new projects.

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A. Yes.**







## **EXHIBIT A**

FOR \_\_\_\_\_

PSC KY NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO.1 \_\_\_\_\_

Troublesome Creek Environmental Authority  
(NAME OF UTILITY)

CANCELLING PSC KY NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

---

Sewer Rates

Monthly Rates

First 2,000 Gallons

\$28.00 Minimum Bill

Over 2,000 Gallons

\$6.00 Per 1,000 Gallons

DATE OF ISSUE \_\_\_\_\_

MONTH / DATE / YEAR

DATE EFFECTIVE \_\_\_\_\_

January, 17, 2013

MONTH / DATE / YEAR

ISSUED BY \_\_\_\_\_

SIGNATURE OF OFFICER

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN  
EXECUTIVE DIRECTOR**

TARIFF BRANCH

*Brent Kirtley*

EFFECTIVE

**1/17/2013**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

## EXHIBIT 9

ACCOUNT NUMBER	DATE BILL MAILED
	10/29/2012
PRESENT READING	SERVICE FROM
KC 127000	9/28/2012
PREVIOUS READING	SERVICE TO
KC 109000	10/29/2012
UNITS USED	DAYS USED
18000	31
DESCRIPTION	AMOUNT
KC/WATER	108.33
KC/UTILITY TAX	3.25
KC/BUSINESS TAX	6.50
CURRENT BILL DUE DATE	AMOUNT DUE BY DUE DATE
11/10/2012	118.08
AMOUNT DUE AFTER DUE DATE	128.91

SERVICE ADDRESS:

1880 West HWY 11

KEEP THIS STUB  
FOR YOUR RECORD  
Troublesome Creek

RETURN THIS STUB WITH PAYMENT TO:  
 KNOTT COUNTY WATER & SEWER DISTRICT  
 7777 BIG BRANCH ROAD  
 VICO, KY 41773  
 (606) 642-3582

PRESORTED  
 FIRST CLASS MAIL  
 US POSTAGE PAID  
 VICO, KY  
 PERMIT #42

AMOUNT ENCLOSED			
ACCOUNT NUMBER	DUE DATE	AMOUNT DUE BY DUE DATE	AMOUNT DUE AFTER DUE DATE
	11/10/2012	128.91	118.08

RETURN SERVICE REQUESTED

Troublesome Creek Environmental Aut  
 917 Perry Park Road  
 Hazard, Ky 41701



KENTUCKY  
 PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
 EXECUTIVE DIRECTOR

TARIFF BRANCH

*Brent Kirtley*

EFFECTIVE

1/17/2013

PURSUANT TO 807 KAR 5 011 SECTION 9 (1)

## **EXHIBIT B**

KNOTT COUNTY WATER AND SEWER DISTRICT

REPORT OF AUDITED FINANCIAL STATEMENTS

For The Year Ended December 31, 2012



KNOTT COUNTY WATER AND SEWER DISTRICT

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**Chris Gooch**  
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INDEPENDENT AUDITOR'S REPORT

To Members of the Board  
Knott County Water and Sewer District  
7777 Big Branch Road  
Vico, Kentucky 41773

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Knott County Water and Sewer District, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Knott County Water and Sewer District's basic financial statements required by accounting principles generally accepted in the United States of America.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis for Qualified Opinion**

Management did not provide verification through third party receipts and other supporting documentation for various expenditures paid by the District indicating reasonable and/or allowable disbursements totaling \$80,122.02 for which we requested as part of our audit procedures.

**Qualified Opinion**

In our opinion, except for the possible effects of the matters discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Knott County Water and Sewer District, as of December 31, 2012, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis be presented to supplement the basic financial statements. Management did not prepare or provide us with a management's discussion and analysis for the year ended December 31, 2012. 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. Certain limited procedures to the required supplementary information would be applied in accordance with auditing standards generally accepted in the United States of America, which would consist 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 would not express an opinion or provide any assurance on the information because the limited procedures that would have been performed do not provide 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 Knott County Water and Sewer District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the Knott County Water and Sewer 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 Knott County Water and Sewer District's internal control over financial reporting and compliance.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

December 6, 2013

KNOTT COUNTY WATER AND SEWER DISTRICT

STATEMENT OF NET POSITION

At December 31, 2012

**ASSETS:**

- Current Assets -	
Cash in Banks - Unrestricted	72,592
Accounts Receivable, net of allowance for doubtful accounts	310,233
Other Current Assets	<u>59,798</u>
<u>Total Current Assets</u>	<u>442,623</u>
- Fixed Assets -	
Land, Structure & Equipment, net of depreciation	29,443,666
Construction in Progress	<u>5,580,635</u>
<u>Total Fixed Assets</u>	<u>35,024,301</u>
- Other Assets -	
Cash - Restricted	<u>197,860</u>
<u>Total Assets</u>	<u><u>35,664,784</u></u>

**LIABILITIES AND NET POSITION:**

- Current Liabilities -	
Accounts Payable	49,865
Payroll Liabilities Payable	16,322
Accrued Compensation	13,332
Interest Payable	31,420
Other Current Liabilities	83,238
Current Portion of Long-Term Debt	<u>48,135</u>
<u>Total Current Liabilities</u>	<u>242,312</u>
- Long Term Liabilities -	
Bonds/Notes Payable	770,526
Less: Current Portion	<u>(48,135)</u>
<u>Total Long-Term Liabilities</u>	<u>722,391</u>
<u>Total Liabilities</u>	<u>964,703</u>
- Net Position -	
Unrestricted (deficit)	279,866
Restricted Assets	197,860
Invested in Fixed Assets, net of related debt	<u>34,222,355</u>
<u>Total Net Position</u>	<u>34,700,081</u>
<u>Total Liabilities and Net Position</u>	<u><u>35,664,784</u></u>

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



KNOTT COUNTY WATER AND SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

For The Year Ended December 31, 2012

<u>Revenue</u>	
Water and Sewer Operations	<u>1,691,343</u>
<u>Operating Expense</u>	
Salaries and Fringe Benefits	444,714
Commissioner Fee	60,600
Office Expense	19,123
Water Consumption	73,827
Electric	242,071
Telephone	14,517
Travel and Training	1,341
Advertisement	1,216
Legal and Accounting	23,465
Contractual Fees	95,637
Uniforms	10,829
Vehicle Expense	44,069
Operating Supplies and Maintenance	142,390
Licenses, Permits and Fees	18,894
Insurance and Bonds	20,486
Depreciation Expense	<u>1,305,843</u>
<u>Total Operating Expense</u>	<u>2,519,022</u>
Excess (Deficiency) of Operating Revenue	
<u>Over Operating Expense</u>	<u>(827,679)</u>
<u>Other Income (Expense)</u>	
Interest Income	806
Interest Expense	<u>(32,984)</u>
<u>Total Other Income (Expense)</u>	<u>(32,178)</u>
Net Income (Loss)	(859,857)
Net Position, Beginning of Year	1,611,577
Add: Capital Contributions	<u>33,948,361</u>
Net Position, End of Year	<u><u>34,700,081</u></u>

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

KNOTT COUNTY WATER AND SEWER DISTRICT

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2012

<u>Cash Flows from Operating Activities:</u>	
Receipts from customers and users	1,482,302
Payments to personnel	(492,868)
Payments to suppliers	(532,670)
Payments to contractors	(132,330)
Other operating payments	<u>(84,643)</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>239,791</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Increase in infrastructure assets - net	(5,612,963)
Tap fees	49,106
Principal paid on bonds	(46,374)
Interest paid on bonds and notes	(32,984)
Disposal of equipment	14,468
Capital grants and contributions received	<u>4,898,422</u>
<u>Net Cash Provided (Used) for Capital and Related Financing Activities</u>	<u>(730,325)</u>
<u>Cash Flows from Investing Activities</u>	
Interest revenue	<u>806</u>
Net Increase (Decrease) in Cash	(489,728)
Cash and restricted cash, January 1	<u>760,180</u>
Cash and restricted cash, December 31	<u><u>270,452</u></u>
Reconciliation of Operating Income (Loss) to	
<u>Net Cash Provided by Operating Activities:</u>	
Operating loss	(827,679)
Adjustments to reconcile operating net cash provided by operating activities:	
Depreciation	1,305,843
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(152,758)
(Increase) decrease in other current assets	(56,283)
Increase (decrease) in accounts payable	(49,036)
Increase (decrease) in payroll tax payable	(739)
Increase (decrease) in accrued compensation	13,185
Increase (decrease) in other current liabilities	<u>7,258</u>
<u>Net Cash Provided (Used) by Operations</u>	<u><u>239,791</u></u>

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

KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTSAt December 31, 20121. Reporting Entity

Knott County Water and Sewer District was created by Knott County Fiscal Court to be governed and operated under the rules and procedures established under KRS Chapter 74, relating to water districts and KRS Chapter 220 relating to sanitation districts. The entity's plans are to expand its operating activities into parts of Knott County not presently served with water and sewer utility services.

2. Accounting Policies and Procedures

## a. Cash

For purposes of the cash flow statement, cash consists of interest bearing checking accounts, restricted and unrestricted.

## b. Fixed Assets and Depreciation

Property, plant and equipment are stated at historical or estimable cost. Fixed assets are recorded and depreciated using the straight-line method of accounting over the respective assets useful lives as follows:

Equipment	5 – 7 years
Transmission Lines	20 – 40 years
Water Wells, Structures and Improvements	15 – 40 years

## c. Allowance for Doubtful Accounts

Knott County Water and Sewer District's financial statements reflect an allowance account for its customer accounts receivable based on management's estimate of probable losses. An allowance expense in the amount of \$25,154 was recognized in the financial statements for the year ended December 31, 2012.

## d. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 2012

## e. Basis of Presentation

GASB 34 creates basic financial statements for reporting on the governmental financial activities. Financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Knott County Water and Sewer District is considered a special purpose government engaged in a business-type activity. No governmental type funds are recognized.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following fund:

Proprietary Funds (Enterprise Funds)

The Water and Sewer Revenue Funds accounts for revenues and expenses related to customer utility services.

## f. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. For its water and sewer enterprise operations the District uses the full-accrual basis of accounting where revenues are recorded when earned and expenses are recognized when incurred.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the

KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 2012

## f. Basis of Accounting (Continued)

resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

## g. Net Position

GASB 63, implemented for the current fiscal year, has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## h. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for utility services provided.

## i. Materials and Supplies

Inventory is currently charged to expense as incurred. Supplies are acquired on an as needed basis.

3. Cash and Cash Equivalents

The carrying amount of cash was \$270,452 and the bank balance of cash was \$315,676 at December 31, 2012. The bank balance of cash at December 31, 2012 was adequately covered by FDIC. Cash at December 31, 2012 was comprised of the following:



KNOTT COUNTY WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2012

3. Cash and Cash Equivalents (Continued)

	<u>Bank Balance</u>	<u>Book Balance</u>	<u>Interest Rate</u>	<u>Financial Institution</u>
Operating Account	117,816	72,592	0.25%	Whitaker Bank
Funded Depreciation Reserve Account	145,023	145,023	0.25%	Whitaker Bank
RD/ARC Fund	1,489	1,489	0.25%	Whitaker Bank
Carr Creek Water Line Extension	49,992	49,992	0.25%	Whitaker Bank
Red Oak	34	34	0.00%	Whitaker Bank
Debt Retirement Fund - RD	25	25	0.00%	Whitaker Bank
Coal Severance Fund	15	15	0.00%	Whitaker Bank
Coal Removal Escrow Fund	34	34	0.00%	Whitaker Bank
Interim Financing Construction Account	49	49	0.00%	Whitaker Bank
AML Clear Creek	271	271	0.00%	Whitaker Bank
AML Irishman Creek	552	552	0.00%	Whitaker Bank
Pippa Passess Tanks	374	374	0.00%	Whitaker Bank
AML Red Fox	<u>2</u>	<u>2</u>	2.00%	Whitaker Bank
	<u>315,676</u>	<u>270,452</u>		

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that Knott County Water and Sewer District may not recover collateral securities. The organization's deposits at December 31, 2012 exceeded the amount of the Federal Deposit Insurance Corporation Insurance (FDIC). Knott County Water and Sewer District has a collateral agreement that covers any amounts not insured by FDIC. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Knott County Water and Sewer District does not have any investments other than its interest bearing checking accounts. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investment in a single issuer. Over ninety-eight percent of the Organization's cash at December 31, 2012 is held at Whitaker Bank.

Foreign currency risk is the risk of changes in exchange rates effecting foreign investments. The District does not hold any foreign investments.

4. Other Current Assets

Other current assets consisted of the following at December 31, 2012:

Prepaid insurance	14,111
Due from employees	<u>45,687</u>
	<u>59,798</u>

KNOTT COUNTY WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2012

5. Other Current Liabilities

Other current liabilities consisted of the following at December 31, 2012:

Customer deposits payable	66,920
Utility tax payable	<u>16,318</u>
	<u>83,238</u>

6. Changes in Fixed Assets

Following are changes in fixed assets for Knott County Water and Sewer District at December 31, 2012:

	<u>1/1/2012</u>			<u>12/31/2012</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<b><u>Fixed Assets - Water operations</u></b>				
Land and land rights	117,294	-	-	117,294
Water Sewer plant and transmission lines	34,131,393	5,580,635	-	39,712,028
Vehicles	202,418	-	(15,439)	186,979
Operating equipment	391,092	23,250	-	414,342
Office furniture and equipment	118,291	9,078	-	127,369
Subtotal	<u>34,960,488</u>	<u>5,612,963</u>	<u>(15,439)</u>	<u>40,558,012</u>
<b><u>Accumulated Depreciation - Water operations</u></b>				
Water plant and transmission lines	3,986,157	1,215,893	-	5,202,050
Vehicles	49,321	36,471	(971)	84,821
Operating equipment	185,810	32,288	-	218,098
Office furniture and equipment	25,338	16,724	-	42,062
Subtotal	<u>4,246,626</u>	<u>1,301,376</u>	<u>(971)</u>	<u>5,547,031</u>
<b>Total</b>	<u>30,713,862</u>	<u>4,311,587</u>	<u>(14,468)</u>	<u>35,010,981</u>
<b><u>Fixed Assets - Sewer operations</u></b>				
Land and land rights	2,791	-	-	2,791
Sewer plant and transmission lines	260,673	-	-	260,673
Operating equipment	76,367	-	(18,263)	58,104
Subtotal	<u>339,831</u>	<u>-</u>	<u>(18,263)</u>	<u>321,568</u>
<b><u>Accumulated Depreciation - Sewer operations</u></b>				
Sewer plant and transmission lines	252,882	1,498	-	254,380
Operating equipment	69,162	2,969	(18,263)	53,868
Subtotal	<u>322,044</u>	<u>4,467</u>	<u>(18,263)</u>	<u>308,248</u>
<b>Total</b>	<u>17,787</u>	<u>(4,467)</u>	<u>-</u>	<u>13,320</u>

KNOTT COUNTY WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2012

6. Changes in Fixed Assets (Continued)

Total depreciation expense for the year ended December 31, 2012 is allocated as follows:

	<u>Depreciation</u>
Water operations	1,301,376
Sewer operations	<u>4,467</u>
<u>Total</u>	<u><u>1,305,843</u></u>

7. Long Term Debt

A Rural Utilities Service bond, dated December 19, 2003 was issued to pay off prior debt of Knott County Water and Sewer District. The bond issue has an annual interest rate of 4.5%. The total amount of the loan was \$185,000. The bond calls for 40 annual interest and principal payments. The bond agreement also establishes a funded depreciation reserve calling for annual payments of \$1,080, beginning with the first month of the first full fiscal year after the facility becomes operational. The District balance in this reserve account was \$145,023 at December 31, 2012.

Following is the RUS debt service schedule for this issue:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance</u>
				169,500
2013	2,500	7,628	10,128	167,000
2014	2,500	7,515	10,015	164,500
2015	3,000	7,403	10,403	161,500
2016	3,000	7,268	10,268	158,500
2017	3,000	7,133	10,133	155,500
2018-2022	18,000	33,414	51,414	137,500
2023-2027	22,000	29,072	51,072	115,500
2028-2032	28,000	23,582	51,582	87,500
2033-2037	34,500	16,697	51,197	53,000
2038-2042	43,000	8,236	51,236	10,000
2043	<u>10,000</u>	<u>450</u>	<u>10,450</u>	-
<u>Total</u>	<u><u>169,500</u></u>	<u><u>148,398</u></u>	<u><u>317,898</u></u>	

Knott County Water and Sewer District entered into an assistance agreement with the Kentucky Infrastructure Authority for KIA Fund C03-3 loan assistance dated January 1, 2004 having a maturity date of June 1, 2022 for expenditures related to the Highway 899/Mallie waterworks improvement project. The original principal balance was \$547,000. The interest rate is 4.05%. The District entered into an agreement to pay past due interest and fees of \$65,047.95 beginning with the March 1, 2011 due date.



KNOTT COUNTY WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2012

7. Long Term Debt (Continued)

Following is a debt service schedule:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Servicing Fees</u>	<u>Past Due Interest</u>	<u>Total</u>	<u>Balance</u>
						504,326
2013	44,435	19,606	968	6,410	71,419	459,891
2014	46,268	17,773	878	6,410	71,329	413,623
2015	48,177	15,864	783	6,410	71,234	365,446
2016	50,165	13,876	685	6,410	71,136	315,281
2017	52,235	11,806	583	-	64,624	263,046
2018-2022	<u>263,046</u>	<u>25,140</u>	<u>12,141</u>	<u>-</u>	<u>300,327</u>	-
<u>Total</u>	<u>504,326</u>	<u>104,065</u>	<u>16,038</u>	<u>25,640</u>	<u>650,069</u>	

A Rural Utilities Service bond, dated January 26, 2007 was issued to finance a portion of the Water Treatment Plant project. The bond issue has an annual interest rate of 4.125%. The total amount of the loan was \$100,000. The bond calls for 40 annual interest and principal payments.

Following is a debt service schedule:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance</u>
				96,700
2013	1,200	4,356	5,556	95,500
2014	1,200	4,302	5,502	94,300
2015	1,300	4,248	5,548	93,000
2016	1,400	4,190	5,590	91,600
2017	1,400	4,127	5,527	90,200
2018-2022	8,100	19,626	27,726	82,100
2023-2027	10,000	17,641	27,641	72,100
2028-2032	12,500	15,166	27,666	59,600
2033-2037	15,700	12,079	27,779	43,900
2038-2042	19,500	8,218	27,718	24,400
2043-2045	<u>24,400</u>	<u>3,440</u>	<u>27,840</u>	-
<u>Total</u>	<u>96,700</u>	<u>97,393</u>	<u>194,093</u>	

KNOTT COUNTY WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2012

7. Long Term Debt (Continued)

Changes in long-term debt for the District are as follows:

	<u>1/1/2012</u>			<u>12/31/2012</u>	<u>Current</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>
US Rural Development					
91-11	97,900	-	1,200	96,700	1,200
Kentucky Infrastructure Authority -					
C03-03	547,000	-	42,674	504,326	44,435
US Rural Development					
93-05	<u>172,000</u>	<u>-</u>	<u>2,500</u>	<u>169,500</u>	<u>2,500</u>
Total	<u>816,900</u>	<u>-</u>	<u>46,374</u>	<u>770,526</u>	<u>48,135</u>

8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for risk of loss. The District manages and finances these risks by purchasing commercial insurance for their worker's compensation and employer's liability.

The District did not have settled claims that exceeded the District's commercial insurance coverage in any of the past three years.

9. Contingencies

The District receives funding from local, state, and federal government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

10. Subsequent Events

Knott County Water and Sewer District has evaluated subsequent events through December 6, 2013, the date financial statements were available to be issued.

The District entered into an agreement after December 31, 2012 with Troublesome Creek Environmental Authority to provide billing services for its sanitation customers and charge an administrative fee. Negotiations were also underway allowing the District to acquire the facility and related debt and provide plant operations and maintenance.



KNOTT COUNTY WATER AND SEWER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2012

11. Pension Plans

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

The Knott County Water and Sewer had a total of 2 non-hazardous employees covered by the CERS. The employees non-hazardous contribute 5.0%. The employer contributes 19.55% except for new hires after September 1, 2008 with payroll withholdings of 6.0%. The District's contribution for the year ended December 31, 2012 was \$25,548 and the employees contributed \$6,446.

Following summarizes employer contributions to the CERS plan:

<u>Year Ended</u>	<u>Employer Amount</u>
2012	25,548
2011	26,894
2010	26,870

The District's total payroll for the year was \$296,300 and the payroll for employees reported under CERS was \$132,912.

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The "pension benefits obligation" is a standardized disclosure measure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS does not make separate measurement of assets and pension benefit obligations for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

KNOTT COUNTY WATER AND SEWER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2012

11. Pension Plans (Continued)

	CERS <u>as of June 30, 2012</u>
Actuarial Accrued Liability	12,149,560
Actuarial Value of Assets	<u>7,294,615</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>4,854,945</u>
Funded Ratio	<u>60.0</u>
Covered Payroll	<u>2,700,775</u>
UAAL as a % of Covered Payroll	<u>179.8</u>

Historical trend information showing CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2012 comprehensive annual financial reports.

As the District is only one of several employers participating in the plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan.

KNOTT COUNTY WATER AND SEWER DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Expenditures</u>
US Department of Interior			
Passed through Kentucky Natural Resources and Environmental Protection Cabinet			
Abandoned Mines Land - Arnold Fork Water Project	15.252	n/a	152,073
Abandoned Mines Land - Clear Creek Water Project	15.252	n/a	966,193
Abandoned Mines Land - Highway 582 Water Project	15.252	n/a	2,434,807
Abandoned Mines Land - Highway 582 Water Study	15.252	n/a	125,280
Abandoned Mines Land - Dry Creek Water Project	15.252	n/a	<u>127,067</u>
 <u>Total Federal Awards Expenditures</u>			 <u><u>3,805,420</u></u>

NOTE A

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Knott County Water and Sewer District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**Chris Gooch**

Certified Public Accountant  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of the Board  
Knott County Water and Sewer District  
7777 Big Branch Road  
Vicco, Kentucky 41773

**Report on Compliance for Each Major Federal Program**

We have audited Knott County Water and Sewer District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Knott County Water and Sewer District's major federal programs for the year ended December 31, 2012. Knott County Water and Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Knott County Water and Sewer District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Knott County Water and Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Knott County Water and Sewer District's compliance.



### *Opinion on Each Major Federal Program*

In our opinion, Knott County Water and Sewer District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of Knott County Water and Sewer District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Knott County Water and Sewer District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Knott County Water and Sewer District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

December 6, 2013



**Chris Gooch**

Certified Public Accountant  
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**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 Members of the Board  
Knott County Water and Sewer District  
7777 Big Branch Road  
Vico, Kentucky 41773

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Knott County Water and Sewer District, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Knott County Water and Sewer District's basic financial statements and have issued our report thereon dated December 6, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2012-1, 2012-2, 2012-7 and 2012-10.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 2012-3, 2012-5, 2012-6 and 2012-9.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Knott County Water and Sewer District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: 2012-3, 2012-4 and 2012-8.

**Knott County Water and Sewer District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

December 6, 2013

KNOTT COUNTY WATER AND SEWER DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For The Year Ended December 31, 2012

The previous financial statements audited were for the year ended December 31, 2008.

KNOTT COUNTY WATER AND SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended December 31, 2012

-SUMMARY OF AUDIT RESULTS-

1. We have issued a modified opinion on the financial statements.
2. Material weaknesses and significant deficiencies not identified as material weaknesses were disclosed by the audit of the financial statements.
3. Material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unmodified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under Section .510(a) of A-133.
7. Knott County Water and Sewer District had the following major program:
  - US Department of Interior
  - Passed through Kentucky Natural Resources and
  - Environmental Protection Cabinet
  - Abandoned Mine Land (AMLR) Reclamation Programs – CFDA #15.252
    - Arnold Fork Water Project
    - Clear Creek Water Project
    - Highway 582 Water Study and Project
    - Dry Creek Water Project
8. The dollar threshold used to distinguish between major and non-major programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section .530 of A-133.



KNOTT COUNTY WATER AND SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended December 31, 2012

-FINDINGS RELATED TO THE FINANCIAL STATEMENTS-

**2012-1:**

Condition:

A request for additional supporting documentation regarding thirty-six Visa line item payments occurred during the audit period. A copy of the original statement having a closing date of April 11, 2012 was retained by the auditor. Management later provided the auditor with a faxed copy of the above-referenced statement and some receipts. The faxed copy had been altered reflecting different vendors in eighteen of the thirty-six items listed. The total vendor purchases modified from the original vendor amounted to \$1,741.92. This matter was referred to the Kentucky State Attorney General's office for further action.

Criteria:

Management should readily provide evidence of costs supporting its allowable purpose to the District's operations. All costs charged and paid by the District should be for allowable purposes.

Cause:

The District did not have procedures to adequately monitor controls over Visa transactions.

Effect:

Funds of the District appear to be misappropriated and used for unallowable purposes.

Recommendation:

The District should establish procedures mitigating the risk of financial statement material misstatement and fraud by having dual controls over its disbursement procedures. Evidence for pre-authorization of materials, supplies or other operating expenses should be provided. The District should seek restitution where applicable.

Management's Response:

The District will establish procedures mitigating the risk of financial statement material misstatement and fraud by having dual controls over its disbursement procedures. Evidence for pre-authorization of materials, supplies or other operating expenses will be provided. The District will seek restitution where applicable.

**2012-2:**

Condition:

As part of our audit procedures, management failed to provide requested additional supporting documentation not readily available for various disbursements totaling \$78,380.10 in addition to finding 2012-1.



KNOTT COUNTY WATER AND SEWER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For The Year Ended December 31, 2012

**2012-2 (Continued):**

Criteria:

Management should readily provide evidence of costs supporting its allowable purpose to the District's operations. All costs charged and paid by the District should be for allowable purposes.

Cause:

The District did not provide documentation requested.

Effect:

Funds of the District may be misappropriated and used for unallowable purposes.

Recommendation:

The District should establish procedures mitigating the risk of financial statement material misstatement and fraud by having dual controls over its disbursement procedures. Evidence for pre-authorization of materials, supplies or other operating expenses should be provided. The District should seek restitution where applicable.

Management's Response:

The District will establish procedures mitigating the risk of financial statement material misstatement and fraud by having dual controls over its disbursement procedures. Evidence for pre-authorization of materials, supplies or other operating expenses will be provided. The District will seek restitution where applicable.

**2012-3:**

Condition:

Payments were made to Water District Commissioner's during the year without adequate supporting perpetual subsidiary schedules indicating the periods each payment should be applied. Therefore, we were not able to determine the actual amount owed, if any, by the District to the Commissioners and no accrual was made at December 31, 2012. According to management, in previous years' funds were inadequate to pay Commissioner's the statutory compensation as provided by KRS 74.020 and therefore, some payments made in 2012 were for previous years. Furthermore, we noted some payments were increased due to completion of water district management training. We did not receive evidence of the district management training. In addition, the Chairman was paid \$40,000 in 2012 for back commissioner pay owed. We noted a 1099-MISC form had not been prepared and submitted to the Internal Revenue Service for this transaction.

Criteria:

Management is not accounting for commissioner pay on a perpetual basis. Management has not provided evidence increases in commissioner pay were valid. Management has made payments without adequate supporting documentation.

Cause:

The District is not maintaining adequate subsidiary schedules to account for Commissioner compensation accrued and paid. The District is not retaining evidence of training.

KNOTT COUNTY WATER AND SEWER DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)For The Year Ended December 31, 2012**2012-3 (Continued):**

## Effect:

Payments made to Commissioners may not be for an accurate or allowable amount without detail underlying supporting documentation.

## Recommendation:

The District should maintain a perpetual subsidiary schedule accruing compensation and related payments for its Commissioners. The District should retain evidence of continuing education.

## Management's Response:

The District will maintain a perpetual subsidiary schedule accruing compensation and related payments for its Commissioners. The District will retain evidence of continuing education.

**2012-4:**

## Condition:

Management has not adjusted gross wages as reported to the County Employee Retirement System since the District was required to report its activity on-line. Therefore since this period, any raises or increases in pay or overtime appears to not have been properly reported. In addition, we noted recent hires were not included on monthly reports although they meet criteria for participation in the retirement system. An amount has not been accrued for any underpayment and potential penalties or interest potentially owed by the District.

## Criteria:

Management should understand clearly applicable participation, reporting and remittance requirements related to the District's participation in the County Employee Retirement System.

## Cause:

Management has not properly applied gross wages and related remittances to the County Employee Retirement System.

## Effect:

Active participants are not properly remitted and applied. Other potential participants have been excluded. The District may have a substantial liability to County Employee Retirement System for underreporting.

## Recommendation:

District management should clearly understand applicable participation, reporting and remittance requirements related to the District's participation in the County Employee Retirement System.

## Management's Response:

District management will obtain continuing education to clearly understand applicable participation, reporting and remittance requirements related to the District's participation in the County Employee Retirement System.

KNOTT COUNTY WATER AND SEWER DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)For The Year Ended December 31, 2012**2012-5:**

## Condition:

We did not find evidence the District's annual budget was assessed, prepared or reviewed for 2013. In addition, no evidence was retained reflecting the most recent annual Public Service Commission annual financial report (2011) was presented to the Commission for review, discussion and authorization.

## Criteria:

The Commission should authorize annual operating budgets. The Commission should authorize annual reports submitted to the Public Service Commission.

## Cause:

Management did not retain evidence annual budgets or reports were authorized by the Commission.

## Effect:

Objectives and criteria may be executed without official consent of the Commission.

## Recommendation:

Management should retain evidence annual budgets or reports were authorized by the Commission.

## Management's Response:

Management will retain evidence annual budgets or reports were authorized by the Commission.

**2012-6:**

## Condition:

Documentation for personnel overtime pay was not maintained in a manner readily identifying the purpose for overtime or indicating written authorization.

## Criteria:

Overtime pay should be maintained in a manner allowing charges to be allocated to specific projects, areas, divisions or accounts. In addition, all overtime pay should reflect written authorization.

## Cause:

Management did not retain evidence specifying projects, areas, divisions or accounts or was written authorization reflected prior to remitting personnel pay with overtime.

## Effect:

Overtime paid may be for unallowable purposes without adequate supporting and authorizing documentation.



KNOTT COUNTY WATER AND SEWER DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)For The Year Ended December 31, 2012**2012-6 (Continued):**

## Recommendation:

Overtime pay should be maintained in a manner allowing charges to be allocated to specific projects, areas, divisions or accounts. In addition, all overtime pay should reflect written authorization.

## Management's Response:

Overtime pay will be maintained in a manner allowing charges to be allocated to specific projects, areas, divisions or accounts. In addition, all overtime pay will reflect written authorization.

**2012-7:**

## Condition:

No evidence is retained by the District indicating the utility customer cash receipts drawer is reconciled to the customer utility billing system cash collections report, bank deposit and bank statement on a periodic basis.

## Criteria:

Evidence of daily or periodic reconciliations of utility collections to system customer accounts and to deposits and bank statements reduces risks of errors or misappropriation of assets occurring.

## Cause:

Management did not retain evidence indicating the utility customer cash receipts drawer is reconciled to the customer utility billing system cash collections report, bank deposit and bank statement on a periodic basis.

## Effect:

The risk is higher misappropriation of assets or errors in reporting of cash collections are occurring.

## Recommendation:

Management should retain evidence indicating the utility customer cash receipts drawer is reconciled to the customer utility billing system cash collections report, bank deposit and bank statement on a periodic basis.

## Management's Response:

Management will retain evidence indicating the utility customer cash receipts drawer is reconciled to the customer utility billing system cash collections report, bank deposit and bank statement on a periodic basis.



KNOTT COUNTY WATER AND SEWER DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)For The Year Ended December 31, 2012**2012-8:**

## Condition:

The District Water office manager is paid \$558.00 per month, the approximate amount of her tax free health insurance plan if participating in the District's plan. The monthly payment does not appear to meet the Internal Revenue Code definition of non-taxable fringe benefits paid by employers and should be included in the employee's gross payroll subject to applicable withholdings.

## Criteria:

Any benefit plan offered by the District should be on an equitable basis for all participating employees. All benefits provided should meet applicable compliance requirements.

## Cause:

The District has made payments in the form of benefits to an employee appearing not to qualify as tax-free benefits and should be subject to tax withholding.

## Effect:

The District may have a receivable due from personnel for benefits paid not meeting applicable fringe benefit criteria. The District may need to amend prior years' W-2/W-3 and tax reporting forms to reflect a reclassification.

## Recommendation:

Management should determine if personnel owe the District for fringe benefits not meeting specific criteria and if amended reports should be filed with regulatory authorities.

## Management's Response:

Management will determine if personnel owe the District for fringe benefits not meeting specific criteria and if amended reports should be filed with regulatory authorities.

**2012-9:**

## Condition:

The District purchases its diesel and other fuel in bulk and stores on premises at the 7777 Big Branch location. A perpetual log is not maintained indicating the District's purchase and dispensing of fuel and diesel usage. Fuel used by Commissioners should indicate purpose and destination.

## Criteria:

A fuel log indicating beginning balance, purchases, gallons used and ending balances should be retained and evidence of reconciliation to actual fuel inventory on hand should be periodically performed.

KNOTT COUNTY WATER AND SEWER DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)For The Year Ended December 31, 2012**2012-9 (Continued):**

## Cause:

The fuel log maintained is not accounted for in a manner allowing for individual gallons used and reconciliation to fuel inventory on hand,

## Effect:

Management does not retain fuel usage or reconciliation in a manner indicating fuel usage is for allowable purposes. Without periodic and timely reconciliations, the risk is greater fuel may be used for unallowable purposes.

## Recommendation:

Management should enhance its accounting and reconciliation procedures for purchased fuel and related inventory.

## Management's Response:

Management will enhance its accounting and reconciliation procedures for purchased fuel and related inventory.

**2012-10:**

## Condition:

When assessing control over the District's utility revenue billing process we noted the following:

- Meter readings are adjusted without supervisory authorization.
- Customer account maintenance or closeouts are occurring without supervisory consent.
- Manual adjustments to customer account balances are occurring without supervisory authorization.
- No written indication outgoing monthly customer billings are compared to system reports.
- No separate function for personnel opening mail, posting to customer deposits, making deposits and adjusting customer accounts.

## Criteria:

Segregation of responsibilities in the billing process mitigates the risk fraud, misappropriation of assets or errors are occurring.

## Cause:

The District has not adopted or implemented policies and procedures related to utility billings segregating responsibilities.

## Effect:

Without segregation of duties and evidence of authorization in this area, the risk is higher fraud or errors are occurring.

KNOTT COUNTY WATER AND SEWER DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)For The Year Ended December 31, 2012**2012-10 (Continued):**

## Recommendation:

Management should develop and implement policies and procedures providing evidence of authorization and segregation of responsibilities for the above-referenced areas.

