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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

JAN 31 2018
PUBLIC SERVICE
COMMISSION

In the Matter of:

JONATHAN CREEK WATER DISTRICT)	
AND ITS INDIVIDUAL COMMISSIONERS,)	
JIMMY TUBBS, BARRY HILL, JOSH)	CASE NO.
MEDLEY, MARK HOLT, AND KARA)	2017-00469
WILSON)	
_____)	
)	
ALLEGED FAILURE TO COMPLY WITH)	
KRS 278.300)	

**RESPONDENT JONATHAN CREEK WATER DISTRICT'S RESPONSE
TO THE COMMISSION'S ORDER OF JANUARY 11, 2018**

Respondent, Jonathan Creek Water District ("District"), by and through counsel, for its response to the Public Service Commission's ("PSC's") Order of January 11, 2018 ("PSC's Order"), states as follows:

Parties / Commissioners

1. The District is a water district located in Marshall County, Kentucky, created and existing under and by virtue of KRS Chapter 74 and is subject to the provisions of KRS Chapter 278. The District's principal place of business is located at 7564 U.S. Highway, Benton, Kentucky 42025.

2. Pursuant to KRS 74.020, and as determined by the Marshall County judge/executive, the District is administered by a board composed of five commissioners ("Board").

3. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2016 which is on file with the PSC. The Annual Report is incorporated herein by reference.

4. On May 3, 2016, the date of the alleged violation, the Board consisted of the following commissioners: Larry Conner, Barry Hill, Mark Holt, Leon Lovett, and Jimmie Tubbs. (*See Minutes of the District's Board of Commissioners dated April 26, 2016 attached hereto as **Exhibit A***).

5. Of those, Jimmie Tubbs is the only named individual that is currently serving on the Board. He joined the Board on July 1, 2015. His term expires on June 30, 2019.

6. Barry Hill no longer serves on the Board, his term having expired on June 30, 2017.

7. Mark Holt no longer serves on the Board due to his resignation on June 28, 2017.

8. Leon Lovett no longer serves on the Board having died on January 17, 2017.

9. Larry Conner no longer serves on the Board, his term having expired on June 30, 2016.

10. Josh Medley, a named commissioner, was not on the Board at the time of the alleged violation. He did not join the Board until July 1, 2016. (*See Minutes of the Marshall County Fiscal Court dated June 21, 2016 attached hereto as **Exhibit B***). He replaced Larry Conner.

11. Kara Wilson, a named commissioner, was not on the Board at the time of the alleged violation. She did not join the Board until February 7 2017. (*See Minutes of the Marshall County Fiscal Court dated February 7, 2017 attached hereto as **Exhibit C***). The Marshall County Fiscal Court appointed her to serve the remaining term of former commissioner Leon Lovett upon his death.

Loan Subject to Alleged Violation

12. On May 3, 2016, the District obtained a loan from Community Financial Services Bank (“CFSB”) in the amount of \$600,671.50 (“Subject Loan”). This loan is payable in monthly installments of \$10,850.22, with a final maturity date of April 15, 2021. This loan has an interest rate of 3.15% per year.

13. The District used the proceeds of the Subject Loan to discharge or refund loans originally from the United States of America ex. re. Farmers Home Administration (later assigned to GMAC Commercial Mortgage, then Berkadia) (“GMAC Loan”) and the Kentucky Infrastructure Authority (“KIA”); to fund capital projects; and to purchase capital assets. Specifically, the District used the proceeds of this loan as follows:

- a. \$136,409.86 to refinance loans relating to the GMAC Loan and KIA Loan;
- b. \$203,169.36 to refinance the purchase of the following equipment in 2015:
 - i. \$20,000.00 – 2015 Chevrolet 2500 Truck
 - ii. \$15,683.36 – Air Compressor for Pneumatic Mole
 - iii. \$74,766.00 – SCADA and Telemetry System Upgrades
 - iv. \$10,000.00 – Kubota backhoe attachment
 - v. \$82,720.00 – 2015 John Deere Backhoe;
- c. \$220,892.37 to paint the Reed Water Tank (100,000 gallon);
- d. \$39,283.50 to repair a downed well; and
- e. \$916.41 in closing costs and other expenses

14. The Subject Loan was intended to assist the District in improving the quality of its services by allowing it to purchase more reliable equipment, make necessary repairs and maintenance to the District’s existing infrastructure, upgrade its telemetry systems for

more time-saving, accurate and reliable readings, and provide reduced interest rates on existing debt obligations, among other things.