## Management's Response:

Management will develop and implement policies and procedures providing evidence of authorization and segregation of responsibilities for the above-referenced areas.

-FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS-

-NONE

## **EXHIBIT C**



22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Title Page

Name of Respondent		Addr Line 1	Addr Line 2	City	State	Zip
Sewer Utilities						
Annual Report of						
Respondent	Knott County Water & Sewer District	7777 Big Branch Road		Vicco	KY	41773

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Principal Payment and Interest Information**

Amount		Yes/No
Amount of Principal Payment During Calendar Year		\$0.00
Is Principal Current?		
Is Interest Current?		

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	N	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		
Compilation		
Review		
Please enclose a copy of the accountant's report with annual report.		

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Additional Information Required**

Case Num	Date	Explain
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**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**General Information 1. (Ref Page: 1)**

Exact name of utility making this report.

(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)

Knott County Water & Sewer District

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**General Information 2 - 3 (Ref Page: 1)**

Name		Address	City	State	Phone
Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.					
principal office in KY	Knott County Water & Sewer District	7777 Big Branch Road	Vicco	KY	(606) 642-3582
Name, title, address and telephone number with area code of the person to be contacted concerning this report					
	Alice Ritchie, Board Chair	7777 Big Branch Road	Vicco	KY	

General Information 4 (Ref Page: 1)

List	
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Name of State under the laws of which respondent is incorporated and the date of incorporation.      Kentucky 02/10/1999

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**General Information 5. (Ref Page: 1)**

		Date
Date sewer utility began operations		2/10/1999



**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**General Information 6. (Ref Page: 1)**

City or Town	Community or Subdivision	County
Pippa Passes		Knott

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**General Information 7. (Ref Page: 1)**

		Count
Number of Full-time employees	2	
Number of Part-time employees	1	

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Principal Officers (Ref Page: 1)**

<b>Title</b>	<b>Last Name</b>	<b>First Name</b>	<b>Bus. Address</b>	<b>Salary or Fee</b>
Chair	Ritchie	Alice	7777 Big Branch Road, Vicco, KY 41773	\$0.00
Commissioner	Smith	David	7777 Big Branch Road, Vicco, KY 41773	\$0.00
Commissioner	Childers	James	390 Hurricane Branch, Leburn, KY 41831	\$0.00
Commissioner	Hamilton	Dale	Topmost, KY 41862	\$0.00
Commissioner	Allen	Delores	Lotts Creek Road, Hazard, KY 41701	\$0.00
Office Manager	Campbell	Reva	6753 Lotts Creek Road, Hazard, KY 41701	\$51,200.00

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Balance Sheet - Assets and Other Debts (Ref Page: 2)**

	Balance First of Yr	Balance End of Yr
<b>UTILITY PLANT</b>		
Utility Plant (101-109)		\$339,831.00
less: Accum. Prov. for Depr., Depletion and Amortization (110)		\$326,511.00
Net Utility Plant		\$13,320.00
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Non-Utility Property (121)		
less: Accum. Prov for Depr. and Amort. of Non-Utility Property (122)		
Net non-Utility Property		
Other Investments (124)		
Special Funds (125)		
Total Other Property and Investments		\$0.00
<b>CURRENT AND ACCRUED ASSETS</b>		
Cash and Working Funds (131)		\$0.00
Temporary Cash Investments (132)		
Notes Receivable (141)		
Customer Accounts Receivable (142)		\$2,391.86
Other Accounts Receivable (143)		
Accum. Prov. For Uncollectible Accts - CR (144)		
Notes Receivable from Assoc. Companies (145)		
Accounts Receivable from Assoc Companies (146)		
Materials and Supplies (150)		
Prepayments (166)		
Other Current and Accrued Assets (170)		
Total Current and Accrued Assets		\$2,391.86
<b>DEFERRED DEBITS</b>		
Unamortized Debt Expense (181)		
Extraordinary Property Losses (182)		
Other Deferred Debits (183)		
Total Deferred Debits		
<b>TOTAL ASSETS AND OTHER DEBITS</b>		<b>\$15,711.86</b>



**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Balance Sheet - Liabilities and Other Credits (Ref Page: 3)**

	Balance First of Yr.	Balance End of Yr.
<b>EQUITY CAPITAL</b>		
Common Capital Stock (201)		
Preferred Capital Stock (204)		
Other Paid-In Capital (207)		
Discount on Capital Stock (213)		
Capital Stock Expense (214)		
Appropriated Retained Earnings (215)		
Unappropriated Retained Earnings (216)		
Non-Corporate Proprietorship (218)		
<b>Total Equity Capital</b>		
<b>LONG-TERM DEBT</b>		
Bonds (221)		
Advances From Associated Companies (223)		
Other Long-Term Debt (224)		
<b>Total Long-Term Debt</b>		
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Notes Payable (231)		
Accounts Payable (232)		\$11,211.86
Notes Payable to Associated Companies (233)		
Accounts Payable to Associated Companies (234)		
Customer Deposits (235)		\$4,500.00
Taxes Accrued (236)		
Interest Accrued (237)		
Other Current and Accrued Liabilities (238)		
<b>Total Current and Accrued Liabilities</b>		\$15,711.86
<b>DEFERRED CREDITS</b>		
Advances for Construction (252)		
Other Deferred Credits (253)		
Accum. Deferred Investment Tax Credits (255)		
<b>Total Deferred Credits</b>		
Operating Reserves (261-265)		
Contributions in Aid of Construction (271)		

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Balance Sheet - Liabilities and Other Credits (Ref Page: 3)

	Balance First of Yr.	Balance End of Yr.
ACUMULATED DEFERRED INCOME TAXES		
Accum. Def. Income Taxes-Accel. Amort (281)		
Accum. Def. INcome Taxes-Lib. Depr. (282)		
Accum. Def. Income Taxes-Other (283)		
Total Accum. Deferred Income Taxes		
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>		<b>\$15,711.86</b>

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Summary of Utility Plant (Ref Page: 4)**

	<b>Amount</b>
<b>UTILITY PLANT</b>	
<b>In Service:</b>	
Plant in Service Classified (from pg 5 line 40) (101)	\$339,831.00
<b>Completed Construction Not Classified (102)</b>	
Utility Plant in Process of Reclassification (103)	
<b>Utility Plant Purchased or Sold (106)</b>	
Total In Service	\$339,831.00
<b>Utility Plant Leased to Others (104)</b>	
Property Held for Future Use (105)	
<b>Construction Work in Progress (107)</b>	
Utility Plant Acquisition Adjustments (108)	
<b>Other Utility Plant Adjustments (109)</b>	
Total Utility Plant ( to pg 2 line 4)	\$339,831.00
<b>Less:</b>	
Accumulated Provision for Depreciation and Amort. of Utility Plant (to pg 2 line 6) (110)	\$326,511.00
<b>Net Utility Plant ( to pg 2 line 7)</b>	<b>\$13,320.00</b>

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Accum. Prov. for Depreciation and Amortization of Utility Plant (Ref Page: 4)**

Item	Amount
Balance Beginning of Year	\$322,045.00
Accruals for Year:	
Depreciation	\$4,466.00
Amortization	
Other Accounts (detail)	
Total Accruals for Year	\$4,466.00
Credit Adjustments (describe)	
Total Credits for Year	
Net Charges for Plant Retired:	
Book Cost of Plant Retired ( same as pg 5 line 40)	
Add: Cost of Removal	
Less: Salvage	
Net Charges for Plant Retired	
Debit Adjustments (describe)	
Total Debit Adjustments for Year	
Balance End of Year	\$326,511.00



**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sewer Utility Plant In Service (Ref Page: 5)**

<b>Depr Rate</b>	<b>Balance Beg of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>ReClass (Debit-Credit)</b>	<b>Balance End of Year</b>
<b>INTANGIBLE PLANT</b>					
Organization (301)					
Franchises and Consents (302)					
Misc. Intangible Plant (303)					
Total Intangible Plant					
<b>LAND AND STRUCTURES</b>					
Land and Land Rights (310)	\$2,791.00	\$0.00	\$0.00	\$0.00	\$2,791.00
Structures and Improvements (311)	\$49,445.00	\$0.00	\$0.00	\$0.00	\$49,445.00
Total Land and Structures	\$52,236.00	\$0.00	\$0.00	\$0.00	\$52,236.00
<b>COLLECTION PLANT</b>					
Collection Sewers - Force (352.1)	\$129,711.00	\$0.00	\$0.00	\$0.00	\$129,711.00
Collection Sewers - Gravity (352.2)					
Other Collection Plant Facilities (353)					
Services to Customers (354)	\$26,761.00	\$0.00	\$0.00	\$0.00	\$26,761.00
Flow Measuring Devices (355)					
Total Collection Plant	\$156,472.00	\$0.00	\$0.00	\$0.00	\$156,472.00
<b>PUMPING PLANT</b>					
Receiving Wells and Pump Pits (362)					
Pumping Equipment - Electric (363A)	\$49,667.00	\$0.00	\$0.00	\$0.00	\$49,667.00
Pumping Equipment- Diesel (363B)					
Pumping Equipment - Other (363C)					
Total Pumping Plant (364)	\$49,667.00	\$0.00	\$0.00	\$0.00	\$49,667.00
<b>TREATMENT AND DISPOSAL PLANT</b>					

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sewer Utility Plant In Service (Ref Page: 5)**

<b>Depr Rate</b>	<b>Balance Beg of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>ReClass (Debit-Credit)</b>	<b>Balance End of Year</b>
Oxidation Lagoon (372)					
Treatment and Disposal Equipment (373)	\$54,756.00	\$0.00	\$0.00	\$0.00	\$54,756.00
Plant Sewers (374)					
Outfall Sewer Lines (375)					
Other Treatment and Disposal Plant Equip. (376)	\$26,700.00	\$0.00	\$0.00	\$0.00	\$26,700.00
Total Treatment and Disposal Plant (371)	\$81,456.00	\$0.00	\$0.00	\$0.00	\$81,456.00
GENERAL PLANT (372)					
Office Furniture and Equipment (391)					
Transportation Equipment (392)					
Stores Equipment (393A)					
Tools, Shop and Garage Equipment (393B)					
Laboratory Equipment (393C)					
Power Operated Equipment (393D)					
Communication Equipment (393E)					
Other Tangible Property (393F)					
Total General Plant					
TOTAL SEWER PLANT IN SERVICE	\$339,831.00	\$0.00	\$0.00	\$0.00	\$339,831.00

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Capital Stock (Ref Page: 6)

Class and Series (a)	No. of Shares Auth. (b)	Par Val per Share of Par	Stated Val Per Share of	Outstanding Shares (e)	Outstanding Amount (f)
Total					

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Long-Term Debt (Ref Page: 6)

Class and Series	Orig. Issue Amt	Date of Issue (b)	Date of Maturity (c)	Outstanding Balance	Interest Rate (e)	Interest Amt (f)
List each Original Issue Amount Class and Series of Obligation						
Total						



22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Notes Payable (Ref Page: 6)

Name of Payee (a)	Date Of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of Year (e)
(Include Notes Payable to Associated Companies Under This Heading)				
Total				

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Interest Accrued (Ref Page: 6)

Description of Obligation (a)	Int. Accr. Balance First of Yr	Int. Accr. During Yr (c)	Int. Paid During Yr (d)	Int. Accr. Balance End of Yr
Total				

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Other Current and Accrued Liabilities (Ref Page: 7)**

Description	Amount
Total (must agree with pg 3 Acct 238)	

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Statement of Retained Earnings For the Year (Ref Page: 7)

Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS (216)		
Balance Beginning of Year		
Balance Transferred From Income (435)		
Appropriations of Retained Earnings (436)		
		\$0.00
Dividends Declared-Preferred Stock (437)		
Dividends Declared-Common Stock (438)		
Adjustments to Retained Earnings (439)		
Balance End of Year		

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Statement of Income for the Year (Ref Page: 8)**

<b>Description</b>	<b>Number Customers (b)</b>	<b>Amount (c)</b>
<b>OPERATING REVENUES</b>		
<b>Flat Rate Revenues-General Customers:</b>		
Residential Revenues (521.1)		
Commercial Revenues (521.2)		
Industrial Revenues (521.3)		
Revenues From Public Authorities (521.4)		
Total (521)		
<b>Measured Revenues - General Customers: (483)</b>		
Residential Revenues (522.1)	131	\$71,658.80
Commercial Revenues (522.2)		
Industrial Revenues (522.3)		
Revenues From Public Authorities (522.4)		
Total (522)	131	\$71,658.80
Revenues From Public Authorities (523)		
Revenues From Other Systems (524)		
Miscellaneous Sewage Revenues (526)		
Total Sewage Service Revenues (521-526)	131	\$71,658.80
<b>OTHER OPERATING REVENUES</b>		
Customers Forfeited Discounts (532)		
Miscellaneous Operating Revenues (536)		
Total Other Operating Revenues		
<b>Total Operating Revenues</b>		<b>\$71,658.80</b>
<b>OPERATING EXPENSES</b>		
Total Sewer Operation and Maint. Expenses (from pg 9 )		\$17,024.79
Depreciation Expense (403)		\$4,466.00
Amortization Expense (from pg 10) (404-407)		
Taxes Other Than Income taxes (from pg 10) (408.1)		\$401.05
Total Income Taxes-Utility Operations (from pg 10)		
Total Sewage Operating Expenses		\$21,891.84
<b>Net Operating Income</b>		<b>\$49,766.96</b>



**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Statement of Income for the Year (Ref Page: 8)**

Description	Number Customers (b)	Amount (c)
OTHER INCOME		
Income from NonUtility Operations (417)		
Interest and dividend Income (419)		
Miscellaneous Nonoperating Income (421)		
Other Accounts (Specify Acct. No & Title)		
Total Other Income		
OTHER DEDUCTIONS		
Interest on Long-Term Debt (427)		
Amortization of Debt Discount and Expense (428)		
Interest on Debt to Associated Companies (430)		
Other Interest Expense (431)		
Taxes Other than Income Taxes 408.2 (from pg 10)		
Total Income Taxes-Nonutility Operations (from pg 10)		
Other Accounts (Specify Acct. No. and Title)		
Total Other Deductions		
Net Income		\$49,766.96

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sewer Operation and Maintenance Expenses (Ref Page: 9)**

	Amount (b)
<b>OPERATION EXPENSES</b>	
Supervision and Engineering (700) :	
Owner/Manager-Management Fee (700-A)	
Other Expenses (700-B)	
Labor and Expenses (701):	
Collection System-Labor, Materials and Expenses (701-A)	\$4,465.20
Pumping System-Labor, Materials and Expenses (701-B)	
Treatment System (701-C) :	
Sludge Hauling	
Utility Service - Water Cost	
Other-Labor, Materials and Expense	
Rents (702)	
Fuel and Power Purchased for Pumping and Treatment (703)	\$4,229.75
Chemicals (704)	\$593.50
Miscellaneous Supplies and Expenses (705):	
Collection System (705-A)	\$1,809.75
Pumping System (705-B)	\$709.22
Treatment an Disposal (705-C)	
Total Operation Expenses	\$11,807.42
<b>MAINTENANCE EXPENSES</b>	
Supervision and Engineering (710) :	
Routine Maintenance Service Fee (710-A)	
Internal Supervision and Engineering (710-B)	
Maintenance of Structures and Improvements (711)	
Maintenance of Collection Sewer system (712)	
Maintenance of Pumping System (713)	
Maintenance of Treatment and Disposal Plant (714)	
Maintenance of Other Plant Facilities (715)	
Total Maintenance Expenses	
<b>CUSTOMER ACCOUNTS EXPENSES</b>	
Supervision (901)	
Meter Reading Expenses and Flat Rate Inspections (902)	

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sewer Operation and Maintenance Expenses (Ref Page: 9)**

	<b>Amount (b)</b>
Customer Records and Collection Expenses (903):	
Agency Collection Fee (903-A)	
Internal Labor, Materials and Expenses (903-B)	
Uncollectible Accounts (904)	
Miscellaneous Customer Accounts Expenses (905)	
<b>Total Customer Accounts Expenses</b>	
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>	
Administrative and General Salaries (920)	\$3,408.97
Office Supplies and Other Expenses (921)	
Outside Services Employed (923)	\$199.50
Insurance Expenses (924)	
Employee Pensions and Benefits (926)	\$1,608.90
Regulatory Commission Expense (928)	
Transportation Expenses (929)	
Miscellaneous General Expenses (930)	
Rents (931)	
Maintenance of General Plant (932)	
<b>Total Administrative and General Expenses</b>	\$5,217.37
<b>TOTAL SEWER OPERATION AND MAINTENANCE EXPENSES (to pg 8)</b>	\$17,024.79

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Taxes Other Than Income Taxes (Ref Page: 10)**

Item (a)	Amount (b)
Payroll Taxes	\$401.05
Property Taxes	
Utility Regulatory Commission Assessment	
Other (specify)	
Total (Same as Page 8 line 27 plus 44)	\$401.05

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Operating and Non-Operating Income Taxes (Ref Page: 10)

	Amount (b)
Income Taxes-Federal (409.1)	
Income Taxes - State (409.1)	
Income Taxes - Other (409.1)	
Provisions for Deferred Income Taxes (410.1)	
Income Taxes Deferred in Prior Years - Credit (411.1)	
Investment Tax Credits - Net (412.0)	
Total Income Taxes - Util. Operating Income (to pg 8 line 28)	
Income Taxes - Federal (409.2)	
Income Taxes - State (409.2)	
Income Taxes - Other (409.2)	
Provisions for Deferred Income (410.2)	
Income Taxes Deferred in Prior Years - Credit (411.2)	
Investment Tax Credits - Net (412.4)	
Total Inc. Taxes - Nonutil. Op. Income (to pg 8 line 45)	



**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Amortization Expense (Ref Page: 10)**

	Amount (b)
Amortization of Limited - Term Utility Plant (404)	
Amortization of Other Utility Plant (405)	
Amortization of Utility Plant Acquisition Adjustments (406)	
Amortization of Property Losses (407)	
Amortization of Rate Case Expense	
Total Amortization Expense (to pg 8 line 26)	

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Sewer Plant Statistics - Plant Valuation 1 - 3 (Ref Page: 11)

Description		Percentage
What method of valuation was used with reference to Sewer Utility Plant in Service Appearing on page two line four: Original Cost, Estimated Cost, Original Cost Study?	Original Cost	
What percentage of Sewer Utility Plant in Service was recovered, by the developer of hte subdivision, through the sale of lots?		0.0000
If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatement plant, etc.) of the plant that represents non-contributed plant	None	0.0000

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sewer Plant Statistics - Plant Valuation 4. (Ref Page: 11)**

Last Name	First Name	Date
By whom were the books of account audited? What was the date of the last audit?		
If unaudited in the past twelve months, when and by whom is the next audit anticipated?		

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sewer Plant Statistics - Physical Data of Sewer Plant (Ref Page: 11)**

Date of Construction of original Plant

Type of treatment process

Date and additional GPD Capacity of subsequent additions to plant

Population for which plant is designed including population equivalent of industrial waste load

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Sewer Plant Statistics - Treatment Plant Operating Statistics (Ref Page: 11)

	Total	Cost
Total gallons received during the year		
Total gallons received on maximum day		
Maximum G.P.D. Capacity of the sewage treatment plant		
Routine maintenance service fee		
Cost per month		
Contract Expires		
Sludge hauling		
Cost per load		
Average number of gallons per load		
Number of loads this year		



22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Sewer Plant Statistics - Customer Statistics End of Year (Ref Page: 12)

Type	Num of Customers	Bi-Month or Month Billing	Number of bills
Residential			
Single Family			
Apartments/Condominiums			
Commercial			
Industrial			
Other			
Total			

22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Sewer Plant Statistics - Industrial Customers Served (Ref Page: 12)

Name	Type of Industry	Gallons	Pretreatment of Wastes
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**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sewer Plant Statistics - Pumping Stations (Ref Page: 12)**

Location	Size of Motor	Type of Motor	Gals per Day
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22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Sewer Plant Statistics - Mains (Feet) (Ref Page: 12)

Kind of Pipe	Diameter	Num of Feet	additions	removed	Feet End of Year
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**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sewer Plant Statistics - Service Laterals and Stubs (Ref Page: 12)**

Count

Number of service laterals owned by the utility at end of year

Number of stubs as of end of year

Number of service laterals owned by others



**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

Item	CheckList			
	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 2) Line Utility Plant (101-109) agrees with Sched Summary of Utility Plant (ref. pg 4) Total Utility Plant	339831.00	339831.00	OK	
Balance Sheet (ref pg 2) Line Less: Acct 110 agrees with Sched Summary of Utility Plant (ref pg 4) Line Total Utility Plant	326511.00	326511.00	OK	
Balance Sheet (ref pg 2) Line Net Utility Plant agrees with Summary of Utility Plant (ref pg 4) Line Net Utility Plant	13320.00	13320.00	OK	
Summary of Utility Plant (ref pg 4) Plant in Service Classified (Acct 101) agrees with Sched Sewer Plant in Service (ref pg 5) Total Sewer Plant in Service	339831.00	339831.00	OK	
Accum. Prov for Deprec. and Amort (Ref pg 4) Balance End of Year agrees with Sched Summary of Utility Plant (ref pg 4) Accumulated Prov. for Depr. and Amort.	326511.00	326511.00	OK	
Balance Sheet (ref pg 3) Sum of Common Capital Stock (201) and Preferred Capital Stock (204) agrees with Schedule Capital Stock (ref pg 6)	0	0	OK	
Balance Sheeet (ref pg 3) Unappropriated Retained Earnings (216) agrees with Sched Statement of Retained Earnings (ref pg 7) Balance End of Year	0	0	OK	
Balance Sheet (ref pg 3) Total Long Term Debt (224) agrees with Sched Long Term Debt (ref pg 6) Total col d	0	0	OK	
Balance Sheet (ref pg 3) The sum of Notes Payable (231) and (233) agrees with Sched Notes Payable (ref pg 6) Total Col e	0	0	OK	
Balance Sheet (ref pg 3) Interest Accrued (237) agrees with Sched Interest Accrued (ref pg 6) Total Col e	0	0	OK	
Balance Sheet (ref pg 3) Current and Accrued Liabilities (238) agrees with Sched Other Current and Accrued Liabilities (ref pg 7) Total	0	0	OK	

**22219400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

Item	CheckList			
	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 3) Total Liabilities and Other Credits agrees with Balance Sheet (ref pg 2) Total Assets and Other Debits	15711.86	15711.86	OK	
Accum Prov. for Depreciation and Amortization (ref. pg 4) Depreciation agrees with Sched Statement of Income for the Year (ref pg 8) Depreciation Expense (403)	4466.00	4466.00	OK	
Sched Long Term Debt (ref pg 6) Total Interest Amount agrees with Sched Statement of Income (ref pg 8) Interest on Long Term Debt (427)	0	0	OK	
Interest Accrued (ref pg 6) Total Interest Accrued agrees with Sched Statement of Income (ref pg 8) Other Interest Expense (431)	0	0	OK	
Statement of Income for the Year (ref pg 8) Total Sewer Operation and Maint. Expenses agrees with Sched Sewer Operation and Maintenance Expenses (ref pg 9) Total Sewer Operation and Maint. Exp	17024.79	17024.79	OK	
Statement of Income for the Year (ref pg 8) Total Income taxes - Utility Operations agrees with Sched Operating and Non-Operating Income Taxes (ref pg 10) Total Income Taxes - Util Operating Income	0	0	OK	
Statement of Income for the Year (ref pg 8) Amortization Expense agrees with Sched Amortization Expense (ref pg 10) Total Amortization Expense	0	0	OK	
Statement of Income for the Year (ref pg 8) The sum of lines Taxes Other than Income Taxes 408.1 and 408.2 agrees with Taxes Other Than Income (ref pg 10)	401.05	401.05	OK	
Statement of Income for the Year (ref pg 8) Total Income Taxes - Nonutility Operations agrees with Sched Operating and Non-Operating Income Taxes Total Inc. Taxes - Nonutil. Op Income	0	0	OK	
Schedule Sewer Plant Statistics (ref pg 11 and 12) have been completed				

## **EXHIBIT D**

19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Title Page

Name of Respondent	Addr Line 1	Addr Line 2	City	State	Zip
Water Districts/Associations Annual Report of Respondent	Knott County Water District 7777 Big Branch Road		Vicco	KY	41773

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Principal Payment and Interest Information**

	Amount	Yes/No	PSC Case No.
Amount of Principal Payment During Calendar Year	\$49,083.68		
Is Principal Current?	Y		
Is Interest Current?	Y		
Has all long-term debt been approved by the Public Service Commission?	Y		



19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	n	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		
Compilation		
Review		
Please enclose a copy of the accountant's report with annual report.		

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Additional Requested Information**

Name		Electronic Info
Name of Utility and Web Address	Knott County Water & Sewer District	kcwsd@tgtel.com
Contact Name and Email Address	Alice Ritchie, Chairperson	kcwsd@tgtel.com

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Additional Information Required**

Case Num	Date	Explain
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**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Major Water Projects**

Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service commission.

For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and will increase your current utilityplant by at least 20 percent.

Brief Project Description: (improvement, replacement, building construction, expansion. If expansion, provide the estimated number of new customers):

Projected Costs and Funding Sources/Amounts:

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Location: (community, area or nearby roads)

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**History-Legal Name (Ref Page: 4)**

1. Exact name of utility making this report.

(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)

Knott County Water & Sewer District



19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

History-Location (Ref Page: 4)

	Name	Address	City	State	Zip	Phone
Give the location,including street and number, and TELEPHONE NUMBER of the principal office in KY.						
principal office in KY	Knott County Water & Sewer District	7777 Big Branch Road	Vicco	KY	41773	(606) 642-3582
Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.						
	Alice Ritchie	7777 Big Branch Road	Vicco	KY	41773	(606) 642-3582
Location where books are located	Knott County Water & Sewer District	7777 Big Branch Road	Vicco	KY		

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**History-Date Organized (Ref Page: 4)**

		Date
Date of Organization		2/10/1999

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**History-Laws of Organization (Ref Page: 4)**

**List**

If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same

Knott County Water & Sewer District was created by the Knott County Fiscal Court on February 10, 1999 to be governed and operated under the rules and procedures in KRS Chapter 74, relating to water districts and KRS Chapter 220 relating to sanitation districts. The entity assumed operational activities and assets of the district formerly know as the Caney Creek Water District and has expanded its operating activities into areas in Knott County not previously served with potable water and sewer collection services.

Date and Authority for each consolidation and each merger.

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**History-Departments (Ref Page: 4)**

List	
State whether respondent is a water district or association	Water District
Name all operating departments other than water	Sewer

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**History - Counties (Ref Page: 5)**

**Knott**



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**History - Number of Employees (Ref Page: 5)**

		Count
Number of Full-time employees	10	
Number of Part-time employees	1	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Contacts (Ref Page: 6)**

	<b>Title</b>	<b>Last Name</b>	<b>First Name</b>	<b>Bus. Addr.</b>	<b>Salary</b>	<b>Term Expires</b>
Person to send correspondence:	CFO	Campbell	Turner	7777 Big Branch Road, Vicco, KY 41773		
Person who prepared this report	CFO	Campbell	Turner	same		
<b>Officers and Managers</b>						
	Chairperson	Ritchie	Alice	7777 Big Branch Road, Vicco, KY 41773	\$0.00	KY
	Commissioner	Allen	Delores	7777 Big Branch Road, Vicco, KY 41773	\$0.00	
	Commissioner	Childers	James O.	390 Hurricane Branch, Leburn, KY 41831	\$0.00	
	Commissioner	Hamilton	Dale	Topmost, KY 41862	\$0.00	
	Commissioner	Smith	David	7777 Big Branch Road, Vicco, KY 41831	\$0.00	
	Acting Manager	Campbell	Reva	6753 Lotts Creek Road, Hazard, KY 41701	\$0.00	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Balance Sheet - Assets and Other Debits (Ref Page: 7)**

	Previous Year	Current Year
<b>UTILITY PLANT</b>		
Utility Plant (101-106)	\$28,814,806.00	\$32,114,554.38
Less: Accumulated Depreciation and Amortization (108-110)	\$2,967,702.00	\$3,935,553.93
Net Plant	\$25,847,104.00	\$28,179,000.45
Utility Plant Acquisition Adjustments (Net) (114-115)		
Other Utility Plant Adjustments (116)		
Total Net Utility Plant	\$25,847,104.00	\$28,179,000.45
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Nonutility Property (121)		
Less: Accumulated Depreciation and Amortization (122)		
Net Nonutility Property		
Investment in Associated Companies (123)		
Utility and Other Investments (124-125)		
Sinking Funds (126)		
Other Special Funds (127)		
Total Other Property and Investments		
<b>CURRENT AND ACCRUED ASSETS</b>		
Cash (131)	\$240,953.00	\$109,522.10
Special Deposits (132)	\$518,177.00	\$167,433.97
Other Special Deposits (133)		
Working Funds (134)		
Temporary Cash Investments (135)		
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$181,099.00	\$157,474.68
Accounts Receivable from Associated Companies (145)		
Notes Receivable from Associated Companies (146)		
Materials and Supplies (151-153)		
Stores Expense (161)		
Prepayments (162)		\$2,290.00
Accrued Interest and Dividends Receivable (171)		
Rents Receivable (172)		
Accrued Utility Revenues (173)		

19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Balance Sheet - Assets and Other Debits (Ref Page: 7)

	Previous Year	Current Year
Misc. Current and Accrued Assets (174)	\$1,225.00	\$1,225.00
Total Current and Accrued Assets	\$941,454.00	\$437,945.75
DEFERRED DEBITS		
Unamortized Debt Discount and Expense (181)		
Extraordinary Property Losses (182)		
Preliminary Survey and Investigation Charges (183)		
Clearing Accounts (184)		
Temporary Facilities (185)		
Misc. Deferred Debits (186)		
Research and Development Expenditure (187)		
Total Deferred Debits		
TOTAL ASSETS AND OTHER DEBITS	\$26,788,558.00	\$28,616,946.20

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)**

	Previous Year	Current Year
<b>EQUITY CAPITAL</b>		
Appropriated Retained Earnings (214)		
Retained Earnings From Income before contributions (215.1)	(\$3,752,140.00)	(\$4,886,979.80)
Donated Capital (215.2)	\$29,546,602.00	\$32,580,210.94
Total Equity Capital	\$25,794,462.00	\$27,693,231.14
<b>LONG-TERM DEBT</b>		
Bonds (221)	\$278,330.00	\$266,200.00
Reaquired Bonds (222)		
Advances from Associated Companies (223)		
Other Long-Term Debt (224)	\$547,000.00	\$529,964.14
Total Long Term Debt	\$825,330.00	\$796,164.14
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Accounts Payable (231)	\$131,690.00	\$98,900.77
Notes Payable (232)		
Accounts Payable to Associated Co. (233)		
Notes Payable to Associated Co (234)		
Customer Deposits (235)	\$25,414.00	\$16,912.35
Accrued Taxes (236)	\$11,662.00	\$5,955.66
Accrued Interest (237)		\$5,782.14
Matured Long-Term Debt (239)		
Matured Interest (240)		
Tax Collections Payable (241)		
Misc. Current and Accrued Liabilities (242)		
Total Current and Accrued Liabilities	\$168,766.00	\$127,550.92
<b>DEFERRED CREDITS</b>		
Unamortized Premium on Debt (251)		
Advances for Construction (252)		
Other Deferred Credits (253)		
Total Deferred Credits		
<b>OPERATING RESERVES</b>		
Accumulated Provision For:		
Property Insurance (261)		



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)**

	Previous Year	Current Year
Injuries and Damages (262)		
Pensions and Benefits (263)		
Miscellaneous Operating Reserves (265)		
Total Operating Reserves		
Total Equity Capital and Liabilities	\$26,788,558.00	\$28,616,946.20

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Comparative Operating Statement (Ref Page: 11)**

	Previous Year	Current Year
<b>UTILITY OPERATING INCOME</b>		
Operating Revenues (400)	\$1,382,215.00	\$1,597,272.85
Operating Expenses (401)	\$1,135,630.00	\$1,335,506.02
Depreciation Expenses (403)	\$266,462.00	\$1,301,376.93
Amortization of Utility Plant Acquisition Adjustment (406)		
Amortization Expense (407)		
Taxes Other Than Income (408.10-408.13)	\$39,945.00	\$63,051.70
Utility Operating Expenses	\$1,442,037.00	\$2,699,934.65
Utility Operating Income	(\$59,822.00)	(\$1,102,661.80)
Income From Utility Plant Leased to Others (413)		
Gains (Losses) from Disposition of Utility Property (414)		
Total Utility Operating Income	(\$59,822.00)	(\$1,102,661.80)
<b>OTHER INCOME AND DEDUCTIONS</b>		
Revenues From Merchandising, Jobbing and contract work (415)		
Costs and Expenses of Merchandising, Jobbing and Contract Work (416)		
Interest and Dividend Income (419)	\$3,330.00	\$805.98
Allowance for funds Used During Constructions (420)		
Nonutility Income (421)		
Miscellaneous Nonutility Expenses (426)		
Total Other Income and Deductions	\$3,330.00	\$805.98
<b>TAXES APPLICABLE TO OTHER INCOME</b>		
Taxes Other Than Income (408.20)		
Total Taxes Applic. to Other Income		
<b>INTEREST EXPENSE</b>		
Interest Expense (427)	\$138,933.00	\$32,983.98
Amortization of Debt Discount and Exp. (428)		
Amortization of Premium on Debt (429)		
Total Interest Expense	\$138,933.00	\$32,983.98
<b>EXTRAORDINARY ITEMS</b>		
Extraordinary Income (433)		
Extraordinary Deductions (434)		

19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
Total Extraordinary Items		
NET INCOME BEFORE CONTRIBUTIONS	(\$195,425.00)	(\$1,134,839.80)

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Statement of Retained Earnings (Ref Page: 12)**

Description	Total
Appropriated Retained earnings (214)	
(state balance and purpose of each appropriated amount at year end:)	
Total Appropriated Retained Earnings	
Retained Earnings From Income Before Contributions (215.1)	
Balance beginning of year	(\$3,752,140.00)
Balance transferred from Net Income Before Contributions (435)	(\$1,134,839.80)
Changes to account:	
Appropriations of Retained Earnings (436)	
Adjustments to Retained Earnings (439) (requires Commission approval prior to use):	
Credits	
Debits	
Balance End of Year	(\$4,886,979.80)

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Statement of Retained Earnings (cont. 215.2) (Ref Page: 12)**

Description	Tapping Fees	Grants	Other	Total
Donated Capital (215.2)				
Balance Beginning of the Year	\$0.00	\$0.00	\$0.00	\$29,546,602.00
Credits				
Proceeds from capital contributions (432)	\$0.00	\$3,033,608.94	\$0.00	\$3,033,608.94
Other Credits (explain)				
Debits (explain - requires Commission Approval)				
Balance End of Year	\$0.00	\$3,033,608.94	\$0.00	\$32,580,210.94