15. The District did not intend any harm or malevolence in obtaining the Subject Loan. Indeed, the District thought the Subject Loan to be in the best interest of the District.

16. The District reported the Subject Loan in its 2016 financial statements filed with the PSC on May 31, 2017, a copy of which is attached as **Exhibit D**.

17. The District reported the prior loans the Subject Loan refunded in its 2011, 2012, 2013, 2014, and 2015 financial disclosure statements filed with the PSC, copies of which are attached as **Exhibits E, F, G, H, and I** respectively.

WHEREFORE, the District requests that the PSC issue an order dismissing this proceeding with prejudice and cancelling the hearing scheduled for February 27, 2018.



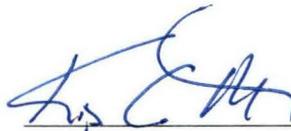
MARTIN W. JOHNSON
KIP C. MATHIS
JOHNSON & MATHIS
1114 Main Street
P. O. Box 450
Benton, KY 42025
Phone: 270-527-3153
Fax: 270-527-9276
Email: mj@mjohnson-law.com

*Counsel for Respondent,
Jonathan Creek Water District*

CERTIFICATE OF MAILING

The undersigned hereby certifies that he overnighted the original copy of the foregoing and exhibits thereto, along with ten (10) copies of same, to the following on this 30th day of January, 2018:

Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602-0615



MARTIN W. JOHNSON
KIP C. MATHIS

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served upon the following by U.S. first class mail, postage prepaid, on this 30th day of January, 2018:

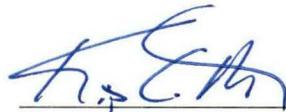
Jimmie Tubbs
510 Green Acres
Benton, KY 42025

Barry Hill
281 Wildwood Ln.
Benton, KY 42025

Mark Holt
415 Nelson Ln.
Benton, KY 42025

Joshua Medley
3098 Olive Hamlet Rd.
Benton, KY 42025

Kara Wilson
586 Forest Rd.
Benton, KY 42025



MARTIN W. JOHNSON
KIP C. MATHIS

**JONATHAN CREEK WATER DISTRICT
BOARD OF COMMISSIONERS MEETING
REGULAR SESSION
April 26, 2016**

The Jonathan Creek Water District Board of Commissioners met in regular session on Tuesday, April 26, 2016 at the Jonathan Creek Water District Office, 7564 U.S. HWY 68 East, Benton, Kentucky.

BOARD MEMBERS PRESENT: Barry Hill, Mark Holt, Leon Lovett, and Jimmie Tubbs. Chairman Larry Conner presided.

ATTENDANCE: Superintendent David Lovett, Jinner Lovett, Jada Harrison, Larry Gipson, Jim Dossett and Beth Hull.

I. CALL TO ORDER

A. Chairman Larry Conner called the meeting to order at 5:30pm.

II. GUESTS

A. Beth Hull

Regarding the situation for which she was hired and not wanting to be the office manager.

III. APPROVAL OF THE MINUTES & FINANCIAL REPORT

A. A motion was made by Barry Hill and seconded by Mark Holt to approve the minutes of the March 22, 2016 meeting and the special meeting of March 30 and April 7th. All voted aye. Motion carried.

B. A motion was made by Jimmie Tubbs and seconded by Larry Connor to approve the financial report. All voted aye. Motion carried.

IV. SUPERINTENDENT'S REPORT

A. Superintendent update

a. Waiting for Reed tank final inspection before we put water in it.

b. Jack Tres line is laid put water in it. Waiting for samples to come back.

c. .

V. OLD BUSINESS

A. Leon Lovett asked about the progress of the well cleaning. David Lovett said the pump was bad And five pieces of the pipe had holes. They are taking it back to St. Louis and sand blasting to checkout how much is bad and how much is good. They will let us know and how much. Barry wants David to check on price of new pump.

B. Barry Hill asked David Lovett about trencher prices. Appox 8000.00

VI. NEW BUSINESS

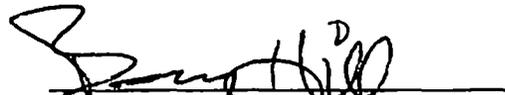
- A. Bank draw down loan. Talked about raising to \$600,00.00, Also the loan would be signed by Larry Conner, Barry Hill and David Lovett. Motion made by Mark Holt seconded by Jimmie Tubbs. All voted aye. Motion carried.
- B. Talked about maybe changing the pay period and time cards and rules.
- C. Discussed the Reed tank invoice part 1 57,000.00 and part 2 153,000.00 To pay 57,000.00 the remainder to be paid after inspection approval. Motion made by Jimmie Tubbs seconded by Mark Holt. All voted aye. Motion carried.