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Net Utility Plant (Accts. 101-106) (Ref Page: 13)**

Total	
Utility Plant in Service (101)	\$32,114,554.38
Utility Plant Leased to Others (102)	
Property Held for Future Use (103)	
Utility Plant Purchased or Sold (104)	
Construction Work in Progress (105)	
Completed Construction Not Classified (106)	
Total Utility Plant	\$32,114,554.38

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Accumulated Depreciation ( Acct. 108) (Ref Page: 13)**

Description	Total
Balance First of Year	\$2,967,702.00
Credit during year	
Accruals Charged to Account 108.1	\$1,305,842.57
Accruals Charged to Account 108.2	
Accruals Charged to Account 108.3	
Accruals Charged to Other Accounts (specify)	
(specify)	
Salvage Value Recovered on Plant Retired	
Other Credits	
(specify)	
Total Credits	\$1,305,842.57
Debits during year:	
Book Cost of Plant Retired	
Cost of Removal	
Other Debits	
(specify)	
Total Debits	
Balance at End of Year	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Water Utility Plant Accounts (Ref Page: 14)**

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Intngble. Plant (g)	Supply & Pump.	Water Treatmnt.	Trans. and Distr.	General Plant
Organization (301)									
Franchises (302)									
Land and Land Rights (303)	\$117,293.00	\$1.00	\$0.00	\$117,294.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Structures and Improvements (304)	\$711,880.00	\$0.00	\$0.00	\$711,880.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Collecting and Impounding Reservoirs (305)									
Lakes, Rivers and Other Intakes (306)									
Wells and Springs (307)	\$129,377.00	\$0.00	\$0.00	\$129,377.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Infiltration Galleries and Tunnels (308)									
Supply Mains (309)									
Power Generation Equipment (310)	\$36,000.00	\$0.00	\$0.00	\$36,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pumping Equipment (311)	\$63,627.00	\$0.00	\$0.00	\$63,627.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water Treatment Equipment (320)									
Distribution Reservoirs and Standpipes (330)									
Transmission and Distribution Mains (331)	\$2,292,038.00	\$3,605,292.38	\$0.00	\$5,897,330.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Services (333)									
Meters and Meter Installations (334)	\$33,623.00	\$0.00	\$0.00	\$33,623.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Hydrants (335)	\$3,625.00	\$0.00	\$0.00	\$3,625.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Backflow Prevention Devices (336)									

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Water Utility Plant Accounts (Ref Page: 14)**

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Intngble. Plant (g)	Supply & Pump.	Water Treatmnt.	Trans. and Distr.	General Plant
Other Plant and Misc. Equipment (339)	\$24,865,669.00	\$0.00	\$9,099.55	\$24,856,569.45	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Office Furniture and Equip. (340)	\$99,120.00	\$15,785.55	\$0.00	\$114,905.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Equipment (341)	\$1,327.00	\$9,000.00	\$0.00	\$10,327.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Stores Equipment (342)									
Tools, Shop and Garage Equip (343)									
Laboratory Equipment (344)									
Power Operated Equipment (345)									
Communication Equipment (346)									
Miscellaneous Equipment (347)		\$15,600.00	\$0.00	\$15,600.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Tangible Plant (348)	\$121,396.00	\$3,000.00	\$0.00	\$124,396.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Water Plant	\$28,474,975.00	\$3,648,678.93	\$9,099.55	\$32,114,554.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)**

	Balance Beg	Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Organization (301)							
Franchises (302)							
Land and Land Rights (303)							
Structures and Improvements (304)	\$716,521.00		\$0.00	\$0.00	\$0.00	\$0.00	\$716,521.00
Collecting and Impounding Reservoirs (305)							
Lake, River and Other Intakes (306)							
Wells and Springs (307)	\$110,723.00		\$2,923.73	\$0.00	\$0.00	\$0.00	\$113,646.73
Infiltration Galleries and Tunnels (308)							
Supply Mains (309)							
Power Generating Equipment (310)							
Pumping Equipment (311)	\$90,114.00		\$0.00	\$0.00	\$0.00	\$0.00	\$90,114.00
Water Treatment Equipment (320)							
Distributions Reservoirs and Standpipes (330)							
Transmission and Distribution Mains (331)	\$1,114,862.00		\$1,255,811.27	\$0.00	\$0.00	\$0.00	\$2,370,673.27
Services (333)							
Meters and Meter Installations (334)	\$34,035.00		\$0.00	\$0.00	\$0.00	\$0.00	\$34,035.00
Hydrants (335)	\$3,625.00		\$0.00	\$0.00	\$0.00	\$0.00	\$3,625.00
Backflow Prevention Devices (336)							
Other Plant and Miscellaneous Equipment (339)	\$398,827.00		\$27,778.34	\$0.00	\$0.00	\$0.00	\$426,605.34
Office Furniture and Equip. (340)	\$14,542.00		\$12,249.59	\$0.00	\$0.00	\$0.00	\$26,791.59
Transportation Equipment (341)							
Stores Equipment (342)							

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)**

	Balance Beg	Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Tools, Shop and Garage Equip (343)							
Laboratory Equipment (344)							
Power Operated Equipment (345)							
Communication Equipment (346)							
Miscellaneous Equipment (347)							
Other Tangible Plant (348)	\$150,928.00		\$2,614.00	\$0.00	\$0.00	\$0.00	\$153,542.00
Totals	\$2,634,177.00		\$1,301,376.93	\$0.00	\$0.00	\$0.00	\$3,935,553.93



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Accumulated Amortization ( Acct. 110) (Ref Page: 16)**

Description	Total
Balance First of Year	
Credit during year	
Accruals Charged to Account 110.1	
Accruals Charged to Account 110.2	
Other Credits	
(specify)	
Total Credits	
Debits during year:	
Book Cost of Plant Retired	
Other Debits	
(specify)	
Total Debits	
Balance end of Year	

19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Utility Plant Acquisition Adjustments (Accts. 114-115) (Ref Page: 16)

Description	Total
Acquistion Adjustments (114)	
(specify)	
Total Plant Acquisition Adjustments	
Accumulated Amortization (115)	
(specify)	
Total Accumulated Amortization	
Net Aquisition Adjustments	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**  
**Accounts and Notes Receivable - Net (Accts 141-144) (Ref Page: 18)**

Description	Total
Accounts and Notes Receivable	
Customer Accounts Receivable (141)	\$157,474.68
Other Accounts Receivable (142)	
Total Other Accounts Receivable	
Notes Receivable (144)	
Total Notes Receivable	
Total Accounts and Notes Receivable	\$157,474.68
Accumulated Provision for Uncollectible Accounts (143)	
Balance First of Year	
Add:	
Provision for uncollectibles for current year	
Collections of account previously written off	
Other	
(specify)	
Total Additions	
Deduct accounts written off during year:	
Other	
(specify)	
Total Deductions	
Balance end of Year	
Total Accounts and Notes Receivable - Net	\$157,474.68

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Investments and Special Funds (Ref Page: 17)**

Description (a)	Face or Par Value (b)	Year End Book Cost
Investment in Associated Companies (123)		
Total Investment in Associated Companies		
Utility Investments (124)		
Total Utility Investments		
Other Investments (125)		
Total Other Investments		
Sinking Funds (126)		
Total Sinking Funds		
Other Special Funds (127)		
Total Other Special Funds		

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Materials and Supplies (151-153) (Ref Page: 19)**

Total	
Plant Materials and Supplies (151)	
Merchandise (152)	
Other Materials and Supplies (153)	
Total Materials and Supplies	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Prepayments (Acct. 162) (Ref Page: 19)**

Description	Total
Prepaid Insurance	\$2,290.00
Prepaid Rents	
Prepaid Interest	
Prepaid Taxes	
Other Prepayments	
(Specify)	
Total Prepayments	\$2,290.00



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Miscellaneous Deferred Debits (Acct. 186) (Ref Page: 20)**

Total	
Miscellaneous Deferred Debits (186)	
Deferred Rate Case Expense (186.1)	
Other Deferred Debits (186.2)	
Regulatory Assets (186.3)	
Total Miscellaneous Deferred Debits	

19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Unamortized Debt Discount and Expense and Premium on Debt (Accts 181 and 251) (Ref Page: 20)

Description	Amt Written Off during year	Year End Balance
Unamortized Debt Discount and Expense (181)		
Total Unamortized Debt Discount and Expense		
Unamortized Premium on Debt (251)		
Total Unamortized Premium on Debt		

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Extraordinary Property Losses (Acct. 182) (Ref Page: 21)**

Description	Total
Extraordinary Property Losses (182)	
(Specify)	
Total Extraordinary Property Losses	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Advances for Construction (Acct. 252) (Ref Page: 21)**

Total	
Balance First of Year	
Add credits during year	
Deduct charges during year	
Balance end of year	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Long Term Debt (Ref Page: 22)**

Description of Obligation (a)	Issue Date (b)	Mature Date (c)	Interest Expense for Year Rate (d)	Interest Expense for Year Amount(e)	Principal per Balance Sheet Date (f)
KY Infrastructure Authority	01/01/04	2012-2022	5.2500	\$26,672.98	\$529,964.14
Total			0.0000	\$26,672.98	\$529,964.14

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Bonds - Account 221 (Ref Page: 23)**

	<b>Par Value of Actual Issue (1)</b>	<b>Cash Realized on Actual Issue (2)</b>	<b>Par Val of Amt. Held by or for Respondent (3)</b>	<b>Actually Outstanding at Close of Year (4)</b>	<b>Interest During Year Accrued (5)</b>	<b>Interest During Year Actually Paid (6)</b>
	\$185,000.00	\$185,000.00	\$0.00	\$173,500.00	\$4,769.00	\$4,769.00
	\$100,000.00	\$100,000.00	\$0.00	\$92,700.00	\$1,542.00	\$1,542.00
<b>Total</b>	\$285,000.00	\$285,000.00	\$0.00	\$266,200.00	\$6,311.00	\$6,311.00



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Schedule of Bond Maturities (Ref Page: 23)**

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt (10)	Amounts Paid (11)	Remaing Bonds Outstanding (12)
		4.5000	\$185,000.00	\$11,500.00	\$173,500.00
		4.1250	\$100,000.00	\$1,800.00	\$92,700.00
Total			\$285,000.00	\$13,300.00	\$266,200.00
(The total of Column 12 must agree with the total of col 4)					

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Notes Payable (Accts 232 and 234) (Ref Page: 24)**

Description	Nominal Date of Issue	Date of Maturity	Int. Rate	Int. Payment	Principal Amt Per Bal Sheet
Account 232 - Notes Payable					
Total Account 232					
Account 234 - Notes Payable to Associated Companies					
Total Account 234					

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**  
**Accounts Payable to Associated Companies (Acct. 233) (Ref Page: 24)**

Description	Total
Show Payable to Each Associated Company Separately	
(Specify)	
Total	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Taxes Accrued (Acct. 236) (Ref Page: 25)**

	<b>Total</b>
Balance First of Year	\$11,662.00
Accruals Charged:	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	\$23,210.14
Other taxes and licenses (408.13)	\$39,841.56
Taxes other than income, other income and deductions (408.20)	\$0.00
<b>Total taxes accrued</b>	<b>\$63,051.70</b>
Taxes paid during year:	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	\$23,210.14
Other taxes and licenses (408.13)	\$10,511.91
Taxes other than income, other income and deductions (408.20)	\$35,035.99
<b>Total Taxes Paid</b>	<b>\$68,758.04</b>
<b>Balance end of year</b>	<b>\$5,955.66</b>

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Accrued Interest (Account 237) (Ref Page: 25)**

Description of Debt (a)	Balance Beg of Year (b)	Interest Accrued(c)	Interest Paid (d)	Balance End of Year (e)
Long Term Debt:				
USDA/RD	\$0.00	\$6,311.00	\$528.86	\$5,782.14
KY Infrastructure Authority	\$0.00	\$26,672.98	\$26,672.98	\$0.00
	\$0.00	\$0.00	\$0.00	\$0.00
Notes Payable:				
Customer Deposits:				
Other				
Total Acct. No 237	\$0.00	\$32,983.98	\$27,201.84	\$5,782.14

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**  
**Miscellaneous Current and Accrued Liabilities (Acct. 242) (Ref Page: 26)**

Description	Balance End Year
Total Miscellaneous Current and Accrued Liabilities	



19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012

Regulatory Commission Expense( Acct 666 and 667) (Ref Page: 26)

Description of Case (Docket No.) (a)	Total Incurred During Year (b)	Amt Transferred to Acct 186.1 (c)	Expensed During Year (d)	Acct	Expensed During Year Amount (e)
Total					

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Water Operating Revenue (Ref Page: 27)**

	<b>Beginning Year Customers</b>	<b>Year End Customers</b>	<b>Amount</b>
Operating Revenues			
Unmetered Water Revenue (460)			
Metered Water Revenue (461)			
Sales to Residential Customers (461.1)	1,481	2,105	\$669,939.30
Sales to Commercial Customers (461.2)	21	20	\$141,782.66
Sales to Industrial Customers (461.3)			
Sales to Public Authorities (461.4)			
Sales to Multiple Family Dwellings (461.5)	1	1	\$7,556.35
Sales through Bulk Loading Stations (461.6)			
Total Metered Sales	1,503	2,126	\$819,278.31
Fire Protection Revenue (462)			
Public Fire Protection (462.1)			
Private Fire Protection (462.2)			
Total Fire Protection Revenue			
Other Sales to Public Authorities (464)			
Sales to Irrigation Customers (465)			
Sales for Resale (466)	4	4	\$708,643.87
Interdepartmental Sales (467)			
Total Sales of Water	1,507	2,130	\$1,527,922.18
Other Water Revenues			
Guaranteed Revenues (469)			
Forfeited Discounts (470)			\$18,016.52
Miscellaneous Service Revenues (471)			
Rents from Water Property (472)			
Interdepartments Rents (473)			
Other Water Revenues (474)			\$51,334.15
Total Other Water Revenues			\$69,350.67
Total Water Operating Revenues			\$1,597,272.85

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Water Utility Expense Accounts (Ref Page: 28)**

	<b>Current Year (c)</b>	<b>Supply and Exp- Op. (d)</b>	<b>Supply and Exp- Maint. (e)</b>	<b>Water Treatmnt. Exp-Op. (f)</b>	<b>Water Treatmnt Exp-Maint. (g)</b>	<b>Trans and Dist. Exp- Op (h)</b>	<b>Trans and Dist. Exp- Maint. (i)</b>	<b>Customer Accts Exp. (j)</b>	<b>Admin and Gen Exp.</b>
Salaries and Wages-Employees (601)	\$285,168.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Salaries and Wages-Officers, Directors and Majority Stockholders (603)									
Employee Pensions and Benefits (604)	\$132,029.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Purchased Water (610)	\$3,510.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Purchased Power (615)	\$269,670.64	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Fuel for Power Production (616)									
Chemicals (618)									
Materials and Supplies (620)	\$246,650.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Eng. (631)									
Contractual Services - Acct. (632)	\$46,262.09	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Legal (633)	\$32,735.64	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Management Fees (634)									
Contractual Serves - Water Testing (635)	\$31,887.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Other (636)	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rental of Bld./Real Property (641)									

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Water Utility Expense Accounts (Ref Page: 28)**

	Current Year (c)	Supply and Exp- Op. (d)	Supply and Exp- Maint. (e)	Water Treatmnt. Exp-Op. (f)	Water Treatmnt Exp-Maint. (g)	Trans and Dist. Exp- Op (h)	Trans and Dist. Exp- Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Rental of Equipment (642)									
Transportation Expenses (650)	\$43,292.93	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Vehicle (656)									
Insurance - General Liability (657)	\$19,768.54	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Worker's Compensation (658)	\$11,823.14	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Other (659)									
Advertising Expenses (660)	\$1,215.96	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Regulatory Commission Exp.									
- Amortization of Rate Case (666)									
-Other (667)									
Water Resource Conservation Expense (668)									
Bad Debt (670)									
Miscellaneous Expenses (675)	\$181,491.79	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$1,335,506.02</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Pumping and Water Statistics - part one (Ref Page: 29)**

	<b>Water Purchased For Resale (Omit 000's) (b)</b>	<b>Water Pumped from Wells (Omit 000's) (c)</b>	<b>Total Water Pumped and Purchased (Omit 000's) (d)</b>	<b>Water Sold To Customers (Omit 000's) (e)</b>
January	315	46,538	46,853	29,740
February	176	42,542	42,718	31,152
March	196	41,349	41,545	25,973
April	300	38,818	38,839	23,742
May	256	39,785	40,041	22,553
June	261	41,759	42,020	39,717
July	251	45,011	45,262	33,537
August	215	44,853	45,068	24,666
September	264	41,759	42,023	24,684
October	242	39,866	40,108	21,874
November	244	41,241	41,485	29,718
December	297	48,476	48,773	27,846
Total for the year	3,017	511,997	514,735	335,202

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Pumping and Water Statistics - part two (Ref Page: 29)**

Gallons		Date
Maximum Gallons pumped by all methods in any one day (Omit 000's)	2,261	12/29/2012
Minimum Gallons pumped by all methods in any one day (Omit 000's)	335	2/20/2012



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Pumping and Water Statistics - part three (Ref Page: 29)**

List

If water is purchased indicate the following:

Vendor	Southern Water
Point of Delivery	Hueysville, KY

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Pumping and Water Statistics - part four (Ref Page: 29)**

Entity Receiving Water		Maximum Daily	Maximum Monthly
If water is sold to other water utilities for redistribution, identify all entities with whom the utility has a water sales contract and the maximum quantity the utility is under contract to provide daily and monthly. If unlimited then list "unlimited" otherwise list in thousands of gallons.			
City of Hindman		Unlimited	Unlimited
City of Vicco		Unlimited	Unlimited
Letcher County		Unlimited	Unlimited
Phoenix Development		Unlimited	Unlimited

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Sales For Resale (466) (Ref Page: 30)**

<b>Company</b>	<b>Gallons (Omit 000's)</b>	<b>Avg. Rate Per 1000 Gallons (Cents)</b>	<b>Amount</b>
City of Hindman	33,288	\$3.00	\$113,685.00
City of Vicco	67,547	\$3.00	\$220,752.00
Letcher County	67,651	\$3.00	\$235,953.00
Phoenix Development	9,751	\$3.00	\$32,253.00
Total	178,237		\$602,643.00

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Water Statistics (Ref Page: 30)**

	Gallons (Omit 000's)	Percent
1. Water Produced, Purchased and Distributed		
2. Water Produced	511,242	
3. Water Purchased	3,493	
4. Total Produced and Purchased	514,735	
6. Water Sales:		
7. Residential	156,965	
8. Commercial	0	
9. Industrial		
10. Bulk Loading Stations		
11. Resale	178,237	
12. Other Sales		
13. Total Water Sales	335,202	
15. Other Water Used		
16. Utility/water treatment plant	16,273	
17. Wastewater plant	154	
18. System flushing	76,400	
19. Fire department	288	
20. Other	513,000	
21. Total Other Water Used	606,115	
23. Water Loss:		
24. Tank Overflows	600	
25. Line Breaks	8,500	
26. Line Leaks	78,901	
27. Other		
28. Total Line Loss	88,001	
Note: Line 13 + Line 21 + Line 28 must equal Line 4		
32. Water Loss Percentage		
33. Line 28 divided by Line 4		

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Plant Statistics (Ref Page: 31)**

Give the following information	
Number of fire hydrants, by size	24-3" 10-4" 115-6"
Number of private fire hydrants, by size	none
If produced whether water supply is river, impounded streams, well, springs, artificial lake, or collector well	Lake
If produced whether supply is by gravity, pumping or a combination	Combination
Type, capacity, and elevation of reservoirs at overflow and ground level	N/A
Miles of main by size and kind	12 miles-12" Ductile, 50 miles- 8" Ductile & PVC, 5.5 miles 6" PVC, & miles 4" PVC, 10 miles 3" PVC, 4 Miles 2" PVC, 4 miles 2" PVC
Types of filters: gravity or pressure, number of units and total rated in capacity in gal. per min.	Mixed Media
Type of disinfectant, number of units and capacity in pounds per 24 hours	2 Chlorine Gas 150 lb & 100 lb
Station Equipment. List each pump, giving type and capacity, HP of driving unit and character of driving unit (steam/electric/int. combustion) also whether pump is high/ low duty	1-10 3 phase electric driven high service pump & 1-150 hp
Quantity of fuel used: coal in lbs., gas in cu.ft., oil in gals., and electric in KWH	N/A
Give description and total cost of any sizable additions or retirements to plant and service outside the normal system of growth for the period covered by this report	None
Capacity of clear well	330,000
Peak month, in gallons of water sold	
Peak day, in gallons of water sold	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Plant Statistics - Part B (Ref Page: 31)**

Type

Choose one to indicate the type of Water Supply

Art. Lake



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**Plant Statistics - Part C (Ref Page: 31)**

Type

Choose one to indicate the type of Water Supply Method

Pumping

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
NOTE: Any mention of page numbers or Line items refers to the annual report published and distributed for the 2002 report period.				
Identifications pages (ref 4-6) have been completed.				
Balance Sheet - Assets and Other Debts (ref. pg 7)				
Utility Plant (Accts 101-106) agrees with Sched: Net Utility Plants Accts 101-106 (ref pg 13) Line: Total Utility Plant	32114554.38	32114554.38	OK	
Accts 108-110 Acc. Depreciation and Amort. agrees with Sched: Analysis of Acc. Dep. and Amort. (ref pg 15) Line: Total 301-348 Col h	3935553.93	3935553.93	OK	
Accts 114-115 Utility Plant Acquisition Adjustments agrees with Sched: Utility Plant Acquisition Adjustments (ref pg 16) Line: Net Acquisition Adjustments (114-115)	0	0	OK	
Accts 123 Investment in Assoc. Companies agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: Total Investment in Associated Companies	0	0	OK	
Accts 124-125 Utility Investments agrees with Sched: Investments and Spec. Funds (ref pg 17) Sum of Lines: 124 Total Utility Investments and 125 Total Other Investments	0	0	OK	
Accts 126 Sinking Funds agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: 126 Total Sinking Funds	0	0	OK	
Accts 127 Other Special Funds agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: Total 127 Other Special Funds	0	0	OK	
Accts 141-144 Accounts and Notes Receivable agrees with Sched: Accts and Notes Receivable (ref pg 18) Line: Net Balance 141-144	157474.68	157474.68	OK	
Accts 151-153 Material and Supplies agrees with Sched: Material and Supplies (ref pg 19) Line: Total 151-153	0	0	OK	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

Item	CheckList			
	Value 1	Value 2	Agree	Explain
Accts 162 Prepayments agrees with Sched: Prepayments (ref pg 19) Line: Total 162	2290.00	2290.00	OK	
Accts 181 Unamortized Debt Discount and Expense agrees with Sched: Unamortized Debt Discount and Exp. (ref pg 20) Line: Total 181	0	0	OK	
Accts 182 Extraordinary Prop. losses agrees with Sched: Extraordinary Property Losses (ref pg 21) Line: Total 182	0	0	OK	
Accts 186 Misc. Deferred Debits agrees with Sched: Misc. Deferred Debits (ref pg 20) Line: Total 186	0	0	OK	
Balance Sheet - Equity Capital and Liabilities (ref. pg 9)				
Accts 214 Appropriated Retained Earnings agrees with Sched: Statement of Retained Earnings (ref pg 12) Line: Total Appropriated Retained Earnings 214	0	0	OK	
Accts 215.1 Retained Earnings from Income before Contributions with Sched: Statement of Retained Earnings (ref pg 12) Line: Balance End of Year 215.1	-4886979.80	-4886979.80	OK	
Accts 215.2 Donated Capital with Sched: Statement of Retained Earnings (cont. 215.2) (ref pg 12) Line: Balance End of Year 215.2	32580210.94	32580210.94	OK	
Accts 221 Bonds agrees with Sched: Account 221 (ref pg 23) Line: Total Outstanding Bonds Col 4	266200.00	266200.00	OK	
Accts 221 Bonds agrees with Sched: Schedule of Bond Maturities (ref pg 23) Line: Total Remaining Bonds (Col 12)	266200.00	266200.00	OK	
Accts 224 Other Long Term Debt agrees with Sched: Long Term Debt (ref pg 22) Line: Total Acct 224 col f	529964.14	529964.14	OK	
Accts 232 Notes Payable agrees with Sched: Notes Payable (Accts 232 and 234) (ref pg 24) Line: Total Acct 232	0	0	OK	

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

Item	CheckList			
	Value 1	Value 2	Agree	Explain
Accts 233 Accounts Payable to Associated Co. agrees with Sched: Accounts Payable to Assoc. Companies (Accts 233) (ref pg 24) Line: Total Acct 233		0	0	OK
Accts 234 Notes Payable agrees with Sched: Notes Payable (Accts 232 and 234) (ref pg 24) Line: Total Acct 234		0	0	OK
Accts 236 Taxes Accrued Balance First of Year agrees with Sched: Taxes Accrued (Accts 236) (ref pg 25) Line: Beginning Balance	11662.00	11662.00		OK
Accts 236 Taxes Accrued agrees with Sched: Taxes Accrued (Accts 236) (ref pg 25) Line: Ending Balance	5955.66	5955.66		OK
Accts 237 Accrued Interest Balance from Prev Year agrees with Sched: Accrued Interest (Accts 237) (ref pg 25) Line: Total 237 Balance Beginning of Year -Col b	0.0000		0	OK
Accts 237 Accrued Interest agrees with Sched: Accrued Interest (Accts 237) (ref pg 25) Line: Total 237 Balance End of Year -Col e	5782.14	5782.14		OK
Accts 242 Misc. Current and Accrued Liabilities agrees with Sched: Misc current and Accrued Liabilities (Accts 242) (ref pg 26) Line: Total Miscellaneous and Current Accrued Liabilities	0		0	OK
Accts 251 Unamortized Premium on Debt agrees with Sched: Unamort Debt Discount and Expense and Premium on Debt (Accts 181 - 251) (ref pg 20) Line: Total 251	0		0	OK
Accts 252 Advances for Contruction agrees with Sched: Advances for Contstruction (Accts 252) (ref pg 21) Line: Total 252	0		0	OK
Total Equity Capital and Liabilities agrees with Balance Sheet - Assets and Other Debits: Total Assets and Other Debits  Comparitive Operating Statement (ref pg 10)	28616946.20	28616946.20		OK



**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

CheckList				
Item	Value 1	Value 2	Agree	Explain
Accts 400 Operating Revenues agrees with Sched: Water Operating Revenue (Accts 400) (ref pg 27) Line: Total Water Operating Revenues - Col e	1597272.85	1597272.85	OK	
Accts 401 Operating Expenses agrees with Sched: Water Utility Expense Accounts (ref pg 28) Line: Total Accts (601-675) - Col c	1335506.02	1335506.02	OK	
Accts 408.1 Taxes Other than Income agrees with Schedule Taxes Accrued (Acct 236) (ref pg 26) Sum of Accts 408.10 - 408.13	63051.70	63051.70	OK	
Sum of Accts 408.1 and 408.2 agrees with Sched: Taxes Accrued (Acct 236) (ref pg 25) Line: Total taxes Accrued	63051.70	63051.70	OK	
Accts 427 Interest Expense agrees with Sched: Accrued Interest (Acct 237) (ref pg 25) Line: Total Acct No 237 Col c - Interest Accrued	32983.98	32983.98	OK	
Net Income agrees with Sched: Retained Earnings (Acct 237) (ref pg 12) Line: Balance Transferred from Income (Acct 435)	-1134839.80	-1134839.80	OK	
Miscellaenous				
Schedule Net Utility Plant Accts 101 - 106 (ref pg 13) Utility Plant (101) agrees with Sched: Water Utility Plant Accounts (ref pg 14) Line: Total Water Plant Col f - Current Year	32114554.38	32114554.38	OK	All Water and Sewer Fixed Assets Combined for the Water District Balance Sheet.
The analysis of water utility plant accounts Cols c though k has been completed (Ref pg 14)				
The analysis of accumulated depreciation and amortization by primary account has been completed. (Ref pg 14)				
Sched: Misc. Defferred Debits (Acct 186) Defferred Rate Case (Acct 186.1) agrees with Sched: Amort. of Rate Case (Acct 665 and 667) (ref pg 26) Line: Total Col c - Amt Transferred to 186.1	0	0	OK	
Schedule of Long Term Debt has been completed (ref pg 22)				

**19400 Knott County Water & Sewer District 01/01/2012 - 12/31/2012**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Schedule of Bond Maturities has been completed (ref pg 23)				
Taxes collected (example: school tax, sales tax, franchise tax ) have been excluded from Operating Revenue ( Ref pg 29)				
The analysis of water opertating revenue Cols c,d and e have been completed. (Ref pg 28)				
The analysis of water utility expense accounts Cols c through k have been completed. (Ref pg 28)				
Schedule of Pumping and Purchased Water Statistics has been completed ( Ref pg 29)				
Sched Pumping and Water Statistics - part one (ref pg 29) Line Total for the year - Col Total (d) agrees with Sched Water Statistics (ref pg 30) Line 4. Total Produced and Purchased Col Gallons	514735	514735	OK	
Sched Pumping and Water Statistics - part one (ref pg 29) Line Total for the year - Col Water Sold(e) agrees with Sched Water Statistics (ref pg 30) Line Total Water Sales Col Gallons	335202	335202	OK	
Sched Sales for Resale (ref pg 30) 466 Total Gal agrees with Sched Water Statistics (ref pg 30) Total Water Sales	178237	178237	OK	
Oath Page Has been Completed				



## **EXHIBIT E**

KNOTT COUNTY WATER AND SEWER DISTRICT

REPORT OF AUDITED FINANCIAL STATEMENTS

For The Year Ended December 31, 2013

KNOTT COUNTY WATER AND SEWER DISTRICT

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**Chris Gooch**  
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## INDEPENDENT AUDITOR'S REPORT

To Members of the Board  
Knott County Water and Sewer District  
7777 Big Branch Road  
Vicco, Kentucky 41773

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Knott County Water and Sewer District, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Knott County Water and Sewer District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Knott County Water and Sewer District, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

Subsequent to the year end and prior to report date, after a previous audit found possible forged financial documents, a Kentucky Attorney General's investigation provided sufficient evidence indicting the former manager of the District on a theft charge who allegedly allowed approximately \$85,000 in questionable charges to be made on a credit card issued to her over a period from 2009 through 2013.

Gross Customer Billing Accounts Receivable prior to allowances for bad debts total \$414,174 at December 31, 2013. \$112,108 and \$169,148 of this balance was attributable to water purchases by the City of Vicco and City of Hindman, and the delinquent portions were \$93,586 and \$157,322, respectively.

Subsequent to year end and prior to report date, the Knott County Fiscal Court voted unanimously to remove Board Chair, Alice G. Ritchie. The action was later upheld by Knott County Circuit Court.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Knott County Water and Sewer District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of the Knott County Water and Sewer 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 Knott County Water and Sewer District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'Chris Gooch', with a stylized, cursive-like script.

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

September 19, 2014



KNOTT COUNTY WATER AND SEWER DISTRICTSTATEMENT OF NET POSITIONAt December 31, 2013ASSETS:

- Current Assets -	
Cash in Banks - Unrestricted	\$ 117,594
Accounts Receivable, net of allowance for doubtful accounts	315,182
Other Current Assets	<u>94,896</u>
<u>Total Current Assets</u>	<u>527,672</u>
- Fixed Assets -	
Land, Structure & Equipment, net of depreciation	34,002,232
Construction in Progress	<u>3,778,567</u>
<u>Total Fixed Assets</u>	<u>37,780,799</u>
- Other Assets -	
Cash - Restricted	<u>187,311</u>
<u>Total Assets</u>	<u>38,495,782</u>

LIABILITIES AND NET POSITION:

- Current Liabilities -	
Accounts Payable	94,894
Payroll Liabilities Payable	38,165
Accrued Compensation	29,550
Other Current Liabilities	317,985
Current Portion of Long-Term Debt	<u>46,268</u>
<u>Total Current Liabilities</u>	<u>526,862</u>
- Long Term Liabilities -	
Bonds/Notes Payable	718,590
Less: Current Portion	<u>(46,268)</u>
<u>Total Long-Term Liabilities</u>	<u>672,322</u>
<u>Total Liabilities</u>	<u>1,199,184</u>
- Net Position -	
Unrestricted (deficit)	47,078
Restricted Assets	187,311
Net Investment in Capital Assets	<u>37,062,209</u>
<u>Total Net Position</u>	<u>37,296,598</u>
<u>Total Liabilities and Net Position</u>	<u>\$ 38,495,782</u>

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

KNOTT COUNTY WATER AND SEWER DISTRICTSTATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITIONFor The Year Ended December 31, 2013

<u>Revenue</u>	
Water and Sewer Operations	\$ 1,720,203
<u>Operating Expense</u>	
Salaries and Fringe Benefits	599,476
Commissioner Fee	37,900
Office Expense	17,839
Water Consumption	80,323
Electric	271,058
Telephone	16,233
Travel and Training	1,248
Advertisement	8,310
Rents and Leases	8,473
Contractual Fees	139,267
Uniforms	8,979
Vehicle Expense	44,523
Operating Supplies and Maintenance	326,680
Licenses, Permits, Dues and Fees	13,731
Insurance and Bonds	29,950
Depreciation Expense	1,387,145
<u>Total Operating Expense</u>	<u>2,991,135</u>
Excess (Deficiency) of Operating Revenue Over Operating Expense	<u>(1,270,932)</u>
<u>Other Income (Expense)</u>	
Interest Income	541
Interest Expense	(49,965)
Miscellaneous Income	22,188
<u>Total Other Income (Expense)</u>	<u>(27,236)</u>
Net Income (Loss)	(1,298,168)
Net Position, Beginning of Year, Restated	34,614,995
Add: Capital Contributions	<u>3,979,771</u>
Net Position, End of Year	<u>\$ 37,296,598</u>

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

KNOTT COUNTY WATER AND SEWER DISTRICTSTATEMENT OF CASH FLOWSFor The Year Ended December 31, 2013

<u>Cash Flows from Operating Activities:</u>	
Receipts from customers and users	\$ 1,680,156
Payments to personnel	(684,401)
Payments to suppliers	(549,244)
Payments to contractors	(74,890)
Other operating payments	(94,124)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>277,497</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Increase in infrastructure assets - net	(4,143,643)
Principal paid on bonds	(51,936)
Interest paid on bonds and notes	(49,965)
Miscellaneous income	22,188
Capital grants and contributions received	3,979,771
<u>Net Cash Provided (Used) for Capital and Related Financing Activities</u>	<u>(243,585)</u>
<u>Cash Flows from Investing Activities</u>	
Interest revenue	541
Net Increase (Decrease) in Cash	34,453
Cash and restricted cash, January 1	270,452
Cash and restricted cash, December 31	<u>304,905</u>
Reconciliation of Operating Income (Loss) to	
<u>Net Cash Provided by Operating Activities:</u>	
Operating loss	(1,270,932)
Adjustments to reconcile operating net cash provided by operating activities:	
Depreciation	1,387,145
Restatement of net position	(85,086)
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(4,949)
(Increase) decrease in other current assets	(35,098)
Increase (decrease) in accounts payable	45,029
Increase (decrease) in payroll tax payable	21,843
Increase (decrease) in accrued compensation	16,218
Increase (decrease) in other current liabilities	203,327
<u>Net Cash Provided (Used) by Operations</u>	<u>\$ 277,497</u>

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



KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTSAt December 31, 20131. Reporting Entity

Knott County Water and Sewer District was created by Knott County Fiscal Court to be governed and operated under the rules and procedures established under KRS Chapter 74, relating to water districts and KRS Chapter 220 relating to sanitation districts. The entity's plans are to expand its operating activities into parts of Knott County not presently served with water and sewer utility services.

2. Accounting Policies and Procedures

## a. Cash

For purposes of the cash flow statement, cash consists of interest bearing checking accounts, restricted and unrestricted.

## b. Fixed Assets and Depreciation

Property, plant and equipment are stated at historical or estimable cost. Fixed assets costing over \$1,500 are recorded and depreciated using the straight-line method of accounting over the respective assets useful lives as follows:

Equipment	5 – 7 years
Transmission Lines	20 – 40 years
Water Wells, Structures and Improvements	15 – 40 years

## c. Allowance for Doubtful Accounts

Knott County Water and Sewer District's financial statements reflect an allowance account for its customer accounts receivable based on management's estimate of probable losses. An allowance expense in the amount of \$99,531 was recognized in the financial statements for the year ended December 31, 2013.

## d. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 2013

## e. Basis of Presentation

GASB 34 creates basic financial statements for reporting on the governmental financial activities. Financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Knott County Water and Sewer District is considered a special purpose government engaged in a business-type activity. No governmental type funds are recognized.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following fund:

Proprietary Funds (Enterprise Funds)

The Water and Sewer Revenue Funds accounts for revenues and expenses related to customer utility services.

## f. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. For its water and sewer enterprise operations the District uses the full-accrual basis of accounting where revenues are recorded when earned and expenses are recognized when incurred.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the



KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 2013

## f. Basis of Accounting (Continued)

resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

## g. Net Position

GASB 63, implemented for the year ended December 31, 2012, has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## h. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for utility services provided.

## i. Materials and Supplies

Inventory is currently charged to expense as incurred. Supplies are acquired on an as needed basis.

3. Cash and Cash Equivalents

The carrying amount of cash was \$304,905 and the bank balance of cash was \$910,667 at December 31, 2013. Cash at December 31, 2013 was comprised of the following:



KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 20133. Cash and Cash Equivalents (Continued)

	<u>Bank Balance</u>	<u>Book Balance</u>	<u>Interest Rate</u>
Revenue Account	\$ 108,453	\$ 108,453	0.12%
O&M Account	53,305	15	0.07%
Payroll Account	8,626	8,626	0.07%
Meter Deposit Account	74,549	74,549	0.12%
Debt Service Account	70	70	0.07%
Carr Creek Water Line Extension	513,473	1,229	0.12%
Pippa Passes WW Rehab Project	5,163	375	0.11%
WTP Upgrade Project	35,932	(8)	0.07%
Funded Depreciation Account	109,605	109,605	0.12%
RD/ARC Funds	1,491	1,491	0.12%
Cash on hand	<u>N/a</u>	<u>500</u>	N/a
	<u>\$ 910,667</u>	<u>\$ 304,905</u>	

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that Knott County Water and Sewer District may not recover collateral securities. The organization's deposits at December 31, 2013 exceeded the amount of the Federal Deposit Insurance Corporation insurance (FDIC). At report date, a current collateral agreement covers any amounts not insured by FDIC. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Knott County Water and Sewer District does not have any investments other than its interest bearing checking accounts. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investment in a single issuer. All of the Organization's cash, excluding cash on hand, at December 31, 2013 is held at Whitaker Bank.

Foreign currency risk is the risk of changes in exchange rates effecting foreign investments. The District does not hold any foreign investments.

4. Other Current Assets

Other current assets consisted of the following at December 31, 2013:

Prepaid insurance	\$ 17,863
Prepaid maintenance agreement	1,202
Deposits trade and other	981
Due from employees	<u>74,850</u>
	<u>\$ 94,896</u>

**KNOTT COUNTY WATER AND SEWER DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At December 31, 2013

**5. Other Current Liabilities**

Other current liabilities consisted of the following at December 31, 2013:

Customer deposits payable	\$ 84,390
Board member arrears	109,400
USACE payable	31,232
Contractor retainage	47,814
Interest payable	43,122
Utility tax payable	<u>2,027</u>
	<u>\$ 317,985</u>

**6. Changes in Fixed Assets**

Following are changes in fixed assets for Knott County Water and Sewer District at December 31, 2013:

	<u>1/1/2013</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2013</u> <u>Balance</u>
<b><u>Fixed Assets - Water operations</u></b>				
Land and land rights	\$ 117,294	\$ -	\$ -	\$ 117,294
Construction in progress	5,580,635		(1,802,068)	3,778,567
Water plant and transmission lines	34,134,044	5,945,711	-	40,079,755
Vehicles	346,099	-	-	346,099
Operating equipment	172,495	-	-	172,495
Office furniture and equipment	146,808	-	-	146,808
Subtotal	<u>40,497,375</u>	<u>5,945,711</u>	<u>(1,802,068)</u>	<u>44,641,018</u>
<b><u>Accumulated Depreciation - Water operations</u></b>				
Water plant and transmission lines	5,203,548	1,295,293	-	6,498,841
Vehicles	160,108	54,039	-	214,147
Operating equipment	106,415	9,494	-	115,909
Office furniture and equipment	61,450	17,305	-	78,755
Subtotal	<u>5,531,521</u>	<u>1,376,131</u>	<u>-</u>	<u>6,907,652</u>
<b><u>Total</u></b>	<u>34,965,854</u>	<u>4,569,580</u>	<u>(1,802,068)</u>	<u>37,733,366</u>
<b><u>Fixed Assets - Sewer operations</u></b>				
Land and land rights	2,790	-	-	2,790
WWTPs & Collection System	310,604	-	-	310,604
Operating equipment	68,811	-	-	68,811
Subtotal	<u>382,205</u>	<u>-</u>	<u>-</u>	<u>382,205</u>
<b><u>Accumulated Depreciation - Sewer operations</u></b>				
WWTPs & Collection System	301,737	3,555	-	305,292
Operating equipment	22,021	7,459	-	29,480
Subtotal	<u>323,758</u>	<u>11,014</u>	<u>-</u>	<u>334,772</u>
<b><u>Total</u></b>	<u>\$ 58,447</u>	<u>\$ (11,014)</u>	<u>\$ -</u>	<u>\$ 47,433</u>

KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 20136. Changes in Fixed Assets (Continued)

Total depreciation expense for the year ended December 31, 2013 is allocated as follows:

	<u>Depreciation</u>
Water operations	\$ 1,376,131
Sewer operations	11,014
<u>Total</u>	<u>\$ 1,387,145</u>

7. Long Term Debt

A Rural Utilities Service bond, dated December 19, 2003 was issued to pay off prior debt of Knott County Water and Sewer District. The bond issue has an annual interest rate of 4.5%. The total amount of the loan was \$185,000. The bond calls for 40 annual interest and principal payments.

Following is the RUS debt service schedule for this issue:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance</u>
				\$ 164,500
2014	\$ -	\$ 3,757	\$ 3,757	164,500
2015	3,000	7,403	10,403	161,500
2016	3,000	7,268	10,268	158,500
2017	3,000	7,133	10,133	155,500
2018	3,500	6,998	10,498	152,000
2019-2023	18,500	32,604	51,104	133,500
2024-2028	23,000	28,082	51,082	110,500
2029-2033	29,500	22,322	51,822	81,000
2034-2038	36,000	15,144	51,144	45,000
2039-2043	45,000	6,301	51,301	-
<u>Total</u>	<u>\$ 164,500</u>	<u>\$ 137,012</u>	<u>\$ 301,512</u>	

Knott County Water and Sewer District entered into an assistance agreement with the Kentucky Infrastructure Authority for KIA Fund C03-3 loan assistance dated January 1, 2004 having a maturity date of June 1, 2022 for expenditures related to the Highway 899/Mallie waterworks improvement project. The original principal balance was \$547,000. The interest rate is 4.05%. The District entered into an agreement to pay past due interest and fees of \$65,047.95 beginning with the March 1, 2011 due date.



KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 20137. Long Term Debt (Continued)

Following is a debt service schedule:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Servicing Fees</u>	<u>Past Due Interest</u>	<u>Total</u>	<u>Balance</u>
						\$ 459,890
2014	\$ 46,268	\$ 17,773	\$ 878	\$ 6,410	\$ 71,329	413,622
2015	48,177	15,864	783	6,410	71,234	365,445
2016	50,165	13,876	685	6,410	71,136	315,280
2017	52,235	11,806	583	-	64,624	263,045
2018	54,390	9,651	477	-	64,518	208,655
2019-2022	208,655	15,489	765	-	224,909	-
<u>Total</u>	<u>\$ 459,890</u>	<u>\$ 84,459</u>	<u>\$ 4,171</u>	<u>\$ 19,230</u>	<u>\$ 567,750</u>	

A Rural Utilities Service bond, dated January 26, 2007 was issued to finance a portion of the Water Treatment Plant project. The bond issue has an annual interest rate of 4.125%. The total amount of the loan was \$100,000. The bond calls for 40 annual interest and principal payments.

Following is a debt service schedule:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Balance</u>
				\$ 94,200
2014	\$ -	\$ 2,362	\$ 2,362	94,200
2015	1,300	4,248	5,548	92,900
2016	1,400	4,190	5,590	91,500
2017	1,400	4,127	5,527	90,100
2018	1,500	4,064	5,564	88,600
2019-2023	8,400	19,261	27,661	80,200
2024-2028	10,500	17,191	27,691	69,700
2029-2033	13,100	14,604	27,704	56,600
2034-2038	16,400	11,372	27,772	40,200
2039-2043	20,300	7,341	27,641	19,900
2044-2047	19,900	2,337	22,237	-
<u>Total</u>	<u>\$ 94,200</u>	<u>\$ 91,097</u>	<u>\$ 185,297</u>	

The Rural Utilities Service bonds and the Kentucky Infrastructure Authority loan requires Knott County Water and Sewer District to establish a reserve account funded annually based on the original loan amount. At December 31, 2013, the required balance of \$39,950 has been restricted.

KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 20137. Long Term Debt (Continued)

Changes in long-term debt for the District are as follows:

	<u>1/1/2013</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2013</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
US Rural Development 91-11	\$ 96,700	\$ -	\$ (2,500)	\$ 94,200	\$ -
Kentucky Infrastructure Authority - C03-03	504,326	-	(44,436)	459,890	46,268
US Rural Development 93-05	<u>169,500</u>	<u>-</u>	<u>(5,000)</u>	<u>164,500</u>	<u>-</u>
Total	<u>\$ 770,526</u>	<u>\$ -</u>	<u>\$ (51,936)</u>	<u>\$ 718,590</u>	<u>\$ 46,268</u>

8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for risk of loss. The District manages and finances these risks by purchasing commercial insurance for their worker's compensation and employer's liability.

The District did not have settled claims that exceeded the District's commercial insurance coverage in any of the past three years.

9. Contingencies

The District receives funding from local, state, and federal government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

10. Subsequent Events

Knott County Water and Sewer District has evaluated subsequent events through September 19, 2014, the date financial statements were available to be issued.

KNOTT COUNTY WATER AND SEWER DISTRICTNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)At December 31, 201311. Pension Plans

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

The Knott County Water and Sewer had a total of 11 non-hazardous employees covered by the CERS. The employees contribute 5.0%, except for new hires after September 1, 2008 who contribute 6.0%. The employer contributed 19.55% from January 2013 through June 2013 and 18.89% from July 2013 through December 2013. The District's contribution for the year ended December 31, 2013 was \$46,609 and the employees contributed \$11,503.

Following summarizes employer contributions to the CERS plan:

<u>Year Ended</u>	<u>Employer Amount</u>
2013	\$ 46,609
2012	25,548
2011	26,894

The District's total payroll for the year was \$348,903 and the payroll for employees reported under CERS was \$233,202.

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The "pension benefits obligation" is a standardized disclosure measure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS does not make separate measurement of assets and pension benefit obligations for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:



KNOTT COUNTY WATER AND SEWER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2013

11. Pension Plans (Continued)

	CERS as of June 30, 2013
Actuarial Accrued Liability	\$ 9,378,876
Actuarial Value of Assets	<u>5,637,094</u>
Unfunded (Overfunded) Actuarial Accrued Liability	\$ <u>3,741,782</u>
Funded Ratio	<u>60.1</u>
Covered Payroll	\$ <u>2,236,277</u>
UAAL as a % of Covered Payroll	<u>167.3</u>

Historical trend information showing CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2013 comprehensive annual financial reports.

As the District is only one of several employers participating in the plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan.

12. Restatement of Net Position

Beginning net position was adjusted for the following items:

	Net Position <u>Increase (Decrease)</u>
Record payable to board commissioners for prior years services	\$ (109,400)
Record payable for retirement contributions not remitted in prior year	(5,877)
Adjust receivable from former employee	<u>30,191</u>
	\$ <u>(85,086)</u>

KNOTT COUNTY WATER AND SEWER DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor The Year Ended December 31, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Expenditures</u>
US Department of Interior			
Passed through Kentucky Natural Resources and Environmental Protection Cabinet			
Abandoned Mines Land - Highway 582 Water Project	15.252	N/a	\$ 193,372
Abandoned Mines Land - Multi-Site Water Project	15.252	N/a	1,419,465
Abandoned Mines Land - WTP Upgrade Project	15.252	N/a	<u>196,105</u>
<u>Total US Department of Interior</u>			<u>1,808,942</u>
US Department of Agriculture			
-Direct-			
Water and Waste Disposal Systems for Rural Communities	10.760	N/a	<u>10,506</u>
US Department of Defense			
-Direct-			
ARRA - Southern and Eastern KY Environmental Infrastructure	12.127	N/a	<u>27,094</u>
<u>Total Federal Awards Expenditures</u>			<u>\$ 1,846,542</u>

## NOTE A

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Knott County Water and Sewer District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**Chris Gooch**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of the Board  
Knott County Water and Sewer District  
7777 Big Branch Road  
Vico, Kentucky 41773

**Report on Compliance for Each Major Federal Program**

We have audited Knott County Water and Sewer District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Knott County Water and Sewer District's major federal programs for the year ended December 31, 2013. Knott County Water and Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Knott County Water and Sewer District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Knott County Water and Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Knott County Water and Sewer District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Knott County Water and Sewer District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.



### Report on Internal Control over Compliance

Management of Knott County Water and Sewer District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Knott County Water and Sewer District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Knott County Water and Sewer District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

September 19, 2014

**Chris Gooch**

Certified Public Accountant  
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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 Members of the Board  
Knott County Water and Sewer District  
7777 Big Branch Road  
Vicco, Kentucky 41773

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Knott County Water and Sewer District, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Knott County Water and Sewer District's basic financial statements, and have issued our report thereon dated September 19, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Knott County Water and Sewer District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Knott County Water and Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Knott County Water and Sewer 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2013-1, 2013-2, 2013-3 and 2013-4

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Knott County Water and Sewer District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do



not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**District's Response to Findings**

Knott County Water and Sewer District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Knott County Water and Sewer District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

September 19, 2014

KNOTT COUNTY WATER AND SEWER DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For The Year Ended December 31, 2013

-FINDINGS RELATED TO THE FINANCIAL STATEMENTS-

**2012-1:**

Condition:

A request for additional supporting documentation regarding thirty-six Visa line item payments occurred during the audit period. A copy of the original statement having a closing date of April 11, 2012 was retained by the auditor. Management later provided the auditor with a faxed copy of the above-referenced statement and some receipts. The faxed copy had been altered reflecting different vendors in eighteen of the thirty-six items listed. The total vendor purchases modified from the original vendor amounted to \$1,741.92. This matter was referred to the Kentucky State Attorney General's office for further action.

Criteria:

Management should readily provide evidence of costs supporting its allowable purpose to the District's operations. All costs charged and paid by the District should be for allowable purposes.

Cause:

The District did not have procedures to adequately monitor controls over Visa transactions.

Effect:

Funds of the District appear to be misappropriated and used for unallowable purposes.

Recommendation:

The District should establish procedures mitigating the risk of financial statement material misstatement and fraud by having dual controls over its disbursement procedures. Evidence for pre-authorization of materials, supplies or other operating expenses should be provided. The District should seek restitution where applicable.

Management's Response:

The District will establish procedures mitigating the risk of financial statement material misstatement and fraud by having dual controls over its disbursement procedures. Evidence for pre-authorization of materials, supplies or other operating expenses will be provided. The District will seek restitution where applicable.

**2012-2:**

Condition:

As part of our audit procedures, management failed to provide requested additional supporting documentation not readily available for various disbursements totaling \$78,380.10 in addition to finding 2012-1.

KNOTT COUNTY WATER AND SEWER DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

For The Year Ended December 31, 2013

**2012-2 (Continued):**

**Criteria:**

Management should readily provide evidence of costs supporting its allowable purpose to the District's operations. All costs charged and paid by the District should be for allowable purposes.

**Cause:**

The District did not provide documentation requested.

**Effect:**

Funds of the District may be misappropriated and used for unallowable purposes.

**Recommendation:**

The District should establish procedures mitigating the risk of financial statement material misstatement and fraud by having dual controls over its disbursement procedures. Evidence for pre-authorization of materials, supplies or other operating expenses should be provided. The District should seek restitution where applicable.

**Management's Response:**

The District will establish procedures mitigating the risk of financial statement material misstatement and fraud by having dual controls over its disbursement procedures. Evidence for pre-authorization of materials, supplies or other operating expenses will be provided. The District will seek restitution where applicable.

**2012-3:**

**Condition:**

Payments were made to Water District Commissioner's during the year without adequate supporting perpetual subsidiary schedules indicating the periods each payment should be applied. Therefore, we were not able to determine the actual amount owed, if any, by the District to the Commissioners and no accrual was made at December 31, 2012. According to management, in previous years' funds were inadequate to pay Commissioner's the statutory compensation as provided by KRS 74.020 and therefore, some payments made in 2012 were for previous years. Furthermore, we noted some payments were increased due to completion of water district management training. We did not receive evidence of the district management training. In addition, the Chairman was paid \$40,000 in 2012 for back commissioner pay owed. We noted a 1099-MISC form had not been prepared and submitted to the Internal Revenue Service for this transaction.

**Criteria:**

Management is not accounting for commissioner pay on a perpetual basis. Management has not provided evidence increases in commissioner pay were valid. Management has made payments without adequate supporting documentation.

**Cause:**

The District is not maintaining adequate subsidiary schedules to account for Commissioner compensation accrued and paid. The District is not retaining evidence of training.



KNOTT COUNTY WATER AND SEWER DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)For The Year Ended December 31, 2013**2012-3 (Continued):****Effect:**

Payments made to Commissioners may not be for an accurate or allowable amount without detail underlying supporting documentation.

**Recommendation:**

The District should maintain a perpetual subsidiary schedule accruing compensation and related payments for its Commissioners. The District should retain evidence of continuing education.

**Management's Response:**

The District will maintain a perpetual subsidiary schedule accruing compensation and related payments for its Commissioners. The District will retain evidence of continuing education.

**2012-4:****Condition:**

Management has not adjusted gross wages as reported to the County Employee Retirement System since the District was required to report its activity on-line. Therefore since this period, any raises or increases in pay or overtime appears to not have been properly reported. In addition, we noted recent hires were not included on monthly reports although they meet criteria for participation in the retirement system. An amount has not been accrued for any underpayment and potential penalties or interest potentially owed by the District.

**Criteria:**

Management should understand clearly applicable participation, reporting and remittance requirements related to the District's participation in the County Employee Retirement System.

**Cause:**

Management has not properly applied gross wages and related remittances to the County Employee Retirement System.

**Effect:**

Active participants are not properly remitted and applied. Other potential participants have been excluded. The District may have a substantial liability to County Employee Retirement System for underreporting.

**Recommendation:**

District management should clearly understand applicable participation, reporting and remittance requirements related to the District's participation in the County Employee Retirement System.

**Management's Response:**

District management will obtain continuing education to clearly understand applicable participation, reporting and remittance requirements related to the District's participation in the County Employee Retirement System.

KNOTT COUNTY WATER AND SEWER DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)For The Year Ended December 31, 2013**2012-5:****Condition:**

We did not find evidence the District's annual budget was assessed, prepared or reviewed for 2013. In addition, no evidence was retained reflecting the most recent annual Public Service Commission annual financial report (2011) was presented to the Commission for review, discussion and authorization.

**Criteria:**

The Commission should authorize annual operating budgets. The Commission should authorize annual reports submitted to the Public Service Commission.

**Cause:**

Management did not retain evidence annual budgets or reports were authorized by the Commission.

**Effect:**

Objectives and criteria may be executed without official consent of the Commission.

**Recommendation:**

Management should retain evidence annual budgets or reports were authorized by the Commission.

**Management's Response:**

Management will retain evidence annual budgets or reports were authorized by the Commission.

**2012-6:****Condition:**

Documentation for personnel overtime pay was not maintained in a manner readily identifying the purpose for overtime or indicating written authorization.

**Criteria:**

Overtime pay should be maintained in a manner allowing charges to be allocated to specific projects, areas, divisions or accounts. In addition, all overtime pay should reflect written authorization.

**Cause:**

Management did not retain evidence specifying projects, areas, divisions or accounts or was written authorization reflected prior to remitting personnel pay with overtime.

**Effect:**

Overtime paid may be for unallowable purposes without adequate supporting and authorizing documentation.



KNOTT COUNTY WATER AND SEWER DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)For The Year Ended December 31, 2013**2012-6 (Continued):****Recommendation:**

Overtime pay should be maintained in a manner allowing charges to be allocated to specific projects, areas, divisions or accounts. In addition, all overtime pay should reflect written authorization.

**Management's Response:**

Overtime pay will be maintained in a manner allowing charges to be allocated to specific projects, areas, divisions or accounts. In addition, all overtime pay will reflect written authorization.

**2012-7:****Condition:**

No evidence is retained by the District indicating the utility customer cash receipts drawer is reconciled to the customer utility billing system cash collections report, bank deposit and bank statement on a periodic basis.

**Criteria:**

Evidence of daily or periodic reconciliations of utility collections to system customer accounts and to deposits and bank statements reduces risks of errors or misappropriation of assets occurring.

**Cause:**

Management did not retain evidence indicating the utility customer cash receipts drawer is reconciled to the customer utility billing system cash collections report, bank deposit and bank statement on a periodic basis.

**Effect:**

The risk is higher misappropriation of assets or errors in reporting of cash collections are occurring.

**Recommendation:**

Management should retain evidence indicating the utility customer cash receipts drawer is reconciled to the customer utility billing system cash collections report, bank deposit and bank statement on a periodic basis.

**Management's Response:**

Management will retain evidence indicating the utility customer cash receipts drawer is reconciled to the customer utility billing system cash collections report, bank deposit and bank statement on a periodic basis.

KNOTT COUNTY WATER AND SEWER DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)For The Year Ended December 31, 2013**2012-8:****Condition:**

The District Water office manager is paid \$558.00 per month, the approximate amount of her tax free health insurance plan if participating in the District's plan. The monthly payment does not appear to meet the Internal Revenue Code definition of non-taxable fringe benefits paid by employers and should be included in the employee's gross payroll subject to applicable withholdings.

**Criteria:**

Any benefit plan offered by the District should be on an equitable basis for all participating employees. All benefits provided should meet applicable compliance requirements.

**Cause:**

The District has made payments in the form of benefits to an employee appearing not to qualify as tax-free benefits and should be subject to tax withholding.

**Effect:**

The District may have a receivable due from personnel for benefits paid not meeting applicable fringe benefit criteria. The District may need to amend prior years' W-2/W-3 and tax reporting forms to reflect a reclassification.

**Recommendation:**

Management should determine if personnel owe the District for fringe benefits not meeting specific criteria and if amended reports should be filed with regulatory authorities.

**Management's Response:**

Management will determine if personnel owe the District for fringe benefits not meeting specific criteria and if amended reports should be filed with regulatory authorities.

**2012-9:****Condition:**

The District purchases its diesel and other fuel in bulk and stores on premises at the 7777 Big Branch location. A perpetual log is not maintained indicating the District's purchase and dispensing of fuel and diesel usage. Fuel used by Commissioners should indicate purpose and destination.

**Criteria:**

A fuel log indicating beginning balance, purchases, gallons used and ending balances should be retained and evidence of reconciliation to actual fuel inventory on hand should be periodically performed.

KNOTT COUNTY WATER AND SEWER DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)For The Year Ended December 31, 2013**2012-9 (Continued):****Cause:**

The fuel log maintained is not accounted for in a manner allowing for individual gallons used and reconciliation to fuel inventory on hand,

**Effect:**

Management does not retain fuel usage or reconciliation in a manner indicating fuel usage is for allowable purposes. Without periodic and timely reconciliations, the risk is greater fuel may be used for unallowable purposes.

**Recommendation:**

Management should enhance its accounting and reconciliation procedures for purchased fuel and related inventory.

**Management's Response:**

Management will enhance its accounting and reconciliation procedures for purchased fuel and related inventory.

**2012-10:****Condition:**

When assessing control over the District's utility revenue billing process we noted the following:

- Meter readings are adjusted without supervisory authorization.
- Customer account maintenance or closeouts are occurring without supervisory consent.
- Manual adjustments to customer account balances are occurring without supervisory authorization.
- No written indication outgoing monthly customer billings are compared to system reports.
- No separate function for personnel opening mail, posting to customer deposits, making deposits and adjusting customer accounts.

**Criteria:**

Segregation of responsibilities in the billing process mitigates the risk fraud, misappropriation of assets or errors are occurring.

**Cause:**

The District has not adopted or implemented policies and procedures related to utility billings segregating responsibilities.

**Effect:**

Without segregation of duties and evidence of authorization in this area, the risk is higher fraud or errors are occurring.

KNOTT COUNTY WATER AND SEWER DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)For The Year Ended December 31, 2013**2012-10 (Continued):**

## Recommendation:

Management should develop and implement policies and procedures providing evidence of authorization and segregation of responsibilities for the above-referenced areas.

## Management's Response:

Management will develop and implement policies and procedures providing evidence of authorization and segregation of responsibilities for the above-referenced areas.

-FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS-

-NONE



KNOTT COUNTY WATER AND SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended December 31, 2013

-SUMMARY OF AUDIT RESULTS-

1. We have issued an unmodified opinion on the financial statements.
2. No material weakness was disclosed by the audit of the financial statements; however, significant deficiencies not identified as material weaknesses were disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unmodified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under Section .510(a) of A-133.
7. Knott County Water and Sewer District had the following major program:
  - US Department of Interior
  - Passed through Kentucky Natural Resources and
  - Environmental Protection Cabinet
  - Abandoned Mine Land (AMLR) Reclamation Programs – CFDA #15.252
    - Multi-Site Water Project
    - WTP Upgrade Project
    - Highway 582 Water Project
8. The dollar threshold used to distinguish between major and non-major programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section .530 of A-133.



KNOTT COUNTY WATER AND SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended December 31, 2013

-FINDINGS RELATED TO THE FINANCIAL STATEMENTS-

**2013-1:**

Condition:

Cash drawer reconciliation forms were developed to include two signatures as a control measure. When sampling, only the clerk's signature was noted. Also, dual signature of deposit documentation is not denoted. No reconciliation forms were noted between September 27, 2013 and January 9, 2014.

Criteria:

Reconciliations of cash drawers should include indication of dual review.

Cause:

District created procedures to adequately monitor controls over cash receipts were not being followed.

Effect:

Funds of the District are more susceptible to fraud or misappropriation.

Recommendation:

The District should implement and periodically monitor controls over cash receipts collections.

Management's Response:

The District will implement and periodically monitor controls over cash receipts collections.

**2013-2:**

Condition:

No formal contract for services provided by Joseph Campbell, 1099MISC \$9,620 and William H Campbell, 1099MISC, \$2,000 in 2013 indicating type of services performed and how it related to District operations were noted during our audit.

Criteria:

Contracts or other supporting documentation should support district expenditures for services provided.

Cause:

The District could not provide the documentation or agreement requested. Management did not have an explanation for services provided as referenced.

KNOTT COUNTY WATER AND SEWER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For The Year Ended December 31, 2013

**2013-2 (Continued):**

**Effect:**

Funds of the District may be misappropriated and used for unallowable purposes.

**Recommendation:**

The District should establish procedures mitigating the risk of financial statement material misstatement and fraud by monitoring its disbursement procedures. Evidence for pre-authorization of contracts for services should be at the Commissioner level meeting certain dollar thresholds.

**Management's Response:**

The District will establish procedures mitigating the risk of financial statement material misstatement and fraud by monitoring its disbursement procedures. Evidence for pre-authorization of contracts for services should be at the Commissioner level meeting certain dollar thresholds.

**2013-3:**

**Condition:**

Fuel logs presented for audit began July 23, 2013. Management indicated logs prior to this date could not be located.

**Criteria:**

Disbursements for fuel purchased for its on-site tanks should be readily reconciled to fuel consumption inventory documentation.

**Cause:**

The District was not maintaining adequate supporting documentation to track the use of fuel consumed for District operations.

**Effect:**

Fuel purchased and intended for District operations could be used for fraudulent purposes without adequate underlying controls to monitor fuel purchases and consumption.

**Recommendation:**

The District should maintain underlying reconciliation forms to adequately monitor its purchases and use of fuel for operations.

**Management's Response:**

The District should maintain underlying reconciliation forms to adequately monitor its purchases and use of fuel for operations.

KNOTT COUNTY WATER AND SEWER DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)For The Year Ended December 31, 2013**2013-4:****Condition:**

When test sampling disbursements underlying documentation for some transactions were not located for the following:

- P Mullins, \$5,545.29
- PSC, \$2,590.58
- Fleet One, \$669.50 and \$484.24

**Criteria:**

Management should assure adequate supporting documentation is on file for all District disbursements allowing a review of its intended operational or administrative purpose.

**Cause:**

Management could not locate support documentation for all transactions selected for testing.

**Effect:**

Disbursements could be made through the District's funds that are unallowable or fraudulent without evidence of supporting documentation.

**Recommendation:**

Management should assure adequate supporting documentation is on file for all District disbursements allowing a review of its intended operational or administrative purpose.

**Management's Response:**

Management should assure adequate supporting documentation is on file for all District disbursements allowing a review of its intended operational or administrative purpose.

## **EXHIBIT F**

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Title Page**

Name of Respondent		Addr Line 1	Addr Line 2	City	State	Zip
Sewer Utilities						
Annual Report of						
Respondent	Knott County Water & Sewer District	7777 Big Branch Road		Vicco	KY	41773



**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Principal Payment and Interest Information**

Amount		Yes/No
Amount of Principal Payment During Calendar Year		\$0.00
Is Principal Current?		
Is Interest Current?		

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	Y	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		X
Compilation		
Review		
Please enclose a copy of the accountant's report with annual report.		

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Additional Information Required**

Case Num	Date	Explain
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**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**General Information 1. (Ref Page: 1)**

Exact name of utility making this report.

(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)

Knott County Water & Sewer District

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

General Information 2 - 3 (Ref Page: 1)

Name		Address	City	State	Phone
Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.					
principal office in KY	Knott County Water & Sewer District	7777 Big Branch Road	Vicco	KY	(606) 642-3582
Name, title, address and telephone number with area code of the person to be contacted concerning this report					
	Turner Campbell	7777 Big Branch Road	Vicco	KY	



General Information 4 (Ref Page: 1)

List	
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Name of State under the laws of which respondent is incorporated and the date of incorporation.      Kentucky 02/10/1999

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**General Information 5. (Ref Page: 1)**

**Date**

Date sewer utility began operations

2/10/1999

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**General Information 6. (Ref Page: 1)**

City or Town	Community or Subdivision	County
Pippa Passes		Knott

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

General Information 7. (Ref Page: 1)

		Count
Number of Full-time employees	2	
Number of Part-time employees	1	

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Principal Officers (Ref Page: 1)**

<b>Title</b>	<b>Last Name</b>	<b>First Name</b>	<b>Bus. Address</b>	<b>Salary or Fee</b>
Chairperson	Childers	James O.	390 Hurricane Branch, Leburn, KY 41831	\$500.00
Board Member	Smith	David K.	474 Highway 1087 West, Leburn, KY 41831	\$500.00
Board Member	Slone	Jerry W.	P.O. Box 101, Pippa Passes, KY 41844	\$300.00
Board Member	Hamilton	Dale	P. O. Box 34, Topmost, KY 41862	\$500.00
Board Member	Allen	Delores	6597 Lotts Creek Road, Hazard, KY 41701	\$500.00



**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Balance Sheet - Assets and Other Debts (Ref Page: 2)**

	Balance First of Yr	Balance End of Yr
<b>UTILITY PLANT</b>		
Utility Plant (101-109)	\$339,831.00	\$340,489.02
less: Accum. Prov. for Depr., Depletion and Amortization (110)	\$326,511.00	\$305,292.00
Net Utility Plant	\$13,320.00	\$35,197.02
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Non-Utility Property (121)		
less: Accum. Prov for Depr. and Amort. of Non-Utility Property (122)		
Net non-Utility Property		
Other Investments (124)		
Special Funds (125)		
Total Other Property and Investments	\$0.00	
<b>CURRENT AND ACCRUED ASSETS</b>		
Cash and Working Funds (131)	\$0.00	
Temporary Cash Investments (132)		
Notes Receivable (141)		
Customer Accounts Receivable (142)	\$2,391.86	\$10,462.09
Other Accounts Receivable (143)		
Accum. Prov. For Uncollectible Accts - CR (144)		
Notes Receivable from Assoc. Companies (145)		
Accounts Receivable from Assoc Companies (146)		
Materials and Supplies (150)		
Prepayments (166)		
Other Current and Accrued Assets (170)		
Total Current and Accrued Assets	\$2,391.86	\$10,462.09
<b>DEFERRED DEBITS</b>		
Unamortized Debt Expense (181)		
Extraordinary Property Losses (182)		
Other Deferred Debits (183)		
Total Deferred Debits		
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$15,711.86</b>	<b>\$45,659.11</b>

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Balance Sheet - Liabilities and Other Credits (Ref Page: 3)**

	<b>Balance First of Yr.</b>	<b>Balance End of Yr.</b>
<b>EQUITY CAPITAL</b>		
Common Capital Stock (201)		
Preferred Capital Stock (204)		
Other Paid-In Capital (207)		
Discount on Capital Stock (213)		
Capital Stock Expense (214)		
Appropriated Retained Earnings (215)		
Unappropriated Retained Earnings (216)		\$40,249.44
Non-Corporate Proprietorship (218)		
<b>Total Equity Capital</b>		<b>\$40,249.44</b>
<b>LONG-TERM DEBT</b>		
Bonds (221)		
Advances From Associated Companies (223)		
Other Long-Term Debt (224)		
Total Long-Term Debt		
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Notes Payable (231)		
Accounts Payable (232)	\$11,211.86	\$909.67
Notes Payable to Associated Companies (233)		
Accounts Payable to Associated Companies (234)		
Customer Deposits (235)	\$4,500.00	\$4,500.00
Taxes Accrued (236)		
Interest Accrued (237)		
Other Current and Accrued Liabilities (238)		
<b>Total Current and Accrued Liabilities</b>	<b>\$15,711.86</b>	<b>\$5,409.67</b>
<b>DEFERRED CREDITS</b>		
Advances for Construction (252)		
Other Deferred Credits (253)		
Accum. Deferred Investment Tax Credits (255)		
<b>Total Deferred Credits</b>		
Operating Reserves (261-265)		
Contributions in Aid of Construction (271)		

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Balance Sheet - Liabilities and Other Credits (Ref Page: 3)

	Balance First of Yr.	Balance End of Yr.
ACUMULATED DEFERRED INCOME TAXES		
Accum. Def. Income Taxes-Accel. Amort (281)		
Accum. Def. INcome Taxes-Lib. Depr. (282)		
Accum. Def. Income Taxes-Other (283)		
Total Accum. Deferred Income Taxes		
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<b>\$15,711.86</b>	<b>\$45,659.11</b>

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Summary of Utility Plant (Ref Page: 4)**

	<b>Amount</b>
<b>UTILITY PLANT</b>	
<b>In Service:</b>	
Plant in Service Classified (from pg 5 line 40) (101)	\$340,489.02
Completed Construction Not Classified (102)	\$0.00
Utility Plant in Process of Reclassification (103)	
Utility Plant Purchased or Sold (106)	
Total In Service	\$340,489.02
Utility Plant Leased to Others (104)	
Property Held for Future Use (105)	
Construction Work in Progress (107)	\$0.00
Utility Plant Acquisition Adjustments (108)	
Other Utility Plant Adjustments (109)	
Total Utility Plant ( to pg 2 line 4)	\$340,489.02
<b>Less:</b>	
Accumulated Provision for Depreciation and Amort. of Utility Plant (to pg 2 line 6) (110)	\$305,292.00
Net Utility Plant ( to pg 2 line 7)	\$35,197.02

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Accum. Prov. for Depreciation and Amortization of Utility Plant (Ref Page: 4)**

Item	Amount
Balance Beginning of Year	\$326,511.00
Accruals for Year:	
Depreciation	\$3,555.00
Amortization	
Other Accounts (detail)	
Total Accruals for Year	\$3,555.00
Credit Adjustments (describe)	
Asset Reclassifications	(\$24,774.00)
Total Credits for Year	(\$24,774.00)
Net Charges for Plant Retired:	
Book Cost of Plant Retired ( same as pg 5 line 40)	
Add: Cost of Removal	
Less: Salvage	
Net Charges for Plant Retired	
Debit Adjustments (describe)	
	\$0.00
Total Debit Adjustments for Year	\$0.00
Balance End of Year	\$305,292.00



22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Sewer Utility Plant In Service (Ref Page: 5)

Depr Rate	Balance Beg of Year	Additions	Retirements	ReClass (Debit-Credit)	Balance End of Year
INTANGIBLE PLANT					
Organization (301)					
Franchises and Consents (302)					
Misc. Intangible Plant (303)					
Total Intangible Plant					
LAND AND STRUCTURES					
Land and Land Rights (310)	\$2,791.00	\$0.00	\$0.00	\$0.00	\$2,791.00
Structures and Improvements (311)	\$49,445.00	\$0.00	\$0.00	\$0.00	\$49,445.00
Total Land and Structures	\$52,236.00	\$0.00	\$0.00	\$0.00	\$52,236.00
COLLECTION PLANT					
Collection Sewers - Force (352.1)	\$129,711.00	\$0.00	\$0.00	\$0.00	\$129,711.00
Collection Sewers - Gravity (352.2)					
Other Collection Plant Facilities (353)		\$27,094.60	\$0.00	\$0.00	\$27,094.60
Services to Customers (354)	\$26,761.00	\$0.00	\$0.00	\$0.00	\$26,761.00
Flow Measuring Devices (355)					
Total Collection Plant	\$156,472.00	\$27,094.60	\$0.00	\$0.00	\$183,566.60
PUMPING PLANT					
Receiving Wells and Pump Pits (362)					
Pumping Equipment - Electric (363A)	\$49,667.00	\$0.00	\$0.00	(\$26,436.58)	\$23,230.42
Pumping Equipment- Diesel (363B)					
Pumping Equipment - Other (363C)					
Total Pumping Plant (364)	\$49,667.00	\$0.00	\$0.00	(\$26,436.58)	\$23,230.42
TREATMENT AND DISPOSAL PLANT					

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sewer Utility Plant In Service (Ref Page: 5)**

<b>Depr Rate</b>	<b>Balance Beg of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>ReClass (Debit-Credit)</b>	<b>Balance End of Year</b>
Oxidation Lagoon (372)					
Treatment and Disposal Equipment (373)	\$54,756.00	\$0.00	\$0.00	\$0.00	\$54,756.00
Plant Sewers (374)					
Outfall Sewer Lines (375)					
Other Treatment and Disposal Plant Equip. (376)	\$26,700.00	\$0.00	\$0.00	\$0.00	\$26,700.00
Total Treatment and Disposal Plant (371)	\$81,456.00	\$0.00	\$0.00	\$0.00	\$81,456.00
GENERAL PLANT (372)					
Office Furniture and Equipment (391)					
Transportation Equipment (392)					
Stores Equipment (393A)					
Tools, Shop and Garage Equipment (393B)					
Laboratory Equipment (393C)					
Power Operated Equipment (393D)					
Communication Equipment (393E)					
Other Tangible Property (393F)					
Total General Plant					
TOTAL SEWER PLANT IN SERVICE	\$339,831.00	\$27,094.60	\$0.00	(\$26,436.58)	\$340,489.02

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Capital Stock (Ref Page: 6)

Class and Series (a)	No. of Shares Auth. (b)	Par Val per Share of Par	Stated Val Per Share of	Outstanding Shares (e)	Outstanding Amount (f)
Total					

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Long-Term Debt (Ref Page: 6)

Class and Series	Orig. Issue Amt	Date of Issue (b)	Date of Maturity (c)	Outstanding Balance	Interest Rate (e)	Interest Amt (f)
List each Original Issue Amount Class and Series of Obligation						
Total						

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Notes Payable (Ref Page: 6)

Name of Payee (a)	Date Of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of Year (e)
(Include Notes Payable to Associated Companies Under This Heading)				
Total				



22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Interest Accrued (Ref Page: 6)

Description of Obligation (a)	Int. Accr. Balance First of Yr	Int. Accr. During Yr (c)	Int. Paid During Yr (d)	Int. Accr. Balance End of Yr
Total				

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Other Current and Accrued Liabilities (Ref Page: 7)

Description	Amount
Total (must agree with pg 3 Acct 238)	

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Statement of Retained Earnings For the Year (Ref Page: 7)

Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS (216)		
Balance Beginning of Year	\$0.00	
Balance Transferred From Income (435)	\$40,249.44	
Appropriations of Retained Earnings (436)		
Dividends Declared-Preferred Stock (437)		
Dividends Declared-Common Stock (438)		
Adjustments to Retained Earnings (439)		
Balance End of Year	\$40,249.44	

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Statement of Income for the Year (Ref Page: 8)**

Description	Number Customers (b)	Amount (c)
<b>OPERATING REVENUES</b>		
Flat Rate Revenues-General Customers:		
Residential Revenues (521.1)		
Commercial Revenues (521.2)		
Industrial Revenues (521.3)		
Revenues From Public Authorities (521.4)		
Total (521)		
Measured Revenues - General Customers: (483)		
Residential Revenues (522.1)	131	\$63,639.20
Commercial Revenues (522.2)		
Industrial Revenues (522.3)		
Revenues From Public Authorities (522.4)		
Total (522)	131	\$63,639.20
Revenues From Public Authorities (523)		
Revenues From Other Systems (524)		
Miscellaneous Sewage Revenues (526)		
Total Sewage Service Revenues (521-526)	131	\$63,639.20
<b>OTHER OPERATING REVENUES</b>		
Customers Forfeited Discounts (532)		
Miscellaneous Operating Revenues (536)		
Total Other Operating Revenues		
Total Operating Revenues		\$63,639.20
<b>OPERATING EXPENSES</b>		
Total Sewer Operation and Maint. Expenses (from pg 9 )		\$46,929.36
Depreciation Expense (403)		\$3,555.00
Amortization Expense (from pg 10) (404-407)		
Taxes Other Than Income taxes (from pg 10) (408.1)		
Total Income Taxes-Utility Operations (from pg 10)		
Total Sewage Operating Expenses		\$50,484.36
Net Operating Income		\$13,154.84

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Statement of Income for the Year (Ref Page: 8)**

Description	Number Customers (b)	Amount (c)
<b>OTHER INCOME</b>		
Income from NonUtility Operations (417)		
Interest and dividend Income (419)		
Miscellaneous Nonoperating Income (421)		\$27,094.60
Other Accounts (Specify Acct. No & Title)		
Total Other Income		\$27,094.60
<b>OTHER DEDUCTIONS</b>		
Interest on Long-Term Debt (427)		
Amortization of Debt Discount and Expense (428)		
Interest on Debt to Associated Companies (430)		
Other Interest Expense (431)		
Taxes Other than Income Taxes 408.2 (from pg 10)		
Total Income Taxes-Nonutility Operations (from pg 10)		
Other Accounts (Specify Acct. No. and Title)		
Total Other Deductions		
Net Income		\$40,249.44



**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sewer Operation and Maintenance Expenses (Ref Page: 9)**

	<b>Amount (b)</b>
<b>OPERATION EXPENSES</b>	
Supervision and Engineering (700) :	
Owner/Manager-Management Fee (700-A)	
Other Expenses (700-B)	
Labor and Expenses (701):	
Collection System-Labor, Materials and Expenses (701-A)	
Pumping System-Labor, Materials and Expenses (701-B)	
Treatment System (701-C) :	
Sludge Hauling	\$3,395.00
Utility Service - Water Cost	
Other-Labor, Materials and Expense	
Rents (702)	
Fuel and Power Purchased for Pumping and Treatment (703)	\$7,432.08
Chemicals (704)	
Miscellaneous Supplies and Expenses (705):	
Collection System (705-A)	
Pumping System (705-B)	
Treatment an Disposal (705-C)	
Total Operation Expenses	\$10,827.08
<b>MAINTENANCE EXPENSES</b>	
Supervision and Engineering (710) :	
Routine Maintenance Service Fee (710-A)	
Internal Supervision and Engineering (710-B)	
Maintenance of Structures and Improvements (711)	
Maintenance of Collection Sewer system (712)	\$653.00
Maintenance of Pumping System (713)	\$9,465.21
Maintenance of Treatment and Disposal Plant (714)	\$4,631.59
Maintenance of Other Plant Facilities (715)	
Total Maintenance Expenses	\$14,749.80
<b>CUSTOMER ACCOUNTS EXPENSES</b>	
Supervision (901)	
Meter Reading Expenses and Flat Rate Inspections (902)	

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sewer Operation and Maintenance Expenses (Ref Page: 9)**

	Amount (b)
Customer Records and Collection Expenses (903):	
Agency Collection Fee (903-A)	
Internal Labor, Materials and Expenses (903-B)	
Uncollectible Accounts (904)	
Miscellaneous Customer Accounts Expenses (905)	
Total Customer Accounts Expenses	
ADMINISTRATIVE AND GENERAL EXPENSES	
Administrative and General Salaries (920)	
Office Supplies and Other Expenses (921)	
Outside Services Employed (923)	\$11,464.13
Insurance Expenses (924)	\$4,134.20
Employee Pensions and Benefits (926)	\$4,169.12
Regulatory Commission Expense (928)	
Transportation Expenses (929)	\$600.55
Miscellaneous General Expenses (930)	\$984.48
Rents (931)	
Maintenance of General Plant (932)	\$0.00
Total Administrative and General Expenses	\$21,352.48
TOTAL SEWER OPERATION AND MAINTENANCE EXPENSES (to pg 8)	\$46,929.36

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Taxes Other Than Income Taxes (Ref Page: 10)

Item (a)	Amount (b)
Payroll Taxes	
Property Taxes	
Utility Regulatory Commission Assessment	
Other (specify)	
Total (Same as Page 8 line 27 plus 44)	

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Operating and Non-Operating Income Taxes (Ref Page: 10)

Amount (b)	
Income Taxes-Federal (409.1)	
Income Taxes - State (409.1)	
Income Taxes - Other (409.1)	
Provisions for Deferred Income Taxes (410.1)	
Income Taxes Deferred in Prior Years - Credit (411.1)	
Investment Tax Credits - Net (412.0)	
Total Income Taxes - Util. Operating Income (to pg 8 line 28)	
Income Taxes - Federal (409.2)	
Income Taxes - State (409.2)	
Income Taxes - Other (409.2)	
Provisions for Deferred Income (410.2)	
Income Taxes Deferred in Prior Years - Credit (411.2)	
Investment Tax Credits - Net (412.4)	
Total Inc. Taxes - Nonutil. Op. Income (to pg 8 line 45)	

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Amortization Expense (Ref Page: 10)**

	Amount (b)
Amortization of Limited - Term Utility Plant (404)	
Amortization of Other Utility Plant (405)	
Amortization of Utility Plant Acquisition Adjustments (406)	
Amortization of Property Losses (407)	
Amortization of Rate Case Expense	
Total Amortization Expense (to pg 8 line 26)	



22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Sewer Plant Statistics - Plant Valuation 1 - 3 (Ref Page: 11)

Description		Percentage
What method of valuation was used with reference to Sewer Utility Plant in Service Appearing on page two line four: Original Cost, Estimated Cost, Original Cost Study?	Original Cost	
What percentage of Sewer Utility Plant in Service was recovered, by the developer of hte subdivision, through the sale of lots?		0.0000
If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatement plant, etc.) of the plant that represents non-contributed plant	Collection Lines, Treatment Plant	100.0000

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Sewer Plant Statistics - Plant Valuation 4. (Ref Page: 11)

Last Name		First Name	Date
By whom were the books of account audited? What was the date of the last audit?			
Gooch		Chris	11/1/2013
If unaudited in the past twelve months, when and by whom is the next audit anticipated?			
Gooch		Chris	8/4/2014

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sewer Plant Statistics - Physical Data of Sewer Plant (Ref Page: 11)**

Date of Construction of original Plant	07/01/1970
Type of treatment process	Conventional
Date and additional GPD Capacity of subsequent additions to plant	
Population for which plant is designed including population equivalent of industrial waste load	

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sewer Plant Statistics - Treatment Plant Operating Statistics (Ref Page: 11)**

	Total	Cost
Total gallons received during the year		
Total gallons received on maximum day		
Maximum G.P.D. Capacity of the sewage treatment plant		
Routine maintenance service fee		
Cost per month		
Contract Expires		
Sludge hauling		
Cost per load		
Average number of gallons per load		
Number of loads this year		

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sewer Plant Statistics - Customer Statistics End of Year (Ref Page: 12)**

Type		Num of Customers	Bi-Month or Month Billing	Number of bills
Residential				
Single Family		107	month	107
Apartments/Condominiums		7	month	7
Commercial				
Industrial				
Other				
College		19	month	19
Total		133		133



22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Sewer Plant Statistics - Industrial Customers Served (Ref Page: 12)

Name	Type of Industry	Gallons	Pretreatment of Wastes
------	------------------	---------	------------------------

22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Sewer Plant Statistics - Pumping Stations (Ref Page: 12)

Location	Size of Motor	Type of Motor	Gals per Day
SEWER TREATMENT PLANT-PIPPA PASSES, KY	3 HP	Electric	100,000

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sewer Plant Statistics - Mains (Feet) (Ref Page: 12)**

Kind of Pipe	Diameter	Num of Feet	additions	removed	Feet End of Year
Clay	8"	6,320	0	0	6,320
PVC	8"	1,920	0	0	1,920
Clay	8"	4,750	0	0	4,750
PVC	8"	5,500	0	0	5,550
PVD	8"	1,850	0	0	1,950

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sewer Plant Statistics - Service Laterals and Stubs (Ref Page: 12)**

Count	
Number of service laterals owned by the utility at end of year	133
Number of stubs as of end of year	10
Number of service laterals owned by others	

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 2) Line Utility Plant (101-109) agrees with Sched Summary of Utility Plant (ref. pg 4) Total Utility Plant	340489.02	340489.02	OK	
Balance Sheet (ref pg 2) Line Less: Acct 110 agrees with Sched Summary of Utility Plant (ref pg 4) Line Total Utility Plant	305292.00	305292.00	OK	
Balance Sheet (ref pg 2) Line Net Utility Plant agrees with Summary of Utility Plant (ref pg 4) Line Net Utility Plant	35197.02	35197.02	OK	
Summary of Utility Plant (ref pg 4) Plant in Service Classified (Acct 101) agrees with Sched Sewer Plant in Service (ref pg 5) Total Sewer Plant in Service	340489.02	340489.02	OK	
Accum. Prov for Deprec. and Amort (Ref pg 4) Balance End of Year agrees with Sched Summary of Utility Plant (ref pg 4) Accumulated Prov. for Depr. and Amort.	305292.00	305292.00	OK	
Balance Sheet (ref pg 3) Sum of Common Capital Stock (201) and Preferred Capital Stock (204) agrees with Schedule Capital Stock (ref pg 6)	0	0	OK	
Balance Sheeet (ref pg 3) Unappropriated Retained Earnings (216) agrees with Sched Statement of Retained Earnings (ref pg 7) Balance End of Year	40249.44	40249.44	OK	
Balance Sheet (ref pg 3) Total Long Term Debt (224) agrees with Sched Long Term Debt (ref pg 6) Total col d	0	0	OK	
Balance Sheet (ref pg 3) The sum of Notes Payable (231) and (233) agrees with Sched Notes Payable (ref pg 6) Total Col e	0	0	OK	
Balance Sheet (ref pg 3) Interest Accrued (237) agrees with Sched Interest Accrued (ref pg 6) Total Col e	0	0	OK	
Balance Sheet (ref pg 3) Current and Accrued Liabilities (238) agrees with Sched Other Current and Accrued Liabilities (ref pg 7) Total	0	0	OK	



**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 3) Total Liabilities and Other Credits agrees with Balance Sheet (ref pg 2) Total Assets and Other Debits	45659.11	45659.11	OK	
Accum Prov. for Depreciation and Amortization (ref. pg 4) Depreciation agrees with Sched Statement of Income for the Year (ref pg 8) Depreciation Expense (403)	3555.00	3555.00	OK	
Sched Long Term Debt (ref pg 6) Total Interest Amount agrees with Sched Statement of Income (ref pg 8) Interest on Long Term Debt (427)	0	0	OK	
Interest Accrued (ref pg 6) Total Interest Accrued agrees with Sched Statement of Income (ref pg 8) Other Interest Expense (431)	0	0	OK	
Statement of Income for the Year (ref pg 8) Total Sewer Operation and Maint. Expenses agrees with Sched Sewer Operation and Maintenance Expenses (ref pg 9) Total Sewer Operation and Maint. Exp	46929.36	46929.36	OK	
Statement of Income for the Year (ref pg 8) Total Income taxes - Utility Operations agrees with Sched Operating and Non-Operating Income Taxes (ref pg 10) Total Income Taxes - Util Operating Income	0	0	OK	
Statement of Income for the Year (ref pg 8) Amortization Expense agrees with Sched Amortization Expense (ref pg 10) Total Amortization Expense	0	0	OK	
Statement of Income for the Year (ref pg 8) The sum of lines Taxes Other than Income Taxes 408.1 and 408.2 agrees with Taxes Other Than Income (ref pg 10)	0	0	OK	
Statement of Income for the Year (ref pg 8) Total Income Taxes - Nonutility Operations agrees with Sched Operating and Non-Operating Income Taxes Total Inc. Taxes - Nonutil. Op Income	0	0	OK	
Schedule Sewer Plant Statistics (ref pg 11 and 12) have been completed				

**22219400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Upload supporting documents**

<b>Document</b>	<b>Description</b>	<b>Supports</b>
<u>SD_22219400_2013_1.pdf</u>	Audit Report	Audit Report

OATH

Commonwealth of Kentucky )  
County of Knott ) ss:

L. J. Turner  
(Name of Officer)

makes oath and says

that he/she is Manager of  
(Official title of officer)  
Knott County Water & Sewer District  
(Exact legal title or name of respondent)

that it is his/her duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he/she knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he/she has carefully examined the said report and to have the best of his/her knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he/she believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 20 13, to and including December 31, 20 13

[Signature]  
(Signature of Officer)

subscribed and sworn to before me, a notary, in and for  
the State and County named in the above this 29th day of July, 20 14

(Apply Seal Here)

My Commission expires 10-02-2016

Mary Lynne Walter  
(Signature of officer authorized to administer oath)

## **EXHIBIT G**

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Title Page**

	Name of Respondent	Addr Line 1	Addr Line 2	City	State	Zip
Water Districts/Associations						
Annual Report of						
Respondent	Knott County Water & Sewer District	7777 Big Branch Road		Vicco	KY	41773



19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Principal Payment and Interest Information

	Amount	Yes/No	PSC Case No.
Amount of Principal Payment During Calendar Year	\$58,344.42		
Is Principal Current?	Y		
Is Interest Current?	Y		
Has all long-term debt been approved by the Public Service Commission?	Y		

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Services Performed by Independent CPA**

	Yes/No	A/C/R	Audit Date
Are your financial statements examined by a Certified Public Accountant?			
Enter Y for Yes or N for No	Y		
If yes, which service is performed?			
Enter an X on each appropriate line			
Audit	Y		
Compilation	N		
Review	N		
Date of Audit			8/4/2014

Please enclose a copy of the accountant's report with annual report.

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Additional Requested Information**

Name		Electronic Info
Name of Utility and Web Address	Knott County Water & Sewer District	
Contact Name and Email Address	Turner E. Campbell	
	turnercampbell@hotmail.com	

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Additional Information Required

Case Num	Date	Explain
----------	------	---------

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Major Water Projects**

Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service commission.

For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and will increase your current utilityplant by at least 20 percent.

Brief Project Description: (improvement, replacement,building construction, expansion. If expansion, provide the estimated number of new customers):

Projected Costs and Funding Sources/Amounts:

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Location: (community, area or nearby roads)



**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**History-Legal Name (Ref Page: 4)**

1. Exact name of utility making this report.

(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)

Knott County Water & Sewer District

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**History-Location (Ref Page: 4)**

	Name	Address	City	State	Zip	Phone
Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.						
principal office in KY	Knott County Water & Sewer District	7777 Big Branch Road	Vicco	KY	41773	(606) 642-3582
Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.						
	L.J. Turner, Manager	7777 Big Branch Road	Vicco	KY	41773	(606) 642-3582
Location where books are located	Knott County Water & Sewer District	7777 Big Branch Road	Vicco	KY	41773	
Name of the Headquartered County	Knott					

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**History-Date Organized (Ref Page: 4)**

**Date**

Date of Organization

2/10/1999

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**History-Laws of Organization (Ref Page: 4)**

**List**

If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same

Knott County Water & Sewer District was created by the Knott County Fiscal Court on February 10, 1999 to be governed and operated under the rules and procedures in KRS Chapter 74, relating to water districts and KRS Chapter 220 relating to sanitation districts. The entity assumed operational activities and assets of the district formerly know as the Caney Creek Water District and has expanded its operating activities into areas in Knott County not previously served with potable water and sewer collection services.

Date and Authority for each consolidation and each merger.

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**History-Departments (Ref Page: 4)**

List	
State whether respondent is a water district or association	Water District
Name all operating departments other than water	Wastewater



**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**History - Counties (Ref Page: 5)**

**Knott**

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**History - Number of Employees (Ref Page: 5)**

		Count
Number of Full-time employees	10	
Number of Part-time employees	1	

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Operational Boundaries and Service Area**

**Describe**

Describe Operational boundaries and Service Area

Knott County

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Contacts (Ref Page: 6)**

	<b>Title</b>	<b>Last Name</b>	<b>First Name</b>	<b>Bus. Addr.</b>	<b>Salary</b>	<b>Term Expires</b>
Person to send correspondence:	Manager	Turner	L.J.	7777 Big Branch Road, Vicco, KY 41773		
Person who prepared this report	CFO	Campbell	Turner	7777 Big Branch Road, Vicco, KY 41773		
Managers (List Board Members on the following Contact Page)						
					\$0.00	
					\$0.00	
					\$0.00	
					\$0.00	
					\$0.00	

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Contacts - Board Members (Ref Page: 6)**

	Title	Last Name	First Name	Bus. Addr.	Salary	Term Expires	Term	County of
Officers and Board Members								
	Chairperson	Childers	James O.	390 Hurricane Branch, Leburn, KY 41831	\$500.00	4/1/2016	3rd	Knott
	Board Member	Smith	David K.	474 Highway 1087 West, Leburn, KY 41831	\$500.00	11/1/2015	1st	Knott
	Board Member	Slone	Jerry W.	P.O. Box 101, Pippa Passes, KY 41844	\$300.00	6/1/2018	1st	Knott
	Board Member	Hamilton	Dale	P.O. Box 34, Topmost, KY 41862	\$500.00	4/1/2018	3rd	Knott
	Board Member	Allen	Delores	6597 Lotts Creek Road, Hazard, KY 41701	\$500.00	4/1/2015	3rd	Knott



**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Board Meetings (Water Districts REQUIRED)**

Meeting Date

2nd Wednesday

Meeting Time

6:00 PM

Designated Meeting of Board Location

7777 Big Branch Road, Vicco, KY 41773

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Adopted Ethics Ordinance (Water Districts REQUIRED)**

Ethics Code Originator	Name
<p>Identify the county ethics codes that KRS 65 A.070 requires Water District to adapt. Select county from the drop down list. Then provide the name of the county.</p>	
<p>If the water district has adopted a more stringent ethics code than the county ethics code; select other from the drop down list. Then provide the name of the entity originating the ethics code.</p>	
county	Knott

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Government Entities (Water Districts REQUIRED)**

Oversight Government Entity	Name
List each Government Entity with Oversight Duties (Federal, State, Local)	
KY Public Service Commission Division of Water	

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Balance Sheet - Assets and Other Debits (Ref Page: 7)**

	Previous Year	Current Year
<b>UTILITY PLANT</b>		
Utility Plant (101-106)	\$32,114,554.38	\$44,746,976.23
Less: Accumulated Depreciation and Amortization (108-110)	\$3,935,553.93	\$6,937,132.00
Net Plant	\$28,179,000.45	\$37,809,844.23
Utility Plant Acquisition Adjustments (Net) (114-115)		\$0.00
Other Utility Plant Adjustments (116)		
Total Net Utility Plant	\$28,179,000.45	\$37,809,844.23
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Nonutility Property (121)		
Less: Accumulated Depreciation and Amortization (122)		
Net Nonutility Property		
Investment in Associated Companies (123)		
Utility and Other Investments (124-125)		
Sinking Funds (126)		
Other Special Funds (127)		
Total Other Property and Investments		
<b>CURRENT AND ACCRUED ASSETS</b>		
Cash (131)	\$109,522.10	\$121,100.72
Special Deposits (132)	\$167,433.97	\$184,153.81
Other Special Deposits (133)		
Working Funds (134)		
Temporary Cash Investments (135)		
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$157,474.68	\$339,218.96
Accounts Receivable from Associated Companies (145)		
Notes Receivable from Associated Companies (146)		
Materials and Supplies (151-153)		
Stores Expense (161)		
Prepayments (162)	\$2,290.00	\$981.00
Accrued Interest and Dividends Receivable (171)		
Rents Receivable (172)		
Accrued Utility Revenues (173)		

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Balance Sheet - Assets and Other Debits (Ref Page: 7)**

	Previous Year	Current Year
Misc. Current and Accrued Assets (174)	\$1,225.00	\$45,686.93
<b>Total Current and Accrued Assets</b>	<b>\$437,945.75</b>	<b>\$691,141.42</b>
<b>DEFERRED DEBITS</b>		
Unamortized Debt Discount and Expense (181)		
Extraordinary Property Losses (182)		
Preliminary Survey and Investigation Charges (183)		
Clearing Accounts (184)		
Temporary Facilities (185)		
Misc. Deferred Debits (186)		
Research and Development Expenditure (187)		
Total Deferred Debits		
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$28,616,946.20</b>	<b>\$38,500,985.65</b>

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)**

	Previous Year	Current Year
<b>EQUITY CAPITAL</b>		
Appropriated Retained Earnings (214)		
Retained Earnings From Income before contributions (215.1)	(\$4,886,979.80)	(\$5,771,698.07)
Donated Capital (215.2)	\$32,580,210.94	\$43,225,990.10
Total Equity Capital	\$27,693,231.14	\$37,454,292.03
<b>LONG-TERM DEBT</b>		
Bonds (221)	\$266,200.00	\$258,700.00
Reaquired Bonds (222)		
Advances from Associated Companies (223)		
Other Long-Term Debt (224)	\$529,964.14	\$479,119.71
Total Long Term Debt	\$796,164.14	\$737,819.71
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Accounts Payable (231)	\$98,900.77	\$124,097.33
Notes Payable (232)		
Accounts Payable to Associated Co. (233)		
Notes Payable to Associated Co (234)		
Customer Deposits (235)	\$16,912.35	\$74,589.68
Accrued Taxes (236)	\$5,955.66	\$0.00
Accrued Interest (237)	\$5,782.14	\$5,782.14
Matured Long-Term Debt (239)		
Matured Interest (240)		
Tax Collections Payable (241)		\$2,386.25
Misc. Current and Accrued Liabilities (242)		\$102,018.51
Total Current and Accrued Liabilities	\$127,550.92	\$308,873.91
<b>DEFERRED CREDITS</b>		
Unamortized Premium on Debt (251)		
Advances for Construction (252)		
Other Deferred Credits (253)		
Total Deferred Credits		
<b>OPERATING RESERVES</b>		
Accumulated Provision For:		
Property Insurance (261)		



19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)

	Previous Year	Current Year
Injuries and Damages (262)		
Pensions and Benefits (263)		
Miscellaneous Operating Reserves (265)		
Total Operating Reserves		
Total Equity Capital and Liabilities	\$28,616,946.20	\$38,500,985.65

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Comparative Operating Statement (Ref Page: 11)**

	Previous Year	Current Year
<b>UTILITY OPERATING INCOME</b>		
Operating Revenues (400)	\$1,597,272.85	\$1,678,240.74
Operating Expenses (401)	\$1,335,506.02	\$1,493,735.80
Depreciation Expenses (403)	\$1,301,376.93	\$1,382,630.00
Amortization of Utility Plant Acquisition Adjustment (406)		
Amortization Expense (407)		
Taxes Other Than Income (408.10-408.13)	\$63,051.70	\$29,627.99
Utility Operating Expenses	\$2,699,934.65	\$2,905,993.79
Utility Operating Income	(\$1,102,661.80)	(\$1,227,753.05)
Income From Utility Plant Leased to Others (413)		
Gains (Losses) from Disposition of Utility Property (414)		
<b>Total Utility Operating Income</b>	<b>(\$1,102,661.80)</b>	<b>(\$1,227,753.05)</b>
<b>OTHER INCOME AND DEDUCTIONS</b>		
Revenues From Merchandising, Jobbing and contract work (415)		
Costs and Expenses of Merchandising, Jobbing and Contract Work (416)		
Interest and Dividend Income (419)	\$805.98	\$541.27
Allowance for funds Used During Constructions (420)		\$1,392,277.46
Nonutility Income (421)		\$34,405.87
Miscellaneous Nonutility Expenses (426)		\$0.00
<b>Total Other Income and Deductions</b>	<b>\$805.98</b>	<b>\$1,427,224.60</b>
<b>TAXES APPLICABLE TO OTHER INCOME</b>		
Taxes Other Than Income (408.20)		
Total Taxes Applic. to Other Income		
<b>INTEREST EXPENSE</b>		
Interest Expense (427)	\$32,983.98	\$37,807.15
Amortization of Debt Discount and Exp. (428)		
Amortization of Premium on Debt (429)		
<b>Total Interest Expense</b>	<b>\$32,983.98</b>	<b>\$37,807.15</b>
<b>EXTRAORDINARY ITEMS</b>		
Extraordinary Income (433)		
Extraordinary Deductions (434)		

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
Total Extraordinary Items		
NET INCOME BEFORE CONTRIBUTIONS	(\$1,134,839.80)	\$161,664.40

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Statement of Retained Earnings (Ref Page: 12)**

Description	Total
Appropriated Retained earnings (214)	
(state balance and purpose of each appropriated amount at year end:)	
Total Appropriated Retained Earnings	
Retained Earnings From Income Before Contributions (215.1)	
Balance beginning of year	(\$5,933,362.47)
Balance transferred from Net Income Before Contributions (435)	\$161,664.40
Changes to account:	
Appropriations of Retained Earnings (436)	
Adjustments to Retained Earnings (439)	
(requires Commission approval prior to use):	
Credits	
Debits	
Balance End of Year	(\$5,771,698.07)

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Statement of Retained Earnings (cont. 215.2) (Ref Page: 12)**

Description	Tapping Fees	Grants	Other	Total
Donated Capital (215.2)				
Balance Beginning of the Year	\$0.00	\$0.00	\$41,810,124.49	\$41,810,124.49
Credits				
Proceeds from capital contributions (432)	\$0.00	\$0.00	\$1,415,865.61	\$1,415,865.61
Other Credits (explain)				
Debits (explain - requires Commission Approval)				
Balance End of Year	\$0.00	\$0.00	\$43,225,990.10	\$43,225,990.10

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Net Utility Plant (Accts. 101-106) (Ref Page: 13)

Total	
Utility Plant in Service (101)	\$40,931,261.28
Utility Plant Leased to Others (102)	
Property Held for Future Use (103)	
Utility Plant Purchased or Sold (104)	
Construction Work in Progress (105)	\$3,815,714.95
Completed Construction Not Classified (106)	
Total Utility Plant	\$44,746,976.23



**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Accumulated Depreciation ( Acct. 108) (Ref Page: 13)**

Description	Total
Balance First of Year	\$5,554,502.00
Credit during year	
Accruals Charged to Account 108.1	\$1,382,630.00
Accruals Charged to Account 108.2	
Accruals Charged to Account 108.3	
Accruals Charged to Other Accounts (specify) (specify)	
Salvage Value Recovered on Plant Retired	
Other Credits	
(specify)	
Total Credits	\$1,382,630.00
Debits during year:	
Book Cost of Plant Retired	
Cost of Removal	
Other Debits	
(specify)	
Total Debits	
Balance at End of Year	\$6,937,132.00

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Water Utility Plant Accounts (Ref Page: 14)**

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Intngble. Plant (g)	Supply & Pump.	Water Treatmnt.	Trans. and Distr.	General Plant
Organization (301)									
Franchises (302)									
Land and Land Rights (303)	\$117,294.00	\$0.00	\$0.00	\$117,294.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Structures and Improvements (304)	\$711,880.00	\$87,860.26	\$0.00	\$799,740.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Collecting and Impounding Reservoirs (305)									
Lakes, Rivers and Other Intakes (306)									
Wells and Springs (307)	\$129,377.00	\$0.00	\$0.00	\$129,377.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Infiltration Galleries and Tunnels (308)									
Supply Mains (309)									
Power Generation Equipment (310)	\$36,000.00	\$0.00	\$0.00	\$36,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pumping Equipment (311)	\$63,627.00	\$0.00	\$0.00	\$63,627.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water Treatment Equipment (320)									
Distribution Reservoirs and Standpipes (330)									
Transmission and Distribution Mains (331)	\$5,897,330.38	\$22,509,538.08	\$0.00	\$28,406,868.46	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Services (333)									
Meters and Meter Installations (334)	\$33,623.00	\$0.00	\$0.00	\$33,623.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Hydrants (335)	\$3,625.00	\$0.00	\$0.00	\$3,625.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Backflow Prevention Devices (336)									

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Water Utility Plant Accounts (Ref Page: 14)**

	<b>Prev Year (c)</b>	<b>Additions (d)</b>	<b>Retirement (e)</b>	<b>Current Yr(f)</b>	<b>Intngble. Plant (g)</b>	<b>Supply &amp; Pump.</b>	<b>Water Treatmnt.</b>	<b>Trans. and Distr.</b>	<b>General Plant</b>
Other Plant and Misc. Equipment (339)	\$24,856,569.45	(\$14,158,549.08)	\$0.00	\$10,698,020.37	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Office Furniture and Equip. (340)	\$114,905.55	\$31,902.27	\$0.00	\$146,807.82	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Equipment (341)	\$10,327.00	\$219,264.50	\$0.00	\$229,591.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Stores Equipment (342)									
Tools, Shop and Garage Equip (343)									
Laboratory Equipment (344)									
Power Operated Equipment (345)		\$116,508.12	\$0.00	\$116,508.12	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Communication Equipment (346)									
Miscellaneous Equipment (347)	\$15,600.00	\$0.00	\$0.00	\$15,600.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Tangible Plant (348)	\$124,396.00	\$10,182.75	\$0.00	\$134,578.75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Water Plant	\$32,114,554.38	\$8,816,706.90	\$0.00	\$40,931,261.28	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)**

	Balance Beg Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Organization (301)						
Franchises (302)						
Land and Land Rights (303)						
Structures and Improvements (304)	\$716,521.00	\$7,391.00	\$0.00	\$0.00	\$105,266.00	\$618,646.00
Collecting and Impounding Reservoirs (305)						
Lake, River and Other Intakes (306)						
Wells and Springs (307)	\$113,646.73	\$2,924.00	\$0.00	\$0.00	\$25,028.73	\$91,542.00
Infiltration Galleries and Tunnells (308)						
Supply Mains (309)						
Power Generating Equipment (310)		\$3,600.00	\$5,700.00	\$0.00	\$0.00	\$9,300.00
Pumping Equipment (311)	\$90,114.00	\$0.00	\$0.00	\$0.00	\$26,500.00	\$63,614.00
Water Treatment Equipment (320)						
Distributions Reservoirs and Standpipes (330)						
Transmission and Distribution Mains (331)	\$2,370,673.27	\$933,176.00	\$234,011.73	\$0.00	\$0.00	\$3,537,861.00
Services (333)						
Meters and Meter Installations (334)	\$34,035.00	\$0.00	\$0.00	\$0.00	\$414.00	\$33,621.00
Hydrants (335)	\$3,625.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,625.00
Backflow Prevention Devices (336)						
Other Plant and Miscellaneous Equipment (339)	\$426,605.34	\$350,275.00	\$1,429,105.66	\$0.00	\$0.00	\$2,205,986.00
Office Furniture and Equip. (340)	\$26,791.59	\$17,305.00	\$34,658.41	\$0.00	\$0.00	\$78,755.00
Transportation Equipment (341)		\$37,395.00	\$127,265.00	\$0.00	\$0.00	\$164,660.00
Stores Equipment (342)						

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)**

	Balance Beg	Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Tools, Shop and Garage Equip (343)							
Laboratory Equipment (344)							
Power Operated Equipment (345)			\$16,644.00	\$32,843.00	\$0.00	\$0.00	\$49,487.00
Communication Equipment (346)							
Miscellaneous Equipment (347)			\$1,560.00	\$910.00	\$0.00	\$0.00	\$2,470.00
Other Tangible Plant (348)	\$153,542.00		\$12,360.00	\$0.00	\$0.00	\$88,337.00	\$77,565.00
Totals	\$3,935,553.93		\$1,382,630.00	\$1,864,493.80	\$0.00	\$245,545.73	\$6,937,132.00



**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Accumulated Amortization ( Acct. 110) (Ref Page: 16)**

Description		Total
Balance First of Year		\$3,935,553.93
Credit during year		
Accruals Charged to Account 110.1		\$1,382,630.00
Accruals Charged to Account 110.2		
Other Credits		
(specify)	Prior Years Catch Up	\$1,864,493.80
Total Credits		\$3,247,123.80
Debits during year:		
Book Cost of Plant Retired		
Other Debits		
(specify)	Reclassifications	\$245,545.73
Total Debits		\$245,545.73
Balance end of Year		\$6,937,132.00



19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013  
Utility Plant Acquisition Adjustments (Accts. 114-115) (Ref Page: 16)

Description	Total
Acquisition Adjustments (114)	
(specify)	
Total Plant Acquisition Adjustments	
Accumulated Amortization (115)	
(specify)	
Total Accumulated Amortization	
Net Acquisition Adjustments	

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**  
**Accounts and Notes Receivable - Net (Accts 141-144) (Ref Page: 18)**

Description	Total
Accounts and Notes Receivable	
Customer Accounts Receivable (141)	\$452,073.14
Other Accounts Receivable (142)	
Total Other Accounts Receivable	
Notes Receivable (144)	
Total Notes Receivable	
Total Accounts and Notes Receivable	\$452,073.14
Accumulated Provision for Uncollectible Accounts (143)	
Balance First of Year	\$25,154.03
Add:	
Provision for uncollectibles for current year	\$87,700.15
Collections of accountst previously written off	
Other	
(specify)	
Total Additions	\$87,700.15
Deduct accounts written off during year:	
Other	
(specify)	
Total Deductions	
Balance end of Year	\$112,854.18
Total Accounts and Notes Receivable - Net	\$339,218.96

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Investments and Special Funds (Ref Page: 17)**

Description (a)	Face or Par Value (b)	Year End Book Cost
Investment in Associated Companies (123)		
Total Investment in Associated Companies		
Utility Investments (124)		
Total Utility Investments		
Other Investments (125)		
Total Other Investments		
Sinking Funds (126)		
Total Sinking Funds		
Other Special Funds (127)		
Total Other Special Funds		

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Materials and Supplies (151-153) (Ref Page: 19)

Total	
Plant Materials and Supplies (151)	
Merchandise (152)	
Other Materials and Supplies (153)	
Total Materials and Supplies	

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Prepayments (Acct. 162) (Ref Page: 19)

Description		Total
Prepaid Insurance		
Prepaid Rents		
Prepaid Interest		
Prepaid Taxes		
Other Prepayments		
(Specify)	Deposits	\$981.00
Total Prepayments		\$981.00

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Miscellaneous Deferred Debits (Acct. 186) (Ref Page: 20)

Total	
Miscellaneous Deferred Debits (186)	
Deferred Rate Case Expense (186.1)	
Other Deferred Debits (186.2)	
Regulatory Assets (186.3)	
Total Miscellaneous Deferred Debits	\$0.00



19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Unamortized Debt Discount and Expense and Premium on Debt (Accts 181 and 251) (Ref Page: 20)

Description	Amt Written Off during year	Year End Balance
Unamortized Debt Discount and Expense (181)		
Total Unamortized Debt Discount and Expense	\$0.00	\$0.00
Unamortized Premium on Debt (251)		
Total Unamortized Premium on Debt	\$0.00	\$0.00

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Extraordinary Property Losses (Acct. 182) (Ref Page: 21)

Description	Total
Extraordinary Property Losses (182)	
(Specify)	
Total Extraordinary Property Losses	\$0.00

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Advances for Construction (Acct. 252) (Ref Page: 21)

Total	
Balance First of Year	\$0.00
Add credits during year	
Deduct charges during year	
Balance end of year	\$0.00

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Long Term Debt (Ref Page: 22)**

Description of Obligation (a)	Issue Date (b)	Mature Date (c)	Interest Expense for Year Rate (d)	Interest Expense for Year Amount(e)	Principal per Balance Sheet Date (f)
KY Infrastructure Authority	01/01/04	06/01/2022	4.0500	\$20,574.61	\$479,119.71
Total			0.0000	\$20,574.61	\$479,119.71

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Bonds - Account 221 (Ref Page: 23)**

	<b>Par Value of Actual Issue (1)</b>	<b>Cash Realized on Actual Issue (2)</b>	<b>Par Val of Amt. Held by or for Respondent (3)</b>	<b>Actually Outstanding at Close of Year (4)</b>	<b>Interest During Year Accrued (5)</b>	<b>Interest During Year Actually Paid (6)</b>
	\$185,000.00	\$185,000.00	\$0.00	\$163,300.00	\$11,328.75	\$11,328.75
	\$100,000.00	\$100,000.00	\$0.00	\$95,400.00	\$5,903.79	\$5,903.79
<b>Total</b>	<b>\$285,000.00</b>	<b>\$285,000.00</b>	<b>\$0.00</b>	<b>\$258,700.00</b>	<b>\$17,232.54</b>	<b>\$17,232.54</b>

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Schedule of Bond Maturities (Ref Page: 23)**

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt (10)	Amounts Paid (11)	Remaing Bonds Outstanding (12)
93-05	2043	4.5000	\$185,000.00	\$21,700.00	\$163,300.00
91-11	2047	4.1250	\$100,000.00	\$4,600.00	\$95,400.00
Total			\$285,000.00	\$26,300.00	\$258,700.00

(The total of Column 12  
must agree with the total of  
col 4)



19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Notes Payable (Accts 232 and 234) (Ref Page: 24)

Description	Nominal Date of Issue	Date of Maturity	Int. Rate	Int. Payment	Principal Amt Per Bal Sheet
Account 232 - Notes Payable					
Total Account 232					
Account 234 - Notes Payable to Associated Companies					
Total Account 234					

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Accounts Payable to Associated Companies (Acct. 233) (Ref Page: 24)

Description	Total
Show Payable to Each Associated Company Separately	
(Specify)	
Total	

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Taxes Accrued (Acct. 236) (Ref Page: 25)**

	<b>Total</b>
Balance First of Year	\$0.00
Accruals Charged:	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	\$29,627.99
Other taxes and licenses (408.13)	\$0.00
Taxes other than income, other income and deductions (408.20)	
<b>Total taxes accrued</b>	<b>\$29,627.99</b>
Taxes paid during year:	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	\$29,627.99
Other taxes and licenses (408.13)	\$0.00
Taxes other than income, other income and deductions (408.20)	\$0.00
<b>Total Taxes Paid</b>	<b>\$29,627.99</b>
<b>Balance end of year</b>	<b>\$0.00</b>

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Accrued Interest (Account 237) (Ref Page: 25)**

Description of Debt (a)	Balance Beg of Year (b)	Interest Accrued(c)	Interest Paid (d)	Balance End of Year (e)
Long Term Debt:				
	\$5,782.14	\$37,807.15	\$37,807.15	\$5,782.14
	\$0.00	\$0.00	\$0.00	\$0.00
	\$0.00	\$0.00	\$0.00	\$0.00
Notes Payable:				
Customer Deposits:				
Other				
Total Acct. No 237	\$5,782.14	\$37,807.15	\$37,807.15	\$5,782.14

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Miscellaneous Current and Accrued Liabilities (Acct. 242) (Ref Page: 26)**

	Description	Balance End Year
	Accrued Payroll	\$16,307.72
	Accrued Retirement Payable	\$8,202.60
	Accrued Withholdings	\$1,276.56
	Contractor Retainages	\$47,814.42
	All Other Current	\$26,588.63
	KY Payroll Tax Withheld	\$1,828.58
Total Miscellaneous Current and Accrued Liabilities		\$102,018.51

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Regulatory Commission Expense( Acct 666 and 667) (Ref Page: 26)

Description of Case (Docket No.) (a)	Total Incurred During Year (b)	Amt Transferred to Acct 186.1 (c)	Expensed During Year (d)	Acct	Expensed During Year Amount (e)
Total					



**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Water Operating Revenue (Ref Page: 27)**

	<b>Beginning Year Customers</b>	<b>Year End Customers</b>	<b>Amount</b>
Operating Revenues			
Unmetered Water Revenue (460)			
Metered Water Revenue (461)			
Sales to Residential Customers (461.1)	2,105	2,435	\$630,376.53
Sales to Commercial Customers (461.2)	20	20	\$143,287.39
Sales to Industrial Customers (461.3)			
Sales to Public Authorities (461.4)			
Sales to Multiple Family Dwellings (461.5)	1	1	\$6,976.82
Sales through Bulk Loading Stations (461.6)			
Total Metered Sales	2,126	2,456	\$780,640.74
Fire Protection Revenue (462)			
Public Fire Protection (462.1)			
Private Fire Protection (462.2)			
Total Fire Protection Revenue			
Other Sales to Public Authorities (464)			
Sales to Irrigation Customers (465)			
Sales for Resale (466)	4	4	\$897,600.00
Interdepartmental Sales (467)			
Total Sales of Water	2,130	2,460	\$1,678,240.74
Other Water Revenues			
Guaranteed Revenues (469)			
Forfeited Discounts (470)			
Miscellaneous Service Revenues (471)			
Rents from Water Property (472)			
Interdepartments Rents (473)			
Other Water Revenues (474)			
Total Other Water Revenues			
Total Water Operating Revenues			\$1,678,240.74

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Water Utility Expense Accounts (Ref Page: 28)**

	<b>Current Year (c)</b>	<b>Supply and Exp- Op. (d)</b>	<b>Supply and Exp- Maint. (e)</b>	<b>Water Treatmnt. Exp-Op. (f)</b>	<b>Water Treatmnt Exp-Maint. (g)</b>	<b>Trans and Dist. Exp- Op (h)</b>	<b>Trans and Dist. Exp- Maint. (i)</b>	<b>Customer Accts Exp. (j)</b>	<b>Admin and Gen Exp.</b>
Salaries and Wages-Employees (601)	\$385,021.86	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Salaries and Wages-Officers, Directors and Majority Stockholders (603)	\$37,900.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Employee Pensions and Benefits (604)	\$156,596.61	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Purchased Water (610)	\$3,637.76	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Purchased Power (615)	\$257,433.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Fuel for Power Production (616)									
Chemicals (618)									
Materials and Supplies (620)	\$291,417.07	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Eng. (631)									
Contractual Services - Acct. (632)									
Contractual Services - Legal (633)	\$64,121.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Management Fees (634)									
Contractual Serves - Water Testing (635)	\$3,705.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Other (636)									
Rental of Bld./Real Property (641)									

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Water Utility Expense Accounts (Ref Page: 28)**

	Current Year (c)	Supply and Exp- Op. (d)	Supply and Exp- Maint. (e)	Water Treatmnt. Exp-Op. (f)	Water Treatmnt Exp-Maint. (g)	Trans and Dist. Exp- Op (h)	Trans and Dist. Exp- Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Rental of Equipment (642)	\$8,059.88	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Expenses (650)	\$34,650.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Vehicle (656)									
Insurance - General Liability (657)	\$41,468.07	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Worker's Compensation (658)	\$6,438.96	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Other (659)									
Advertising Expenses (660)	\$8,309.97	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Regulatory Commission Exp.									
- Amortization of Rate Case (666)									
-Other (667)									
Water Resource Conservation Expense (668)									
Bad Debt (670)									
Miscellaneous Expenses (675)	\$194,974.79	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$1,493,735.80</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Pumping and Water Statistics - part one (Ref Page: 29)**

	<b>Water Purchased For Resale (Omit 000's) (b)</b>	<b>Water Pumped from Wells (Omit 000's) (c)</b>	<b>Total Water Pumped and Purchased (Omit 000's) (d)</b>	<b>Water Sold To Customers (Omit 000's) (e)</b>
January	394	57,714	58,108	39,560
February	257	49,252	49,509	33,880
March	258	50,450	50,708	31,536
April	317	47,342	47,659	31,607
May	207	46,487	46,694	34,294
June	169	45,087	45,256	35,612
July	188	49,651	49,839	35,530
August	168	53,305	53,473	33,081
September	190	47,418	47,608	30,111
October	229	50,301	50,530	30,539
November	94	52,977	53,071	30,111
December	213	53,958	54,171	30,699
Total for the year	2,684	603,942	606,626	396,560

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Pumping and Water Statistics - part two (Ref Page: 29)

Gallons		Date
Maximum Gallons pumped by all methods in any one day (Omit 000's)	2,193	1/1/2013
Minimum Gallons pumped by all methods in any one day (Omit 000's)	1,114	7/2/2013

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Pumping and Water Statistics - part three (Ref Page: 29)

List

If water is purchased indicate the following:

Vendor	Southern Water
Point of Delivery	Hueysville, Ky





**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Pumping and Water Statistics - part four (Ref Page: 29)**

Entity Receiving Water		Maximum Daily	Maximum Monthly
If water is sold to other water utilities for redistribution, identify all entities with whom the utility has a water sales contract and the maximum quantity the utility is under contract to provide daily and monthly. If unlimited then list "unlimited" otherwise list in thousands of gallons.			
City of Hindman		Unlimited	
City of Vicco		Unlimited	
Letcher County		Unlimited	
Phoenix Development		Unlimited	

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Sales For Resale (466) (Ref Page: 30)**

<b>Company</b>	<b>Gallons (Omit 000's)</b>	<b>Avg. Rate Per 1000 Gallons (Cents)</b>	<b>Amount</b>
City of Hindman	70,660	\$3.00	\$211,980.00
City of Vicco	76,761	\$3.00	\$230,283.00
Letcher County Water	137,312	\$3.00	\$411,936.00
Phoenix Development	10,567	\$3.00	\$31,701.00
<b>Total</b>	<b>295,300</b>		<b>\$885,900.00</b>

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Water Statistics (Ref Page: 30)**

	Gallons (Omit 000's)	Percent
1. Water Produced, Purchased and Distributed		
2. Water Produced	603,942	
3. Water Purchased	2,684	
4. Total Produced and Purchased	606,626	
6. Water Sales:		
7. Residential	101,260	
8. Commercial		
9. Industrial		
10. Bulk Loading Stations		
11. Resale	295,300	
12. Other Sales		
13. Total Water Sales	396,560	
15. Other Water Used		
16. Utility/water treatment plant	19,526	
17. Wastewater plant	2,200	
18. System flushing	44,100	
19. Fire department		
20. Other		
21. Total Other Water Used	65,826	
23. Water Loss:		
24. Tank Overflows		
25. Line Breaks	12,600	
26. Line Leaks	124,977	
27. Other		
28. Total Line Loss	137,577	
Note: Line 13 + Line 21 + Line 28 must equal Line 4		
32. Water Loss Percentage		
33. Line 28 divided by Line 4		

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Plant Statistics (Ref Page: 31)**

Give the following information	
Number of fire hydrants, by size	24-3" 10-4" 115-6"
Number of private fire hydrants, by size	none
If produced whether water supply is river, impounded streams, well, springs, artificial lake, or collector well	Lake
If produced whether supply is by gravity, pumping or a combination	Both
Type, capacity, and elevation of reservoirs at overflow and ground level	N/A
Miles of main by size and kind	12 miles- 12" Ductile, 50 Miles- 8" Ductile & PVC, 5.5 Miles 6" PVC & 4 miles 4" PVC, 10 Miles 3" PVC, 8 Miles 2" PVC
Types of filters: gravity or pressure, number of units and total rated in capacity in gal. per min.	Gravity, 4 filters 700 GPM each
Type of disinfectant, number of units and capacity in pounds per 24 hours	2 Chlorine Gas 300 ppd
Station Equipment. List each pump, giving type and capacity, HP of driving unit and character of driving unit (steam/electric/int. combustion) also whether pump is high/ low duty	1- 10 3 Phase electric driven High Service pump & 2- 300 hp
Quantity of fuel used: coal in lbs., gas in cu.ft., oil in gals., and electric in KWH	N/A
Give description and total cost of any sizable additions or retirements to plant and service outside the normal system of growth for the period covered by this report	None
Capacity of clear well	33,000
Peak month, in gallons of water sold	
Peak day, in gallons of water sold	

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Plant Statistics - Part B (Ref Page: 31)

Type

Choose one to indicate the type of Water Supply

Art. Lake

19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013

Plant Statistics - Part C (Ref Page: 31)

Type

Choose one to indicate the type of Water Supply Method

Combination



**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
------	---------	---------	-------	---------

NOTE: Any mention of page numbers or Line items refers to the annual report published and distributed for the 2002 report period.

Identifications pages (ref 4-6) have been completed.

Balance Sheet - Assets and Other Debts (ref. pg 7)

Utility Plant (Accts 101-106) agrees with Sched: Net Utility Plants Accts 101-106 (ref pg 13) Line: Total Utility Plant	44746976.23	44746976.23	OK	
---	-------------	-------------	----	--

Accts 108-110 Acc. Depreciation and Amort. agrees with Sched: Analysis of Acc. Dep. and Amort. (ref pg 15) Line: Total 301-348 Col h	6937132.00	6937132.00	OK	
--	------------	------------	----	--

Accts 114-115 Utility Plant Acquisition Adjustments agrees with Sched: Utility Plant Acquisition Adjustments (ref pg 16) Line: Net Acquisition Adjustments (114-115)	0.0000	0	OK	
--	--------	---	----	--

Accts 123 Investment in Assoc. Companies agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: Total Investment in Associated Companies	0	0	OK	
--	---	---	----	--

Accts 124-125 Utility Investments agrees with Sched: Investments and Spec. Funds (ref pg 17) Sum of Lines: 124 Total Utility Investments and 125 Total Other Investments	0	0	OK	
--	---	---	----	--

Accts 126 Sinking Funds agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: 126 Total Sinking Funds	0	0	OK	
--	---	---	----	--

Accts 127 Other Special Funds agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: Total 127 Other Special Funds	0	0	OK	
--	---	---	----	--

Accts 141-144 Accounts and Notes Receivable agrees with Sched: Accts and Notes Receivable (ref pg 18) Line: Net Balance 141-144	339218.96	339218.96	OK	
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Accts 151-153 Material and Supplies agrees with Sched: Material and Supplies (ref pg 19) Line: Total 151-153	0	0	OK	
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**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

Item	CheckList			
	Value 1	Value 2	Agree	Explain
Accts 162 Prepayments agrees with Sched: Prepayments (ref pg 19) Line: Total 162	981.00	981.00	OK	
Accts 181 Unamortized Debt Discount and Expense agrees with Sched: Unamortized Debt Discount and Exp. (ref pg 20) Line: Total 181	0	0.0000	OK	
Accts 182 Extraordinary Prop. losses agrees with Sched: Extraordinary Property Losses (ref pg 21) Line: Total 182	0	0.0000	OK	
Accts 186 Misc. Deferred Debits agrees with Sched: Misc. Deferred Debits (ref pg 20) Line: Total 186	0	0.0000	OK	
Balance Sheet - Equity Capitol and Liabilities (ref. pg 9)				
Accts 214 Appropriated Retained Earnings agrees with Sched: Statement of Retained Earnings (ref pg 12) Line: Total Appropriated Retained Earnings 214	0	0	OK	
Accts 215.1 Retained Earnings from Income before Contributions with Sched: Statement of Retained Earnings (ref pg 12) Line: Balance End of Year 215.1	-5771698.07	-5771698.07	OK	
Accts 215.2 Donated Capital with Sched: Statement of Retained Earnings (cont. 215.2) (ref pg 12) Line: Balance End of Year 215.2	43225990.10	43225990.10	OK	
Accts 221 Bonds agrees with Sched: Account 221 (ref pg 23) Line: Total Outstanding Bonds Col 4	258700.00	258700.00	OK	
Accts 221 Bonds agrees with Sched: Schedule of Bond Maturities (ref pg 23) Line: Total Remaining Bonds (Col 12)	258700.00	258700.00	OK	
Accts 224 Other Long Term Debt agrees with Sched: Long Term Debt (ref pg 22) Line: Total Acct 224 col f	479119.71	479119.71	OK	
Accts 232 Notes Payable agrees with Sched: Notes Payable (Accts 232 and 234) (ref pg 24) Line: Total Acct 232	0	0	OK	

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Accts 233 Accounts Payable to Associated Co. agrees with Sched: Accounts Payable to Assoc. Companies (Accts 233) (ref pg 24) Line: Total Acct 233	0	0	OK	
Accts 234 Notes Payable agrees with Sched: Notes Payable (Accts 232 and 234) (ref pg 24) Line: Total Acct 234	0	0	OK	
Accts 236 Taxes Accrued Balance First of Year agrees with Sched: Taxes Accrued (Accts 236) (ref pg 25) Line: Beginning Balance	0.0000	5955.66	NO	Amount used on the 2012 PSC Report was prior to the Calendar year 2012 Audit which changed the amount.
Accts 236 Taxes Accrued agrees with Sched: Taxes Accrued (Accts 236) (ref pg 25) Line: Ending Balance	0.0000	0.0000	OK	
Accts 237 Accrued Interest Balance from Prev Year agrees with Sched: Accrued Interest (Accts 237) (ref pg 25) Line: Total 237 Balance Beginning of Year -Col b	5782.14	5782.14	OK	
Accts 237 Accrued Interest agrees with Sched: Accrued Interest (Accts 237) (ref pg 25) Line: Total 237 Balance End of Year -Col e	5782.14	5782.14	OK	
Accts 242 Misc. Current and Accrued Liabilities agrees with Sched: Misc current and Accrued Liabilities (Accts 242) (ref pg 26) Line: Total Miscellaneous and Current Accrued Liabilities	102018.51	102018.51	OK	
Accts 251 Unamortized Premium on Debt agrees with Sched: Unamort Debt Discount and Expense and Premium on Debt (Accts 181 - 251) (ref pg 20) Line: Total 251	0	0.0000	OK	
Accts 252 Advances for Contruction agrees with Sched: Advances for Contstruction (Accts 252) (ref pg 21) Line: Total 252	0	0.0000	OK	
Total Equity Capital and Liabilities agrees with Balance Sheet - Assets and Other Debits: Total Assets and Other Debits  Comparative Operating Statement (ref pg 10)	38500985.65	38500985.65	OK	



**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Accts 400 Operating Revenues agrees with Sched: Water Operating Revenue (Accts 400) (ref pg 27) Line: Total Water Operating Revenues - Col e	1678240.74	1678240.74	OK	
Accts 401 Operating Expenses agrees with Sched: Water Utility Expense Accounts (ref pg 28) Line: Total Accts (601-675) - Col c	1493735.80	1493735.80	OK	
Accts 408.1 Taxes Other than Income agrees with Schedule Taxes Accrued (Acct 236) (ref pg 26) Sum of Accts 408.10 - 408.13	29627.99	29627.9900	OK	
Sum of Accts 408.1 and 408.2 agrees with Sched: Taxes Accrued (Acct 236) (ref pg 25) Line: Total taxes Accrued	29627.99	29627.99	OK	
Accts 427 Interest Expense agrees with Sched: Accrued Interest (Acct 237) (ref pg 25) Line: Total Acct No 237 Col c - Interest Accrued	37807.15	37807.15	OK	
Net Income agrees with Sched: Retained Earnings (Acct 237) (ref pg 12) Line: Balance Transferred from Income (Acct 435)	161664.40	161664.40	OK	
Miscellaenous				
Schedule Net Utility Plant Accts 101 - 106 (ref pg 13) Utility Plant (101) agrees with Sched: Water Utility Plant Accounts (ref pg 14) Line: Total Water Plant Col f - Current Year	40931261.28	40931261.28	OK	
The analysis of water utility plant accounts Cols c though k has been completed (Ref pg 14)				
The analysis of accumulated depreciation and amortization by primary account has been completed. (Ref pg 14)				
Sched: Misc. Deffered Debits (Acct 186) Deferred Rate Case (Acct 186.1) agrees with Sched: Amort. of Rate Case (Acct 665 and 667) (ref pg 26) Line: Total Col c - Amt Transferred to 186.1	0	0	OK	
Schedule of Long Term Debt has been completed (ref pg 22)				

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Schedule of Bond Maturities has been completed (ref pg 23)				
Taxes collected (example: school tax, sales tax, franchise tax ) have been excluded from Operating Revenue ( Ref pg 29)				
The analysis of water opertating revenue Cols c,d and e have been completed. (Ref pg 28)				
The analysis of water utility expense accounts Cols c through k have been completed. (Ref pg 28)				
Schedule of Pumping and Purchased Water Statistics has been completed ( Ref pg 29)				
Sched Pumping and Water Statistics - part one (ref pg 29) Line Total for the year - Col Total (d) agrees with Sched Water Statistics (ref pg 30) Line 4. Total Produced and Purchased Col Gallons	606626	606626	OK	
Sched Pumping and Water Statistics - part one (ref pg 29) Line Total for the year - Col Water Sold(e) agrees with Sched Water Statistics (ref pg 30) Line Total Water Sales Col Gallons	396560	396560	OK	
Sched Sales for Resale (ref pg 30) 466 Total Gal agrees with Sched Water Statistics (ref pg 30) Total Water Sales	295300	295300	OK	
Oath Page Has been Completed				Oath has been completed and is in the mail 07/30/2014

**19400 Knott County Water & Sewer District 01/01/2013 - 12/31/2013**

**Upload supporting documents**

<b>Document</b>	<b>Description</b>	<b>Supports</b>
<a href="#">SD_19400_2013_1.pdf</a>	Audit Report	Audit Report



OATH

Commonwealth of KENTUCKY )  
County of KNOTT ) ss:

L. J. TURNER  
(Name of Officer)

makes oath and says

that he/she is MANAGER of  
(Official title of officer)  
KNOTT COUNTY WATER & SEWER DISTRICT  
(Exact legal title or name of respondent)

that it is his/her duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he/she knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he/she has carefully examined the said report and to have the best of his/her knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he/she believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 20 13, to and including December 31, 20 13

[Signature]  
(Signature of Officer)

subscribed and sworn to before me, a notary, in and for  
the State and County named in the above this, 29th day of July, 20 14

(Apply Seal Here)

My Commission expires 10-02-2016  
Mary Lynn Walters  
(Signature of officer authorized to administer oath)

**EXHIBIT H**

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Title Page

Name of Respondent		Addr Line 1	Addr Line 2	City	State	Zip
Sewer Utilities						
Annual Report of						
Respondent	Knott County Water & Sewer District	7777 Big Branch Rd.		Vicco	KY	41773

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Principal Payment and Interest Information

Amount		Yes/No
Amount of Principal Payment During Calendar Year		\$0.00
Is Principal Current?		Y
Is Interest Current?		Y

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Services Performed by Independent CPA

	Yes/No	A/C/R
Are your financial statements examined by a Certified Public Accountant?		
Enter Y for Yes or N for No	Y	
If yes, which service is performed?		
Enter an X on each appropriate line		
Audit		X
Compilation		
Review		
Please enclose a copy of the accountant's report with annual report.		

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Additional Information Required**

Case Num	Date	Explain
----------	------	---------



**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**General Information 1. (Ref Page: 1)**

Exact name of utility making this report.

(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)

Knott County Water and Sewer District

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

General Information 2 - 3 (Ref Page: 1)

	Name	Address		City	State	Phone
Give the location, including street and number, and TELEPHONE NUMBER of the principal office in KY.						
principal office in KY	Knott County Water and Sewer District	7777 Big Branch Road	606-642-3582	Vicco	KY	(606) 642-3582
Name, title, address and telephone number with area code of the person to be contacted concerning this report						
	Kyle Smith, CFO,	7777 Big Branch Road Vicco	606-642-3582	Vicco	KY	

General Information 4 (Ref Page: 1)

List

Name of State under the laws of which respondent is incorporated and the date of incorporation. Kentucky 02/10/1999

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**General Information 5. (Ref Page: 1)**

		Date
Date sewer utility began operations		2/10/1999

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

General Information 6. (Ref Page: 1)

City or Town	Community or Subdivision	County
Pippa Passes		Knott

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**General Information 7. (Ref Page: 1)**

		Count
Number of Full-time employees	2	
Number of Part-time employees	0	



**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Principal Officers (Ref Page: 1)**

<b>Title</b>	<b>Last Name</b>	<b>First Name</b>	<b>Bus. Address</b>	<b>Salary or Fee</b>
Chairperson	Childers	James	390 Hurricane Branch, Leburn, KY 41831	\$500.00
Board Member	Smith	David	474 Highway 1087 West, Leburn, KY 41831	\$500.00
Board Member	Slone	Jerry	P.O. Box 101, Pippa Passes, KY 41844	\$500.00
Board Member	Hamilton	Dale	P. O. Box 34, Topmost, KY 41862	\$500.00
Board Member	Allen	Delores	6597 Lotts Creek Road, Hazard, KY 41701	\$500.00

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Balance Sheet - Assets and Other Debts (Ref Page: 2)**

	Balance First of Yr	Balance End of Yr
UTILITY PLANT		
Utility Plant (101-109)	\$340,489.02	\$627,406.42
less: Accum. Prov. for Depr., Depletion and Amortization (110)	\$305,292.00	\$311,051.00
<b>Net Utility Plant</b>	<b>\$35,197.02</b>	<b>\$316,355.42</b>
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (121)		
less: Accum. Prov for Depr. and Amort. of Non-Utility Property (122)		
<b>Net non-Utility Property</b>		
Other Investments (124)		
Special Funds (125)		
Total Other Property and Investments		
CURRENT AND ACCRUED ASSETS		
Cash and Working Funds (131)		
Temporary Cash Investments (132)		
Notes Receivable (141)		
Customer Accounts Receivable (142)	\$10,462.09	\$16,850.30
Other Accounts Receivable (143)		
Accum. Prov. For Uncollectible Accts - CR (144)		
Notes Receivable from Assoc. Companies (145)		
Accounts Receivable from Assoc Companies (146)		
Materials and Supplies (150)		
Prepayments (166)		
Other Current and Accrued Assets (170)		
<b>Total Current and Accrued Assets</b>	<b>\$10,462.09</b>	<b>\$16,850.30</b>
DEFERRED DEBITS		
Unamortized Debt Expense (181)		
Extraordinary Property Losses (182)		
Other Deferred Debits (183)		
Total Deferred Debits		
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$45,659.11</b>	<b>\$333,205.72</b>

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Balance Sheet - Liabilities and Other Credits (Ref Page: 3)**

	<b>Balance First of Yr.</b>	<b>Balance End of Yr.</b>
<b>EQUITY CAPITAL</b>		
Common Capital Stock (201)		
Preferred Capital Stock (204)		
Other Paid-In Capital (207)		
Discount on Capital Stock (213)		
Capital Stock Expense (214)		
Appropriated Retained Earnings (215)		
Unappropriated Retained Earnings (216)	\$40,249.44	\$333,205.72
Non-Corporate Proprietorship (218)		
<b>Total Equity Capital</b>	<b>\$40,249.44</b>	<b>\$333,205.72</b>
<b>LONG-TERM DEBT</b>		
Bonds (221)		
Advances From Associated Companies (223)		
Other Long-Term Debt (224)		
<b>Total Long-Term Debt</b>		
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Notes Payable (231)		
Accounts Payable (232)	\$909.67	\$0.00
Notes Payable to Associated Companies (233)		
Accounts Payable to Associated Companies (234)		
Customer Deposits (235)	\$4,500.00	\$0.00
Taxes Accrued (236)		
Interest Accrued (237)		
Other Current and Accrued Liabilities (238)		
<b>Total Current and Accrued Liabilities</b>	<b>\$5,409.67</b>	<b>\$0.00</b>
<b>DEFERRED CREDITS</b>		
Advances for Construction (252)		
Other Deferred Credits (253)		
Accum. Deferred Investment Tax Credits (255)		
<b>Total Deferred Credits</b>		
Operating Reserves (261-265)		
Contributions in Aid of Construction (271)		

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Balance Sheet - Liabilities and Other Credits (Ref Page: 3)

	Balance First of Yr.	Balance End of Yr.
ACUMULATED DEFERRED INCOME TAXES		
Accum. Def. Income Taxes-Accel. Amort (281)		
Accum. Def. INcome Taxes-Lib. Depr. (282)		
Accum. Def. Income Taxes-Other (283)		
Total Accum. Deferred Income Taxes		
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<b>\$45,659.11</b>	<b>\$333,205.72</b>

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Summary of Utility Plant (Ref Page: 4)**

	<b>Amount</b>
<b>UTILITY PLANT</b>	
<b>In Service:</b>	
Plant in Service Classified (from pg 5 line 40) (101)	\$627,406.42
<b>Completed Construction Not Classified (102)</b>	
Utility Plant in Process of Reclassification (103)	
<b>Utility Plant Purchased or Sold (106)</b>	
Total In Service	\$627,406.42
<b>Utility Plant Leased to Others (104)</b>	
Property Held for Future Use (105)	
<b>Construction Work in Progress (107)</b>	
Utility Plant Acquisition Adjustments (108)	
<b>Other Utility Plant Adjustments (109)</b>	
Total Utility Plant ( to pg 2 line 4)	\$627,406.42
<b>Less:</b>	
Accumulated Provision for Depreciation and Amort. of Utility Plant (to pg 2 line 6) (110)	\$311,051.00
<b>Net Utility Plant ( to pg 2 line 7)</b>	<b>\$316,355.42</b>



**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Accum. Prov. for Depreciation and Amortization of Utility Plant (Ref Page: 4)**

Item	Amount
Balance Beginning of Year	\$308,805.00
Accruals for Year:	
Depreciation	\$2,246.00
Amortization	
Other Accounts (detail)	
Total Accruals for Year	\$2,246.00
Credit Adjustments (describe)	
Total Credits for Year	
Net Charges for Plant Retired:	
Book Cost of Plant Retired ( same as pg 5 line 40)	
Add: Cost of Removal	
Less: Salvage	
Net Charges for Plant Retired	
Debit Adjustments (describe)	
Total Debit Adjustments for Year	
Balance End of Year	\$311,051.00



**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Sewer Utility Plant In Service (Ref Page: 5)**

<b>Depr Rate</b>	<b>Balance Beg of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>ReClass (Debit-Credit)</b>	<b>Balance End of Year</b>
<b>INTANGIBLE PLANT</b>					
Organization (301)					
Franchises and Consents (302)					
Misc. Intangible Plant (303)					
Total Intangible Plant					
<b>LAND AND STRUCTURES</b>					
Land and Land Rights (310)	\$2,791.00	\$0.00	\$0.00	(\$0.40)	\$2,790.60
Structures and Improvements (311)	\$49,445.00	\$0.00	\$0.00	(\$49,445.00)	\$0.00
Total Land and Structures	\$52,236.00	\$0.00	\$0.00	(\$49,445.40)	\$2,790.60
<b>COLLECTION PLANT</b>					
Collection Sewers - Force (352.1)	\$129,711.00	\$310,499.00	\$0.00	\$25,517.86	\$465,727.86
Collection Sewers - Gravity (352.2)					
Other Collection Plant Facilities (353)	\$27,094.60	\$0.00	\$0.00	(\$27,094.60)	\$0.00
Services to Customers (354)	\$26,761.00	\$0.00	\$0.00	(\$26,761.00)	\$0.00
Flow Measuring Devices (355)					
Total Collection Plant	\$183,566.60	\$310,499.00	\$0.00	(\$28,337.74)	\$465,727.86
<b>PUMPING PLANT</b>					
Receiving Wells and Pump Pits (362)					
Pumping Equipment - Electric (363A)	\$23,230.42	\$0.00	\$0.00	(\$23,230.42)	\$0.00
Pumping Equipment- Diesel (363B)					
Pumping Equipment - Other (363C)					
Total Pumping Plant (364)	\$23,230.42	\$0.00	\$0.00	(\$23,230.42)	\$0.00
<b>TREATMENT AND DISPOSAL PLANT</b>					

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Sewer Utility Plant In Service (Ref Page: 5)**

<b>Depr Rate</b>	<b>Balance Beg of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>ReClass (Debit-Credit)</b>	<b>Balance End of Year</b>
Oxidation Lagoon (372)					
Treatment and Disposal Equipment (373)	\$54,756.00	\$0.00	\$0.00	\$0.00	\$54,756.00
Plant Sewers (374)					
Outfall Sewer Lines (375)					
Other Treatment and Disposal Plant Equip. (376)	\$26,700.00	\$0.00	\$0.00	\$73,918.86	\$100,618.96
<b>Total Treatment and Disposal Plant (371)</b>	<b>\$81,456.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$73,918.86</b>	<b>\$155,374.96</b>
GENERAL PLANT (372)					
Office Furniture and Equipment (391)					
Transportation Equipment (392)					
Stores Equipment (393A)					
Tools, Shop and Garage Equipment (393B)		\$0.00	\$0.00	\$3,513.00	\$3,513.00
Laboratory Equipment (393C)					
Power Operated Equipment (393D)					
Communication Equipment (393E)					
Other Tangible Property (393F)					
<b>Total General Plant</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$3,513.00</b>	<b>\$3,513.00</b>
<b>TOTAL SEWER PLANT IN SERVICE</b>	<b>\$340,489.02</b>	<b>\$310,499.00</b>	<b>\$0.00</b>	<b>(\$23,581.70)</b>	<b>\$627,406.42</b>

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Capital Stock (Ref Page: 6)

Class and Series (a)	No. of Shares Auth. (b)	Par Val per Share of Par	Stated Val Per Share of	Outstanding Shares (e)	Outstanding Amount (f)
Total					

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Long-Term Debt (Ref Page: 6)

Class and Series	Orig. Issue Amt	Date of Issue (b)	Date of Maturity (c)	Outstanding Balance	Interest Rate (e)	Interest Amt (f)
List each Original Issue Amount Class and Series of Obligation						
Total						

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Notes Payable (Ref Page: 6)

Name of Payee (a)	Date Of Note (b)	Date of Maturity (c)	Interest Rate (d)	Balance End of Year (e)
(Include Notes Payable to Associated Companies Under This Heading)				

Total

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Interest Accrued (Ref Page: 6)

Description of Obligation (a)	Int. Accr. Balance First of Yr	Int. Accr. During Yr (c)	Int. Paid During Yr (d)	Int. Accr. Balance End of Yr
Total				



22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Other Current and Accrued Liabilities (Ref Page: 7)

Description	Amount
Total (must agree with pg 3 Acct 238)	\$0.00

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Statement of Retained Earnings For the Year (Ref Page: 7)

Item (a)	This Year (b)	Last Year (c)
UNAPPROPRIATED RETAINED EARNINGS (216)		
Balance Beginning of Year	\$311,051.00	\$0.00
Balance Transferred From Income (435)	\$22,154.72	\$40,249.44
Appropriations of Retained Earnings (436)		
Dividends Declared-Preferred Stock (437)		
Dividends Declared-Common Stock (438)		
Adjustments to Retained Earnings (439)		
Balance End of Year	\$333,205.72	\$40,249.44

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Statement of Income for the Year (Ref Page: 8)**

<b>Description</b>	<b>Number Customers (b)</b>	<b>Amount (c)</b>
<b>OPERATING REVENUES</b>		
<b>Flat Rate Revenues-General Customers:</b>		
Residential Revenues (521.1)		
Commercial Revenues (521.2)		
Industrial Revenues (521.3)		
Revenues From Public Authorities (521.4)		
Total (521)		
<b>Measured Revenues - General Customers: (483)</b>		
Residential Revenues (522.1)	131	\$37,726.87
Commercial Revenues (522.2)		
Industrial Revenues (522.3)		
Revenues From Public Authorities (522.4)		
Total (522)	131	\$37,726.87
Revenues From Public Authorities (523)		
Revenues From Other Systems (524)		
Miscellaneous Sewage Revenues (526)	0	\$158.89
Total Sewage Service Revenues (521-526)	131	\$37,885.76
<b>OTHER OPERATING REVENUES</b>		
Customers Forfeited Discounts (532)		
Miscellaneous Operating Revenues (536)		
Total Other Operating Revenues		
<b>Total Operating Revenues</b>		<b>\$37,885.76</b>
<b>OPERATING EXPENSES</b>		
<b>Total Sewer Operation and Maint. Expenses</b> (from pg 9 )		<b>\$57,794.48</b>
Depreciation Expense (403)		\$2,246.00
Amortization Expense (from pg 10) (404-407)		
Taxes Other Than Income taxes (from pg 10) (408.1)		
Total Income Taxes-Utility Operations (from pg 10)		
Total Sewage Operating Expenses		\$60,040.48
<b>Net Operating Income</b>		

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Statement of Income for the Year (Ref Page: 8)**

Description	Number Customers (b)	Amount (c)
OTHER INCOME		
Income from NonUtility Operations (417)		
Interest and dividend Income (419)		
Miscellaneous Nonoperating Income (421)		
Other Accounts (Specify Acct. No & Title)		
Total Other Income		
OTHER DEDUCTIONS		
Interest on Long-Term Debt (427)		
Amortization of Debt Discount and Expense (428)		
Interest on Debt to Associated Companies (430)		
Other Interest Expense (431)		
Taxes Other than Income Taxes 408.2 (from pg 10)		
Total Income Taxes-Nonutility Operations (from pg 10)		
Other Accounts (Specify Acct. No. and Title)		
Total Other Deductions		
Net Income		

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Sewer Operation and Maintenance Expenses (Ref Page: 9)**

	Amount (b)
<b>OPERATION EXPENSES</b>	
Supervision and Engineering (700) :	
Owner/Manager-Management Fee (700-A)	
Other Expenses (700-B)	
Labor and Expenses (701):	
Collection System-Labor, Materials and Expenses (701-A)	
Pumping System-Labor, Materials and Expenses (701-B)	
Treatment System (701-C) :	
Sludge Hauling	\$1,775.00
Utility Service - Water Cost	\$152.77
Other-Labor, Materials and Expense	\$8,668.50
Rents (702)	
Fuel and Power Purchased for Pumping and Treatment (703)	\$27,522.79
Chemicals (704)	\$5,499.26
Miscellaneous Supplies and Expenses (705):	
Collection System (705-A)	
Pumping System (705-B)	
Treatment an Disposal (705-C)	
Total Operation Expenses	\$43,618.32
<b>MAINTENANCE EXPENSES</b>	
Supervision and Engineering (710) :	
Routine Maintenance Service Fee (710-A)	
Internal Supervision and Engineering (710-B)	\$1,000.00
Maintenance of Structures and Improvements (711)	
Maintenance of Collection Sewer system (712)	\$4,403.16
Maintenance of Pumping System (713)	
Maintenance of Treatment and Disposal Plant (714)	
Maintenance of Other Plant Facilities (715)	
Total Maintenance Expenses	\$5,403.16
<b>CUSTOMER ACCOUNTS EXPENSES</b>	
Supervision (901)	
Meter Reading Expenses and Flat Rate Inspections (902)	



**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Sewer Operation and Maintenance Expenses (Ref Page: 9)**

	Amount (b)
Customer Records and Collection Expenses (903):	
Agency Collection Fee (903-A)	
Internal Labor, Materials and Expenses (903-B)	
Uncollectible Accounts (904)	
Miscellaneous Customer Accounts Expenses (905)	
<b>Total Customer Accounts Expenses</b>	
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>	
Administrative and General Salaries (920)	
Office Supplies and Other Expenses (921)	\$1,462.30
Outside Services Employed (923)	\$4,946.50
Insurance Expenses (924)	\$0.00
Employee Pensions and Benefits (926)	\$1,910.82
Regulatory Commission Expense (928)	
Transportation Expenses (929)	\$14.00
Miscellaneous General Expenses (930)	\$439.38
Rents (931)	
Maintenance of General Plant (932)	
<b>Total Administrative and General Expenses</b>	\$8,773.00
<b>TOTAL SEWER OPERATION AND MAINTENANCE EXPENSES (to pg 8)</b>	\$57,794.48



22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Taxes Other Than Income Taxes (Ref Page: 10)

Item (a)	Amount (b)
Payroll Taxes	
Property Taxes	
Utility Regulatory Commission Assessment	
Other (specify)	
Total (Same as Page 8 line 27 plus 44)	

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Operating and Non-Operating Income Taxes (Ref Page: 10)

	Amount (b)
Income Taxes-Federal (409.1)	
Income Taxes - State (409.1)	
Income Taxes - Other (409.1)	
Provisions for Deferred Income Taxes (410.1)	
Income Taxes Deferred in Prior Years - Credit (411.1)	
Investment Tax Credits - Net (412.0)	
Total Income Taxes - Util. Operating Income (to pg 8 line 28)	
Income Taxes - Federal (409.2)	
Income Taxes - State (409.2)	
Income Taxes - Other (409.2)	
Provisions for Deferred Income (410.2)	
Income Taxes Deferred in Prior Years - Credit (411.2)	
Investment Tax Credits - Net (412.4)	
Total Inc. Taxes - Nonutil. Op. Income (to pg 8 line 45)	

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Amortization Expense (Ref Page: 10)

	Amount (b)
Amortization of Limited - Term Utility Plant (404)	
Amortization of Other Utility Plant (405)	
Amortization of Utility Plant Acquisition Adjustments (406)	
Amortization of Property Losses (407)	
Amortization of Rate Case Expense	
Total Amortization Expense (to pg 8 line 26)	

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Sewer Plant Statistics - Plant Valuation 1 - 3 (Ref Page: 11)

Description	Percentage
What method of valuation was used with reference to Sewer Utility Plant in Service Appearing on page two line four: Original Cost, Estimated Cost, Original Cost Study?	Original Cost
What percentage of Sewer Utility Plant in Service was recovered, by the developer of hte subdivision, through the sale of lots?	0.0000
If less than one-hundred percent of the utility plant was recovered, please designate what portion (collection lines, treatement plant, etc.) of the plant that represents non-contributed plant	Collection Lines, Treatment Plant 100.0000

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Sewer Plant Statistics - Plant Valuation 4. (Ref Page: 11)

Last Name	First Name	Date
By whom were the books of account audited? What was the date of the last audit?		
Lentz	Ed	7/21/2015
If unaudited in the past twelve months, when and by whom is the next audit anticipated?		
Ross & Company		8/1/2015

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Sewer Plant Statistics - Physical Data of Sewer Plant (Ref Page: 11)**

Date of Construction of original Plant

07/01/1970

Type of treatment process

Conventional

Date and additional GPD Capacity of subsequent additions to plant

Population for which plant is designed including population equivalent of industrial waste load



22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Sewer Plant Statistics - Treatment Plant Operating Statistics (Ref Page: 11)

	Total	Cost
Total gallons received during the year	45,000,000	
Total gallons received on maximum day	250,000	
Maximum G.P.D. Capacity of the sewage treatment plant	100,000	
Routine maintenance service fee		
Cost per month		
Contract Expires		
Sludge hauling		
Cost per load		
Average number of gallons per load		
Number of loads this year		

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Sewer Plant Statistics - Customer Statistics End of Year (Ref Page: 12)

Type		Num of Customers	Bi-Month or Month Billing	Number of bills
Residential				
Single Family		105	month	105
Apartments/Condominiums		7	month	7
Commercial				
Industrial				
Other				
College		19	month	19
Total		131		131

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Sewer Plant Statistics - Industrial Customers Served (Ref Page: 12)

Name	Type of Industry	Gallons	Pretreatment of Wastes
------	------------------	---------	------------------------

N/A

0

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Sewer Plant Statistics - Pumping Stations (Ref Page: 12)

Location	Size of Motor	Type of Motor	Gals per Day
SEWER TREATMENT PLANT-PIPPA PASSES, KY	3 HP	ELECTRIC	0

22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Sewer Plant Statistics - Mains (Feet) (Ref Page: 12)

Kind of Pipe	Diameter	Num of Feet	additions	removed	Feet End of Year
CLAY	8"	6,320	0	0	6,320
PVC	8"	1,920	0	0	1,920
CLAY	6"	4,750	0	0	4,750
PVC	4"	5,550	0	0	5,550
PVC	3"	1,850	0	0	1,850

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Sewer Plant Statistics - Service Laterals and Stubs (Ref Page: 12)**

Count	
Number of service laterals owned by the utility at end of year	133
Number of stubs as of end of year	10
Number of service laterals owned by others	



**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 2) Line Utility Plant (101-109) agrees with Sched Summary of Utility Plant (ref. pg 4) Total Utility Plant	627406.42	627406.42	OK	
Balance Sheet (ref pg 2) Line Less: Acct 110 agrees with Sched Summary of Utility Plant (ref pg 4) Line Total Utility Plant	311051.00	311051.00	OK	
Balance Sheet (ref pg 2) Line Net Utility Plant agrees with Summary of Utility Plant (ref pg 4) Line Net Utility Plant	316355.42	316355.42	OK	
Summary of Utility Plant (ref pg 4) Plant in Service Classified (Acct 101) agrees with Sched Sewer Plant in Service (ref pg 5) Total Sewer Plant in Service	627406.42	627406.42	OK	
Accum. Prov for Deprec. and Amort (Ref pg 4) Balance End of Year agrees with Sched Summary of Utility Plant (ref pg 4) Accumulated Prov. for Depr. and Amort.	311051.00	311051.00	OK	
Balance Sheet (ref pg 3) Sum of Common Capital Stock (201) and Preferred Capital Stock (204) agrees with Schedule Capital Stock (ref pg 6)	0	0	OK	
Balance Sheet (ref pg 3) Unappropriated Retained Earnings (216) agrees with Sched Statement of Retained Earnings (ref pg 7) Balance End of Year	333205.72	333205.72	OK	
Balance Sheet (ref pg 3) Total Long Term Debt (224) agrees with Sched Long Term Debt (ref pg 6) Total col d	0	0	OK	
Balance Sheet (ref pg 3) The sum of Notes Payable (231) and (233) agrees with Sched Notes Payable (ref pg 6) Total Col e	0	0	OK	
Balance Sheet (ref pg 3) Interest Accrued (237) agrees with Sched Interest Accrued (ref pg 6) Total Col e	0	0	OK	
Balance Sheet (ref pg 3) Current and Accrued Liabilities (238) agrees with Sched Other Current and Accrued Liabilities (ref pg 7) Total	0	0.0000	OK	

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Balance Sheet (ref pg 3) Total Liabilities and Other Credits agrees with Balance Sheet (ref pg 2) Total Assets and Other Debits	333205.72	333205.72	OK	
Accum Prov. for Depreciation and Amortization (ref. pg 4) Depreciation agrees with Sched Statement of Income for the Year (ref pg 8) Depreciation Expense (403)	2246.00	2246.00	OK	
Sched Long Term Debt (ref pg 6) Total Interest Amount agrees with Sched Statement of Income (ref pg 8) Interest on Long Term Debt (427)	0	0	OK	
Interest Accrued (ref pg 6) Total Interest Accrued agrees with Sched Statement of Income (ref pg 8) Other Interest Expense (431)	0	0	OK	
Statement of Income for the Year (ref pg 8) Total Sewer Operation and Maint. Expenses agrees with Sched Sewer Operation and Maintenance Expenses (ref pg 9) Total Sewer Operation and Maint. Exp	57794.48	57794.48	OK	
Statement of Income for the Year (ref pg 8) Total Income taxes - Utility Operations agrees with Sched Operating and Non-Operating Income Taxes (ref pg 10) Total Income Taxes - Util Operating Income	0	0	OK	
Statement of Income for the Year (ref pg 8) Amortization Expense agrees with Sched Amortization Expense (ref pg 10) Total Amortization Expense	0	0	OK	
Statement of Income for the Year (ref pg 8) The sum of lines Taxes Other than Income Taxes 408.1 and 408.2 agrees with Taxes Other Than Income (ref pg 10)	0	0	OK	
Statement of Income for the Year (ref pg 8) Total Income Taxes - Nonutility Operations agrees with Sched Operating and Non-Operating Income Taxes Total Inc. Taxes - Nonutil. Op Income	0	0	OK	
Schedule Sewer Plant Statistics (ref pg 11 and 12) have been completed				

**22219400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Upload supporting documents**

**Document**

**Description**

**Supports**

## OATH

Commonwealth of Kentucky )  
 ) ss:  
 County of Knott )

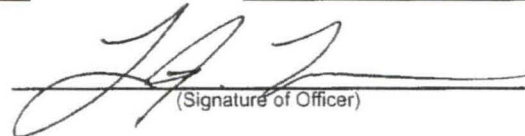
L.J. Turner makes oath and says  
 (Name of Officer)

that he/she is Manager of  
 (Official title of officer)

Knott County Water & Sewer District  
 (Exact legal title or name of respondent)

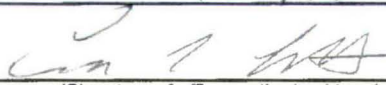
that it is his/her duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he/she knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he/she has carefully examined the said report and to have the best of his/her knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he/she believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 01, 2014, to and including December 31, 2014

  
 (Signature of Officer)

subscribed and sworn to before me, a Notary Public, in and for  
 the State and County named in the above this July 29 2015

(Apply Seal Here)

My Commission expires 10/12/16 ID # 474757  
  
 (Signature of officer authorized to administer oath)

## **EXHIBIT I**

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Title Page

Name of Respondent		Addr Line 1	Addr Line 2	City	State	Zip
Water Districts/Associations						
Annual Report of						
Respondent	Knott County Water & Sewer District	7777 Big Branch Rd.		Vicco	KY	41773



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Principal Payment and Interest Information**

	Amount	Yes/No	PSC Case No.
Amount of Principal Payment During Calendar Year	\$57,077.50		
Is Principal Current?	Y		
Is Interest Current?	Y		
Has all long-term debt been approved by the Public Service Commission?	Y		

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Services Performed by Independent CPA**

	Yes/No	A/C/R	Audit Date
Are your financial statements examined by a Certified Public Accountant?			
Enter Y for Yes or N for No	Y		
If yes, which service is performed?			
Enter an X on each appropriate line			
Audit	Y		
Compilation	Y		
Review	Y		
Date of Audit			7/15/2015

Please enclose a copy of the accountant's report with annual report.

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Additional Requested Information**

Name		Electronic Info
Name of Utility and Web Address	Knott County Water & Sewer District	www.knottcountywater.com
Contact Name and Email Address	Kyle Smith	
	kylesmith@kcwsd.com	

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Additional Information Required

Case Num	Date	Explain
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**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Major Water Projects**

Provide details about each major water project which is planned but has not yet been submitted for approval to the Public Service commission.

For the limited purpose of this report, a "Major Project" is defined as one which is not in the ordinary course of business, and will increase your current utilityplant by at least 20 percent.

Brief Project Description: (improvement, replacement,building construction, expansion. If expansion, provide the estimated number of new customers):

Projected Costs and Funding Sources/Amounts:

Approval Status: (Application for financial assistance filed, but not approved; or application approved, but have not advertised for construction bids)

Location: (community, area or nearby roads)

History-Legal Name (Ref Page: 4)

1. Exact name of utility making this report.

(Use the words "The", "Company" or "Incorporated" only when part of the corporate name.)

Knott County Water & Sewer District



19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

History-Location (Ref Page: 4)

	Name	Address	City	State	Zip	Phone
Give the location,including street and number, and TELEPHONE NUMBER of the principal office in KY.						
principal office in KY	Knott County Water & Sewer District	7777 Big Branch Rd	Vicco	KY	41773	(606) 642-3582
Give name, title, address and TELEPHONE NUMBER of the officer to whom correspondence concerning this report should be addressed.						
	Kyle Smith	7777 Big Branch Rd	Vicco	KY	41773	(606) 642-3582
Location where books are located	Knott County Water & Sewer District	7777 Big Branch Rd	Vicco	KY	41773	
Name of the Headquartered County	Knott					

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**History-Date Organized (Ref Page: 4)**

	Date
Date of Organization	2/10/1999

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**History-Laws of Organization (Ref Page: 4)**

**List**

If a consolidated or merger company, name all contingent and all merged companies. Give reference to charters or general laws governing each, and all amendments of same

Knott County Water & Sewer District was created by the Knott County Fiscal Court on February 10, 1999 to be governed and operated under the rules and procedures in KRS chapter 74, relating to water districts and KRS chapter 220 relating to sanitation districts. The entity received operational activities and assets of the district formerly known as the Caney Creek Water District and has expanded its operating activities into areas in Knott County not previously served with potable water and sewer collection services.

Date and Authority for each consolidation and each merger.

History-Departments (Ref Page: 4)

List	
State whether respondent is a water district or association	Water District
Name all operating departments other than water	Sewer

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**History - Counties (Ref Page: 5)**

**Knott**

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**History - Number of Employees (Ref Page: 5)**

		Count
Number of Full-time employees	12	
Number of Part-time employees	2	



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Operational Boundaries and Service Area**

**Describe**

Describe Operational boundaries and Service Area

Knott County

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Contacts (Ref Page: 6)

	Title	Last Name	First Name	Bus. Addr.	Salary	Term Expires
Person to send correspondence:	CFO	Smith	Kyle			
Person who prepared this report	CFO	Smith	Kyle			
Managers (List Board Members on the following Contact Page)						
	Manager	Turner	L.J.		\$0.00	

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Contacts - Board Members (Ref Page: 6)**

	<b>Title</b>	<b>Last Name</b>	<b>First Name</b>	<b>Bus. Addr.</b>	<b>Salary</b>	<b>Term Expires</b>	<b>Term</b>	<b>County of</b>
Officers and Board Members								
	Chairperson	Childers	James O.	390 Hurricane Branch, Leburn, KY 41831	\$500.00	4/1/2016	3rd	Knott
	Board Member	Smith	David K.	474 Highway 1087 West, Leburn, KY 41831	\$500.00	11/1/2015	1st	Knott
	Board Member	Slone	Jerry W.	P.O. Box 101, Pippa Passes, KY 41844	\$300.00	6/1/2018	1st	Knott
	Board Member	Hamilton	Dale	P.O. Box 34, Topmost, KY 41862	\$500.00	4/1/2018	3rd	Knott
	Board Member	Allen	Delores	6597 Lotts Creek Road, Hazard, Ky 41701	\$500.00	4/1/2015	3rd	Knott

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Board Meetings (Water Districts REQUIRED)**

Meeting Date

Third Wednesday of each month

Meeting Time

6:00 PM

Designated Meeting of Board Location

Water District Office

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Adopted Ethics Ordinance (Water Districts REQUIRED)

Ethics Code Originator	Name
Identify the county ethics codes that KRS 65 A.070 requires Water District to adapt. Select county from the drop down list. Then provide the name of the county.	
If the water district has adopted a more stringent ethics code than the county ethics code; select other from the drop down list. Then provide the name of the entity originating the ethics code.	
county	Knott

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Government Entities (Water Districts REQUIRED)**

Oversight Government Entity	Name
List each Government Entity with Oversight Duties (Federal, State, Local)	
KY Public Service Commission Division of Water	



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Balance Sheet - Assets and Other Debits (Ref Page: 7)**

	Previous Year	Current Year
<b>UTILITY PLANT</b>		
Utility Plant (101-106)	\$44,746,976.23	\$47,876,852.32
Less: Accumulated Depreciation and Amortization (108-110)	\$6,937,132.00	\$8,375,081.00
<b>Net Plant</b>	<b>\$37,809,844.23</b>	<b>\$39,501,771.32</b>
Utility Plant Acquisition Adjustments (Net) (114-115)	\$0.00	
<b>Other Utility Plant Adjustments (116)</b>		
<b>Total Net Utility Plant</b>	<b>\$37,809,844.23</b>	<b>\$39,501,771.32</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Nonutility Property (121)		
Less: Accumulated Depreciation and Amortization (122)		
Net Nonutility Property		
Investment in Associated Companies (123)		
Utility and Other Investments (124-125)		
Sinking Funds (126)		
Other Special Funds (127)		\$242,737.10
<b>Total Other Property and Investments</b>		<b>\$242,737.10</b>
<b>CURRENT AND ACCRUED ASSETS</b>		
Cash (131)	\$121,100.72	\$117,059.45
Special Deposits (132)	\$184,153.81	\$113,048.86
Other Special Deposits (133)		
Working Funds (134)		
Temporary Cash Investments (135)		
Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts (141-144)	\$339,218.96	\$537,287.09
Accounts Receivable from Associated Companies (145)		
Notes Receivable from Associated Companies (146)		
Materials and Supplies (151-153)		
Stores Expense (161)		
Prepayments (162)	\$981.00	\$20,045.77
Accrued Interest and Dividends Receivable (171)		
Rents Receivable (172)		
Accrued Utility Revenues (173)		

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Balance Sheet - Assets and Other Debits (Ref Page: 7)

	Previous Year	Current Year
Misc. Current and Accrued Assets (174)	\$45,686.93	
Total Current and Accrued Assets	\$691,141.42	\$787,441.17
DEFERRED DEBITS		
Unamortized Debt Discount and Expense (181)		
Extraordinary Property Losses (182)		
Preliminary Survey and Investigation Charges (183)		
Clearing Accounts (184)		
Temporary Facilities (185)		
Misc. Deferred Debits (186)		
Research and Development Expenditure (187)		
Total Deferred Debits		
TOTAL ASSETS AND OTHER DEBITS	\$38,500,985.65	\$40,531,949.59

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)**

	Previous Year	Current Year
<b>EQUITY CAPITAL</b>		
Appropriated Retained Earnings (214)		
Retained Earnings From Income before contributions (215.1)	(\$5,771,698.07)	(\$8,255,487.79)
Donated Capital (215.2)	\$43,225,990.10	\$47,629,298.04
Total Equity Capital	\$37,454,292.03	\$39,373,810.25
<b>LONG-TERM DEBT</b>		
Bonds (221)	\$258,700.00	\$254,300.00
Reaquired Bonds (222)		
Advances from Associated Companies (223)		
Other Long-Term Debt (224)	\$479,119.71	\$432,008.88
Total Long Term Debt	\$737,819.71	\$686,308.88
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Accounts Payable (231)	\$124,097.33	\$194,945.72
Notes Payable (232)		
Accounts Payable to Associated Co. (233)		
Notes Payable to Associated Co (234)		
Customer Deposits (235)	\$74,589.68	\$93,673.91
Accrued Taxes (236)	\$0.00	\$7,603.07
Accrued Interest (237)	\$5,782.14	\$43,122.00
Matured Long-Term Debt (239)		
Matured Interest (240)		
Tax Collections Payable (241)	\$2,386.25	\$0.00
Misc. Current and Accrued Liabilities (242)	\$102,018.51	\$132,485.76
Total Current and Accrued Liabilities	\$308,873.91	\$471,830.46
<b>DEFERRED CREDITS</b>		
Unamortized Premium on Debt (251)		
Advances for Construction (252)		
Other Deferred Credits (253)		
Total Deferred Credits		
<b>OPERATING RESERVES</b>		
Accumulated Provision For:		
Property Insurance (261)		

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Balance Sheet - Equity Capital and Liabilities (Ref Page: 9)**

	Previous Year	Current Year
Injuries and Damages (262)		
Pensions and Benefits (263)		
Miscellaneous Operating Reserves (265)		
Total Operating Reserves		
Total Equity Capital and Liabilities	\$38,500,985.65	\$40,531,949.59

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Comparative Operating Statement (Ref Page: 11)**

	Previous Year	Current Year
<b>UTILITY OPERATING INCOME</b>		
Operating Revenues (400)	\$1,678,240.74	\$1,983,061.65
Operating Expenses (401)	\$1,493,735.80	\$1,715,823.85
Depreciation Expenses (403)	\$1,382,630.00	\$1,450,948.00
Amortization of Utility Plant Acquisition Adjustment (406)		
Amortization Expense (407)		
Taxes Other Than Income (408.10-408.13)	\$29,627.99	\$44,836.19
Utility Operating Expenses	\$2,905,993.79	\$3,211,608.04
Utility Operating Income	(\$1,227,753.05)	(\$1,228,546.39)
Income From Utility Plant Leased to Others (413)		
Gains (Losses) from Disposition of Utility Property (414)		\$961.00
<b>Total Utility Operating Income</b>	<b>(\$1,227,753.05)</b>	<b>(\$1,227,585.39)</b>
<b>OTHER INCOME AND DEDUCTIONS</b>		
Revenues From Merchandising, Jobbing and contract work (415)		
Costs and Expenses of Merchandising, Jobbing and Contract Work (416)		
Interest and Dividend Income (419)	\$541.27	\$278.91
Allowance for funds Used During Constructions (420)	\$1,392,277.46	\$0.00
Nonutility Income (421)	\$34,405.87	\$29,604.20
Miscellaneous Nonutility Expenses (426)	\$0.00	
<b>Total Other Income and Deductions</b>	<b>\$1,427,224.60</b>	<b>\$29,883.11</b>
<b>TAXES APPLICABLE TO OTHER INCOME</b>		
Taxes Other Than Income (408.20)		
Total Taxes Applic. to Other Income		
<b>INTEREST EXPENSE</b>		
Interest Expense (427)	\$37,807.15	\$30,064.67
Amortization of Debt Discount and Exp. (428)		
Amortization of Premium on Debt (429)		
<b>Total Interest Expense</b>	<b>\$37,807.15</b>	<b>\$30,064.67</b>
<b>EXTRAORDINARY ITEMS</b>		
Extraordinary Income (433)		
Extraordinary Deductions (434)		



19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Comparative Operating Statement (Ref Page: 11)

	Previous Year	Current Year
Total Extraordinary Items		
NET INCOME BEFORE CONTRIBUTIONS	\$161,664.40	(\$1,227,766.95)



19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Statement of Retained Earnings (Ref Page: 12)

Description	Total
Appropriated Retained earnings (214)	
(state balance and purpose of each appropriated amount at year end:)	
<b>Total Appropriated Retained Earnings</b>	
Retained Earnings From Income Before Contributions (215.1)	
Balance beginning of year	(\$7,027,720.84)
Balance transferred from Net Income Before Contributions (435)	(\$1,227,766.95)
Changes to account:	
Appropriations of Retained Earnings (436)	
Adjustments to Retained Earnings (439)	
(requires Commission approval prior to use):	
Credits	
Debits	
<b>Balance End of Year</b>	(\$8,255,487.79)

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Statement of Retained Earnings (cont. 215.2) (Ref Page: 12)**

Description	Tapping Fees	Grants	Other	Total
Donated Capital (215.2)				
Balance Beginning of the Year	\$0.00	\$0.00	\$44,296,307.72	\$44,296,307.72
Credits				
Proceeds from capital contributions (432)	\$0.00	\$0.00	\$3,332,990.32	\$3,332,990.32
Other Credits (explain)				
Debits (explain - requires Commission Approval)				
Balance End of Year	\$0.00	\$0.00	\$47,629,298.04	\$47,629,298.04

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Net Utility Plant (Accts. 101-106) (Ref Page: 13)

Total	
Utility Plant in Service (101)	\$47,876,852.32
Utility Plant Leased to Others (102)	
Property Held for Future Use (103)	
Utility Plant Purchased or Sold (104)	
Construction Work in Progress (105)	\$0.00
Completed Construction Not Classified (106)	
Total Utility Plant	\$47,876,852.32

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Accumulated Depreciation ( Acct. 108) (Ref Page: 13)**

Description		Total
Balance First of Year		\$6,937,132.00
Credit during year		
Accruals Charged to Account 108.1		\$1,450,948.00
Accruals Charged to Account 108.2		
Accruals Charged to Account 108.3		
Accruals Charged to Other Accounts (specify)		
(specify)		
Salvage Value Recovered on Plant Retired		
Other Credits		
(specify)		
Total Credits		\$1,450,948.00
Debits during year:		
Book Cost of Plant Retired		\$9,486.00
Cost of Removal		
Other Debits		
(specify)	Reconciling Item	\$0.00
(specify)	Prior Year Adjustment	\$3,513.00
Total Debits		\$12,999.00
Balance at End of Year		\$8,375,081.00

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Water Utility Plant Accounts (Ref Page: 14)**

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Intngble. Plant (g)	Supply & Pump.	Water Treatmnt.	Trans. and Distr.	General Plant
Organization (301)									
Franchises (302)									
Land and Land Rights (303)	\$117,294.00	\$0.00	\$0.00	\$117,294.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Structures and Improvements (304)	\$799,740.26	\$0.00	\$0.00	\$799,740.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Collecting and Impounding Reservoirs (305)									
Lakes, Rivers and Other Intakes (306)									
Wells and Springs (307)	\$129,377.00	\$0.30	\$0.00	\$129,377.30	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Infiltration Galleries and Tunnels (308)									
Supply Mains (309)									
Power Generation Equipment (310)	\$36,000.00	\$0.00	\$0.00	\$36,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pumping Equipment (311)	\$63,627.00	\$0.00	\$266.83	\$63,360.17	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Water Treatment Equipment (320)									
Distribution Reservoirs and Standpipes (330)									
Transmission and Distribution Mains (331)	\$28,406,868.46	\$4,050,991.16	\$0.00	\$32,457,859.62	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Services (333)									
Meters and Meter Installations (334)	\$33,623.00	\$0.00	\$0.00	\$33,623.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Hydrants (335)	\$3,625.00	\$0.00	\$0.00	\$3,625.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Backflow Prevention Devices (336)									

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Water Utility Plant Accounts (Ref Page: 14)**

	Prev Year (c)	Additions (d)	Retirement (e)	Current Yr(f)	Intngble. Plant (g)	Supply & Pump.	Water Treatmnt.	Trans. and Distr.	General Plant
Other Plant and Misc. Equipment (339)	\$10,698,020.37	\$2,841,479.04	\$0.00	\$13,539,499.41	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Office Furniture and Equip. (340)	\$146,807.82	\$27,976.75	\$0.00	\$174,784.57	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Equipment (341)	\$229,591.50	\$20,250.00	\$0.00	\$249,841.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Stores Equipment (342)									
Tools, Shop and Garage Equip (343)									
Laboratory Equipment (344)									
Power Operated Equipment (345)	\$116,508.12	\$0.00	\$0.00	\$116,508.12	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Communication Equipment (346)									
Miscellaneous Equipment (347)	\$15,600.00	\$0.00	\$0.00	\$15,600.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Tangible Plant (348)	\$134,578.75	\$5,160.62	\$0.00	\$139,739.37	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Water Plant	\$40,931,261.28	\$6,945,857.87	\$266.83	\$47,876,852.32	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)**

	Balance Beg	Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Organization (301)							
Franchises (302)							
Land and Land Rights (303)							
Structures and Improvements (304)	\$618,646.00		\$7,391.00	\$0.00	\$0.00	\$0.00	\$626,037.00
Collecting and Impounding Reservoirs (305)							
Lake, River and Other Intakes (306)							
Wells and Springs (307)	\$91,542.00		\$2,924.00	\$0.00	\$0.00	\$0.00	\$94,466.00
Infiltration Galleries and Tunnells (308)							
Supply Mains (309)							
Power Generating Equipment (310)	\$9,300.00		\$3,600.00	\$0.00	\$0.00	\$0.00	\$12,900.00
Pumping Equipment (311)	\$63,614.00		\$0.00	\$0.00	\$0.00	\$265.00	\$63,349.00
Water Treatment Equipment (320)							
Distributions Reservoirs and Standpipes (330)							
Transmission and Distribution Mains (331)	\$3,537,861.00		\$976,093.00	\$470.00	\$0.00	\$0.00	\$4,514,424.00
Services (333)							
Meters and Meter Installations (334)	\$33,621.00		\$0.00	\$0.00	\$0.00	\$0.00	\$33,621.00
Hydrants (335)	\$3,625.00		\$0.00	\$0.00	\$0.00	\$0.00	\$3,625.00
Backflow Prevention Devices (336)							
Other Plant and Miscellaneous Equipment (339)	\$2,205,986.00		\$373,346.00	\$5,359.00	\$0.00	\$0.00	\$2,584,691.00
Office Furniture and Equip. (340)	\$78,755.00		\$20,316.00	\$0.00	\$0.00	\$2,928.00	\$96,143.00
Transportation Equipment (341)	\$164,660.00		\$36,390.00	\$0.00	\$9,000.00	\$0.00	\$192,050.00
Stores Equipment (342)							

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Analysis of Accumulated Depreciation and Amortization by Primary Acct (Ref Page: 15)**

	Balance Beg	Yr(c)	Cr-Chg Dep Exp(d)	Other Credits (e)	Charges-Plant Ret(f)	Other Charges (g)	Balance End Yr (h)
Tools, Shop and Garage Equip (343)							
Laboratory Equipment (344)							
Power Operated Equipment (345)		\$49,487.00	\$16,644.00	\$0.00	\$0.00	\$0.00	\$66,131.00
Communication Equipment (346)							
Miscellaneous Equipment (347)		\$2,470.00	\$1,560.00	\$0.00	\$0.00	\$0.00	\$4,030.00
Other Tangible Plant (348)		\$77,565.00	\$12,684.00	\$0.00	\$486.00	\$6,149.00	\$83,614.00
Totals		\$6,937,132.00	\$1,450,948.00	\$5,829.00	\$9,486.00	\$9,342.00	\$8,375,081.00

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Accumulated Amortization ( Acct. 110) (Ref Page: 16)**

Description	Total
Balance First of Year	
Credit during year	
Accruals Charged to Account 110.1	
Accruals Charged to Account 110.2	
Other Credits	
(specify)	
Total Credits	
Debits during year:	
Book Cost of Plant Retired	
Other Debits	
(specify)	
Total Debits	
Balance end of Year	

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**  
**Utility Plant Acquisition Adjustments (Accts. 114-115) (Ref Page: 16)**

Description	Total
Acquistion Adjustments (114)	
(specify)	
Total Plant Acquisition Adjustments	
Accumulated Amortization (115)	
(specify)	
Total Accumulated Amortization	
Net Aquisition Adjustments	

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**  
**Accounts and Notes Receivable - Net (Accts 141-144) (Ref Page: 18)**

Description	Total
Accounts and Notes Receivable	
Customer Accounts Receivable (141)	\$637,060.17
Other Accounts Receivable (142)	
	(\$241.80)
Total Other Accounts Receivable	(\$241.80)
Notes Receivable (144)	
Total Notes Receivable	\$0.00
Total Accounts and Notes Receivable	\$636,818.37
Accumulated Provision for Uncollectible Accounts (143)	
Balance First of Year	\$112,854.18
Add:	
Provision for uncollectibles for current year	
Collections of account previously written off	
Other	
(specify)	
Total Additions	
Deduct accounts written off during year:	
Other	
(specify)	\$13,322.90
Total Deductions	\$13,322.90
Balance end of Year	\$99,531.28
Total Accounts and Notes Receivable - Net	\$537,287.09

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Investments and Special Funds (Ref Page: 17)**

Description (a)	Face or Par Value (b)	Year End Book Cost
Investment in Associated Companies (123)		
Total Investment in Associated Companies		
Utility Investments (124)		
Total Utility Investments		
Other Investments (125)		
Total Other Investments		
Sinking Funds (126)		
Total Sinking Funds		
Other Special Funds (127)		
Construction In Progress	\$0.00	\$242,737.10
Total Other Special Funds	\$0.00	\$242,737.10



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Materials and Supplies (151-153) (Ref Page: 19)**

Total	
Plant Materials and Supplies (151)	
Merchandise (152)	
Other Materials and Supplies (153)	
Total Materials and Supplies	

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Prepayments (Acct. 162) (Ref Page: 19)**

Description		Total
Prepaid Insurance		\$17,862.52
Prepaid Rents		
Prepaid Interest		
Prepaid Taxes		
Other Prepayments		
(Specify)	Maintenance Contract	\$1,202.25
(Specify)	Deposits	\$981.00
Total Prepayments		\$20,045.77

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Miscellaneous Deferred Debits (Acct. 186) (Ref Page: 20)

Total

Miscellaneous Deferred Debits (186)

Deferred Rate Case Expense (186.1)

Other Deferred Debits (186.2)

Regulatory Assets (186.3)

Total Miscellaneous Deferred Debits

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Unamortized Debt Discount and Expense and Premium on Debt (Accts 181 and 251) (Ref Page: 20)

Description	Amt Written Off during year	Year End Balance
Unamortized Debt Discount and Expense (181)		
Total Unamortized Debt Discount and Expense		
Unamortized Premium on Debt (251)		
Total Unamortized Premium on Debt		

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Extraordinary Property Losses (Acct. 182) (Ref Page: 21)

Description	Total
Extraordinary Property Losses (182)	
(Specify)	
Total Extraordinary Property Losses	

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Advances for Construction (Acct. 252) (Ref Page: 21)**

Total	
Balance First of Year	
Add credits during year	
Deduct charges during year	
Balance end of year	



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Long Term Debt (Ref Page: 22)**

Description of Obligation (a)	Issue Date (b)	Mature Date (c)	Interest Expense for Year Rate (d)	Interest Expense for Year Amount(e)	Principal per Balance Sheet Date (f)
KY Infrastructure Authority	01/01/04	06/01/2022	4.0500	\$18,651.02	\$407,212.38
Kansas State Bank	11/1/14	11/1/17	5.5000	\$0.00	\$24,796.50
Total			0.0000	\$18,651.02	\$432,008.88

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Bonds - Account 221 (Ref Page: 23)**

	<b>Par Value of Actual Issue (1)</b>	<b>Cash Realized on Actual Issue (2)</b>	<b>Par Val of Amt. Held by or for Respondent (3)</b>	<b>Actually Outstanding at Close of Year (4)</b>	<b>Interest During Year Accrued (5)</b>	<b>Interest During Year Actually Paid (6)</b>
	\$185,000.00	\$185,000.00	\$0.00	\$161,500.00	\$7,402.50	\$7,402.50
	\$100,000.00	\$100,000.00	\$0.00	\$92,800.00	\$3,885.74	\$3,885.74
<b>Total</b>	\$285,000.00	\$285,000.00	\$0.00	\$254,300.00	\$11,288.24	\$11,288.24

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Schedule of Bond Maturities (Ref Page: 23)**

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt (10)	Amounts Paid (11)	Remaing Bonds Outstanding (12)
93-05	2043	4.5000	\$185,000.00	\$1,800.00	\$161,500.00
91-11	2047	4.1250	\$100,000.00	\$2,600.00	\$92,800.00
Total			\$285,000.00	\$4,400.00	\$254,300.00
(The total of Column 12 must agree with the total of col 4)					

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Notes Payable (Accts 232 and 234) (Ref Page: 24)**

Description	Nominal Date of Issue	Date of Maturity	Int. Rate	Int. Payment	Principal Amt Per Bal Sheet
Account 232 - Notes Payable					
Kansas State Bank	11/1/2014	8/1/17	0.0000	\$0.00	\$24,796.50
Total Account 232					
Account 234 - Notes Payable to Associated Companies					
Total Account 234					

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Accounts Payable to Associated Companies (Acct. 233) (Ref Page: 24)

Description	Total
Show Payable to Each Associated Company Separately	
(Specify)	
Total	

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Taxes Accrued (Acct. 236) (Ref Page: 25)**

	<b>Total</b>
Balance First of Year	\$3,855.29
Accruals Charged:	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	\$44,836.19
Other taxes and licenses (408.13)	\$0.00
Taxes other than income, other income and deductions (408.20)	
Total taxes accrued	\$44,836.19
Taxes paid during year:	
Utility regulatory assessment fees (408.10)	
Property taxes (408.11)	
Payroll taxes (employer's portion) (408.12)	\$41,088.44
Other taxes and licenses (408.13)	\$0.00
Taxes other than income, other income and deductions (408.20)	
Total Taxes Paid	\$41,088.44
Balance end of year	\$7,603.04



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Accrued Interest (Account 237) (Ref Page: 25)**

<b>Description of Debt (a)</b>	<b>Balance Beg of Year (b)</b>	<b>Interest Accrued(c)</b>	<b>Interest Paid (d)</b>	<b>Balance End of Year (e)</b>
Long Term Debt:				
	\$5,782.14	\$67,404.53	\$30,064.67	\$43,122.00
	\$0.00	\$0.00	\$0.00	\$0.00
	\$0.00	\$0.00	\$0.00	\$0.00
Notes Payable:				
Customer Deposits:				
Other				
Total Acct. No 237	\$5,782.14	\$67,404.53	\$30,064.67	\$43,122.00

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Miscellaneous Current and Accrued Liabilities (Acct. 242) (Ref Page: 26)**

	Description	Balance End Year
	Accrued Employee & Board Member Payroll	\$60,873.72
	Accrued Retirement	\$11,024.06
	Health Insurance Payable	\$886.98
	Accrued Vacation	\$29,549.77
	Contractor Retainage	\$30,151.23
	Interest Payable	\$43,122.00
Total Miscellaneous Current and Accrued Liabilities		\$175,607.76

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Regulatory Commission Expense( Acct 666 and 667) (Ref Page: 26)

Description of Case (Docket No.) (a)	Total Incurred During Year (b)	Amt Transferred to Acct 186.1 (c)	Expensed During Year Acct (d)	Expensed During Year Amount (e)
Total				

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Water Operating Revenue (Ref Page: 27)**

	<b>Beginning Year Customers</b>	<b>Year End Customers</b>	<b>Amount</b>
Operating Revenues			
Unmetered Water Revenue (460)			
Metered Water Revenue (461)			
Sales to Residential Customers (461.1)	2,435	2,609	\$960,436.31
Sales to Commercial Customers (461.2)	20	0	\$0.00
Sales to Industrial Customers (461.3)			
Sales to Public Authorities (461.4)			
Sales to Multiple Family Dwellings (461.5)	1	0	\$0.00
Sales through Bulk Loading Stations (461.6)			
Total Metered Sales	2,456	2,609	\$960,436.31
Fire Protection Revenue (462)			
Public Fire Protection (462.1)			
Private Fire Protection (462.2)			
Total Fire Protection Revenue			
Other Sales to Public Authorities (464)			
Sales to Irrigation Customers (465)			
Sales for Resale (466)	4	4	\$1,002,510.00
Interdepartmental Sales (467)			
Total Sales of Water	2,460	2,613	\$1,962,946.31
Other Water Revenues			
Guaranteed Revenues (469)			
Forfeited Discounts (470)			
Miscellaneous Service Revenues (471)			\$6,505.00
Rents from Water Property (472)			
Interdepartments Rents (473)			
Other Water Revenues (474)			\$13,610.34
Total Other Water Revenues			\$20,115.34
Total Water Operating Revenues			\$1,983,061.65

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Water Utility Expense Accounts (Ref Page: 28)**

	<b>Current Year (c)</b>	<b>Supply and Exp- Op. (d)</b>	<b>Supply and Exp- Maint. (e)</b>	<b>Water Treatmnt. Exp-Op. (f)</b>	<b>Water Treatmnt Exp-Maint. (g)</b>	<b>Trans and Dist. Exp- Op (h)</b>	<b>Trans and Dist. Exp- Maint. (i)</b>	<b>Customer Accts Exp. (j)</b>	<b>Admin and Gen Exp.</b>
Salaries and Wages-Employees (601)	\$493,424.48	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Salaries and Wages-Officers, Directors and Majority Stockholders (603)	\$27,200.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Employee Pensions and Benefits (604)	\$212,101.27	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Purchased Water (610)	\$992.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Purchased Power (615)	\$365,528.02	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Fuel for Power Production (616)									
Chemicals (618)	\$100,515.78	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Materials and Supplies (620)	\$157,499.34	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Eng. (631)									
Contractual Services - Acct. (632)	\$15,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Legal (633)	\$56,732.74	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Management Fees (634)									
Contractual Serves - Water Testing (635)	\$8,036.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Other (636)	\$126,694.42	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rental of Bld./Real Property (641)									

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Water Utility Expense Accounts (Ref Page: 28)**

	<b>Current Year (c)</b>	<b>Supply and Exp- Op. (d)</b>	<b>Supply and Exp- Maint. (e)</b>	<b>Water Treatmnt. Exp-Op. (f)</b>	<b>Water Treatmnt Exp-Maint. (g)</b>	<b>Trans and Dist. Exp- Op (h)</b>	<b>Trans and Dist. Exp- Maint. (i)</b>	<b>Customer Accts Exp. (j)</b>	<b>Admin and Gen Exp.</b>
Rental of Equipment (642)	\$12,736.61	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Expenses (650)	\$40,692.58	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Vehicle (656)									
Insurance - General Liability (657)	\$33,996.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Worker's Compensation (658)	\$16,441.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Other (659)									
Advertising Expenses (660)	\$278.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Regulatory Commission Exp.									
- Amortization of Rate Case (666)									
-Other (667)									
Water Resource Conservation Expense (668)									
Bad Debt (670)									
Miscellaneous Expenses (675)	\$47,954.86	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$1,715,823.85</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Pumping and Water Statistics - part one (Ref Page: 29)**

	<b>Water Purchased For Resale (Omit 000's) (b)</b>	<b>Water Pumped from Wells (Omit 000's) (c)</b>	<b>Total Water Pumped and Purchased (Omit 000's) (d)</b>	<b>Water Sold To Customers (Omit 000's) (e)</b>
January	17	0	57,943	43,046
February	803	0	64,103	48,374
March	158	0	55,213	33,470
April	317	0	47,342	32,607
May	207	0	46,487	34,294
June	169	0	45,087	36,612
July	188	0	49,651	35,530
August	168	0	53,305	33,081
September	190	0	47,418	30,111
October	229	0	50,301	30,699
November	94	0	52,997	30,111
December	213	0	53,958	30,702
Total for the year	2,753	0	623,805	418,637

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Pumping and Water Statistics - part two (Ref Page: 29)**

Gallons		Date
Maximum Gallons pumped by all methods in any one day (Omit 000's)	2,645	11/20/2014
Minimum Gallons pumped by all methods in any one day (Omit 000's)	865	2/27/2014

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Pumping and Water Statistics - part three (Ref Page: 29)**

List

If water is purchased indicate the following:

Vendor	Southern Water
Point of Delivery	Hueysville, KY

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Pumping and Water Statistics - part four (Ref Page: 29)

Entity Receiving Water	Maximum Daily	Maximum Monthly
<p>If water is sold to other water utilities for redistribution, identify all entities with whom the utility has a water sales contract and the maximum quantity the utility is under contract to provide daily and monthly. If unlimited then list "unlimited" otherwise list in thousands of gallons.</p>		
City of Hindman	Unlimited	
City of Vicco	Unlimited	
Letcher County	Unlimited	
Phoenix Development	Unlimited	

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Sales For Resale (466) (Ref Page: 30)

Company	Gallons (Omit 000's)	Avg. Rate Per 1000 Gallons (Cents)	Amount
City of Vicco	80,557	\$3.00	\$241,671.00
City of Hindman	75,805	\$3.00	\$227,415.00
Letcher County Water	166,207	\$3.00	\$498,621.00
Phoenix Development	11,601	\$3.00	\$34,803.00

Total

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Water Statistics (Ref Page: 30)**

	Gallons (Omit 000's)	Percent
1. Water Produced, Purchased and Distributed		
2. Water Produced	621,052	
3. Water Purchased	2,753	
4. Total Produced and Purchased	623,805	
6. Water Sales:		
7. Residential	107,291	
8. Commercial		
9. Industrial		
10. Bulk Loading Stations		
11. Resale		
12. Other Sales	311,346	
13. Total Water Sales	418,637	
15. Other Water Used		
16. Utility/water treatment plant	18,137	
17. Wastewater plant	2,164	
18. System flushing	44,600	
19. Fire department	517	
20. Other		
21. Total Other Water Used	65,418	
23. Water Loss:		
24. Tank Overflows		
25. Line Breaks		
26. Line Leaks	141,505	
27. Other		
28. Total Line Loss	141,505	
Note: Line 13 + Line 21 + Line 28 must equal Line 4		
32. Water Loss Percentage		
33. Line 28 divided by Line 4		22.6842



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**Plant Statistics (Ref Page: 31)**

Give the following information	
Number of fire hydrants, by size	24-3" 10-4" 115-6"
Number of private fire hydrants, by size	none
If produced whether water supply is river, impounded streams, well, springs, artificial lake, or collector well	lake
If produced whether supply is by gravity, pumping or a combination	both
Type, capacity, and elevation of reservoirs at overflow and ground level	n/a
Miles of main by size and kind	12 miles- 12" Ductile, 50 Miles- 8" Ductile & PVC, 5.5 Miles 6" PVC & 4 miles 4" PVC, 10 Miles 3" PVC, 8 Miles 2" PVC
Types of filters: gravity or pressure, number of units and total rated in capacity in gal. per min.	Gravity, 4 filters 700 GPM each
Type of disinfectant, number of units and capacity in pounds per 24 hours	2 Chlorine Gas 300 ppd
Station Equipment. List each pump, giving type and capacity, HP of driving unit and character of driving unit (steam/electric/int. combustion) also whether pump is high/ low duty	1- 10 3 Phase electric driven High Service pump & 2- 300 hp
Quantity of fuel used: coal in lbs., gas in cu.ft., oil in gals., and electric in KWH	N/A
Give description and total cost of any sizable additions or retirements to plant and service outside the normal system of growth for the period covered by this report	None
Capacity of clear well	33,000
Peak month, in gallons of water sold	February
Peak day, in gallons of water sold	February 1

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Plant Statistics - Part B (Ref Page: 31)

Type

Choose one to indicate the type of Water Supply

Combination

Plant Statistics - Part C (Ref Page: 31)

Type

Choose one to indicate the type of Water Supply Method

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
------	---------	---------	-------	---------

NOTE: Any mention of page numbers or Line items refers to the annual report published and distributed for the 2002 report period.

Identifications pages (ref 4-6) have been completed.

Balance Sheet - Assets and Other Debts (ref. pg 7)

Utility Plant (Accts 101-106) agrees with Sched: Net Utility Plants Accts 101-106 (ref pg 13) Line: Total Utility Plant	47876852.32	47876852.32	OK	
---	-------------	-------------	----	--

Accts 108-110 Acc. Depreciation and Amort. agrees with Sched: Analysis of Acc. Dep. and Amort. (ref pg 15) Line: Total 301-348 Col h	8375081.00	8375081.00	OK	
--	------------	------------	----	--

Accts 114-115 Utility Plant Acquisition Adjustments agrees with Sched: Utility Plant Acquisition Adjustments (ref pg 16) Line: Net Acquisition Adjustments (114-115)	0	0	OK	
--	---	---	----	--

Accts 123 Investment in Assoc. Companies agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: Total Investment in Associated Companies	0	0	OK	
--	---	---	----	--

Accts 124-125 Utility Investments agrees with Sched: Investments and Spec. Funds (ref pg 17) Sum of Lines: 124 Total Utility Investments and 125 Total Other Investments	0	0	OK	
--	---	---	----	--

Accts 126 Sinking Funds agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: 126 Total Sinking Funds	0	0	OK	
--	---	---	----	--

Accts 127 Other Special Funds agrees with Sched: Investments and Spec. Funds (ref pg 17) Line: Total 127 Other Special Funds	242737.10	242737.10	OK	
--	-----------	-----------	----	--

Accts 141-144 Accounts and Notes Receivable agrees with Sched: Accts and Notes Receivable (ref pg 18) Line: Net Balance 141-144	537287.09	537287.09	OK	
---	-----------	-----------	----	--

Accts 151-153 Material and Supplies agrees with Sched: Material and Supplies (ref pg 19) Line: Total 151-153	0	0	OK	
--	---	---	----	--

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Accts 162 Prepayments agrees with Sched: Prepayments (ref pg 19) Line: Total 162	20045.77	20045.77	OK	
Accts 181 Unamortized Debt Discount and Expense agrees with Sched: Unamortized Debt Discount and Exp. (ref pg 20) Line: Total 181	0	0	OK	
Accts 182 Extraordinary Prop. losses agrees with Sched: Extraordinary Property Losses (ref pg 21) Line: Total 182	0	0	OK	
Accts 186 Misc. Deferred Debits agrees with Sched: Misc. Deferred Debits (ref pg 20) Line: Total 186	0	0	OK	
Balance Sheet - Equity Capital and Liabilities (ref. pg 9)				
Accts 214 Appropriated Retained Earnings agrees with Sched: Statement of Retained Earnings (ref pg 12) Line: Total Appropriated Retained Earnings 214	0	0	OK	
Accts 215.1 Retained Earnings from Income before Contributions with Sched: Statement of Retained Earnings (ref pg 12) Line: Balance End of Year 215.1	-8255487.79	-8255487.79	OK	
Accts 215.2 Donated Capital with Sched: Statement of Retained Earnings (cont. 215.2) (ref pg 12) Line: Balance End of Year 215.2	47629298.04	47629298.04	OK	
Accts 221 Bonds agrees with Sched: Account 221 (ref pg 23) Line: Total Outstanding Bonds Col 4	254300.00	254300.00	OK	
Accts 221 Bonds agrees with Sched: Schedule of Bond Maturities (ref pg 23) Line: Total Remaining Bonds (Col 12)	254300.00	254300.00	OK	
Accts 224 Other Long Term Debt agrees with Sched: Long Term Debt (ref pg 22) Line: Total Acct 224 col f	432008.88	432008.88	OK	
Accts 232 Notes Payable agrees with Sched: Notes Payable (Accts 232 and 234) (ref pg 24) Line: Total Acct 232	0	0	OK	



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

CheckList				
Item	Value 1	Value 2	Agree	Explain
Accts 233 Accounts Payable to Associated Co. agrees with Sched: Accounts Payable to Assoc. Companies (Accts 233) (ref pg 24) Line: Total Acct 233	0	0	OK	
Accts 234 Notes Payable agrees with Sched: Notes Payable (Accts 232 and 234) (ref pg 24) Line: Total Acct 234	0	0	OK	
Accts 236 Taxes Accrued Balance First of Year agrees with Sched: Taxes Accrued (Accts 236) (ref pg 25) Line: Beginning Balance	3855.29	0.0000	NO	Audit Adjustment
Accts 236 Taxes Accrued agrees with Sched: Taxes Accrued (Accts 236) (ref pg 25) Line: Ending Balance	7603.07	7603.04	NO	Rounding
Accts 237 Accrued Interest Balance from Prev Year agrees with Sched: Accrued Interest (Accts 237) (ref pg 25) Line: Total 237 Balance Beginning of Year -Col b	5782.14	5782.14	OK	
Accts 237 Accrued Interest agrees with Sched: Accrued Interest (Accts 237) (ref pg 25) Line: Total 237 Balance End of Year -Col e	43122.00	43122.00	OK	
Accts 242 Misc. Current and Accrued Liabilities agrees with Sched: Misc current and Accrued Liabilities (Accts 242) (ref pg 26) Line: Total Miscellaneous and Current Accrued Liabilities	132485.76	175607.76	NO	Audit Adjustment
Accts 251 Unamortized Premium on Debt agrees with Sched: Unamort Debt Discount and Expense and Premium on Debt (Accts 181 - 251) (ref pg 20) Line: Total 251	0	0	OK	
Accts 252 Advances for Contruction agrees with Sched: Advances for Contstruction (Accts 252) (ref pg 21) Line: Total 252	0	0	OK	
Total Equity Capital and Liabilities agrees with Balance Sheet - Assets and Other Debits: Total Assets and Other Debits	40531949.59	40531949.59	OK	
Comparitive Operating Statement (ref pg 10)				



**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

CheckList				
Item	Value 1	Value 2	Agree	Explain
Accts 400 Operating Revenues agrees with Sched: Water Operating Revenue (Accts 400) (ref pg 27) Line: Total Water Operating Revenues - Col e	1983061.65	1983061.65	OK	
Accts 401 Operating Expenses agrees with Sched: Water Utility Expense Accounts (ref pg 28) Line: Total Accts (601-675) - Col c	1715823.85	1715823.85	OK	
Accts 408.1 Taxes Other than Income agrees with Schedule Taxes Accrued (Acct 236) (ref pg 26) Sum of Accts 408.10 - 408.13	44836.19	44836.1900	OK	
Sum of Accts 408.1 and 408.2 agrees with Sched: Taxes Accrued (Acct 236) (ref pg 25) Line: Total taxes Accrued	44836.19	44836.19	OK	
Accts 427 Interest Expense agrees with Sched: Accrued Interest (Acct 237) (ref pg 25) Line: Total Acct No 237 Col c - Interest Accrued	30064.67	67404.53	NO	Audit Adjustment
Net Income agrees with Sched: Retained Earnings (Acct 237) (ref pg 12) Line: Balance Transferred from Income (Acct 435)	-1227766.95	-1227766.95	OK	
Miscellaenous				
Schedule Net Utility Plant Accts 101 - 106 (ref pg 13) Utility Plant (101) agrees with Sched: Water Utility Plant Accounts (ref pg 14) Line: Total Water Plant Col f - Current Year	47876852.32	47876852.32	OK	
The analysis of water utility plant accounts Cols c though k has been completed (Ref pg 14)				
The analysis of accumulated depreciation and amortization by primary account has been completed. (Ref pg 14)				
Sched: Misc. Deffered Debits (Acct 186) Deffered Rate Case (Acct 186.1) agrees with Sched: Amort. of Rate Case (Acct 665 and 667) (ref pg 26) Line: Total Col c - Amt Transferred to 186.1	0	0	OK	
Schedule of Long Term Debt has been completed (ref pg 22)				

**19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014**

**CheckList**

Item	Value 1	Value 2	Agree	Explain
Schedule of Bond Maturities has been completed (ref pg 23)				
Taxes collected (example: school tax, sales tax, franchise tax ) have been excluded from Operating Revenue ( Ref pg 29)				
The analysis of water opertating revenue Cols c,d and e have been completed. (Ref pg 28)				
The analysis of water utility expense accounts Cols c through k have been completed. (Ref pg 28)				
Schedule of Pumping and Purchased Water Statistics has been completed ( Ref pg 29)				
Sched Pumping and Water Statistics - part one (ref pg 29) Line Total for the year - Col Total (d) agrees with Sched Water Statistics (ref pg 30) Line 4. Total Produced and Purchased Col Gallons	623805	623805	OK	
Sched Pumping and Water Statistics - part one (ref pg 29) Line Total for the year - Col Water Sold(e) agrees with Sched Water Statistics (ref pg 30) Line Total Water Sales Col Gallons	418637	418637	OK	
Sched Sales for Resale (ref pg 30) 466 Total Gal agrees with Sched Water Statistics (ref pg 30) Total Water Sales	0	0	OK	
Oath Page Has been Completed				

19400 Knott County Water & Sewer District 01/01/2014 - 12/31/2014

Upload supporting documents

Document	Description	Supports
----------	-------------	----------

## OATH

Commonwealth of Kentucky )  
 ) ss:  
 County of Knott )

Kyle Smith makes oath and says  
 (Name of Officer)

that he/she is CFO of  
 (Official title of officer)

Knott County Water & Sewer District  
 (Exact legal title or name of respondent)

that it is his/her duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he/she knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he/she has carefully examined the said report and to have the best of his/her knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he/she believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 01, 2014 , to and including December 31, 2014

Kyle Smith  
 (Signature of Officer)

subscribed and sworn to before me, a Notary Public , in and for  
 the State and County named in the above this Kyle Smith

(Apply Seal Here)

My Commission expires July 3, 1916  
Kathy Lynn Carter Kilbourne  
 (Signature of officer authorized to administer oath)