6:25 to 7:30 went into executive session.

After session the motion was made to authorize Larry Conner to sign and execute the Agreement with Christina Mathis. Motion made by Barry Hill and seconded by Jimmie Tubbs. All voted aye. Motion carried.

Recorded and transcribed by:
Beth Hull

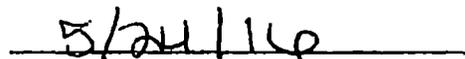

Larry Conner, Chairman


Barry Hill, Treasurer


Leon Lovett, Vice Chairman


Jimmie Tubbs, Secretary


Mark Holt, Member


Date Signed

Marshall County Fiscal Court
June 21, 2016

The Marshall County Fiscal Court met in regular session on Tuesday, June 21, 2016 in the Fiscal Courtroom, Marshall County Courthouse, Benton, Kentucky. Elected Commissioners: Bob Gold, Dr. Rick Cocke, and Johnny Bowlin; County Attorney Jeff Edwards and Assistant County Attorney Jason Darnall were present. Kevin Neal, County Judge/Executive presided.

I. GUESTS:

A. ABC Administrator Scott Brown presented his quarterly report.

II. CORRESPONDENCE:

A. Judge Neal presented an ad for The Lake News Ameribration celebration, the cost of the ad is \$819.00. A motion was made by Com. Cocke and seconded by Com. Gold to place the Ameribration ad in The Lake News. All voted aye. Motion carried.

III. OLD BUSINESS:

A. A motion was made by Com. Cocke and seconded by Com. Gold to approve the minutes of the June 7th meeting. All voted aye. Motion carried.

B. The County Road Aid Cooperative Program Agreement and Resolution was presented. A motion was made by Com. Bowlin and seconded by Com. Gold for Judge Neal to sign the agreement. All voted aye. Motion carried. A motion was made by Com. Cock and seconded by Com. Gold for Judge Neal to sign the Resolution. All voted aye. Motion carried.

C. After discussion regarding fire protection and maintenance bids a motion was made by Com. Gold and seconded by Com. Cocke to accept the bid from FirstLine Fire Extinguisher Co., Paducah, KY. All voted aye. Motion carried.

After discussion regarding random and post accident drug screens a motion was made by Com. Cocke and seconded by Com. Gold to accept the bid from Ensite, LLC, Paducah, KY. All voted aye. Motion carried.

IV. NEW BUSINESS:

A. A motion was made by Com. Gold and seconded by Com. Bowlin to approve the building inspector agreement with the change of mileage to reflect the GSA POV mileage rate. All voted aye. Motion carried.

B. Judge Neal read a summary of Ordinance #2016-06 Administration Code, 2nd reading. A motion was made by Com. Cocke and seconded by Com. Bowlin to accept and approve the ordinance as presented. All voted aye. Motion carried.

C. After discussion, a motion was made by Com. Bowlin and seconded by Com. Cocke to reappoint Donald Kilby to the Palma Briensburg Fire Department Board. All voted aye. Motion carried.

D. A motion was made by Com. Cocke and seconded by Com. Gold to appoint Judy Price and Mikel Green to fill the positions of Aundrea Fralix and Amanda Holley who are both resigning effective June 30, 2016 to the West Marshall Fire District Board. All voted aye. Motion carried.

A motion was made by Com. Cocke and seconded by Com. Bowlin to reappoint Rhonda Henson to the West Marshall Fire District Board whose term expires June 30, 2016. All voted aye. Motion carried.

E. A motion was made by Com. Bowlin and seconded by Com. Gold to appoint Brett Edwards to the East Marshall Fire Department Board effective July 1, 2016. All voted aye. Motion carried.

F. A motion was made by Com. Cocke and seconded by Com. Bowlin to change the Fiscal Court bank account signees to Treasurer Emily Martin, Judge/Executive Kevin Neal and Deputy Judge Brad Warning. All voted aye. Motion carried.

G. A motion was made by Judge Neal and seconded by Com. Cocke to appoint Josh Medley to the Jonathan Creek Water District Board to replace Larry Conners. Com. Cocke and Com. Bowlin voted aye. Com. Gold voted no. Motion carried.

H. Judge Neal stated the committee that conducted interviews for the Road Department open positions recommended Wendy Greer to take the place of Russell York and Roy Wadkins to take the place of Frankie Sledd, both effective July 1, 2016. A motion was made by Com. Cocke and seconded by Com. Gold to approve those recommendations. All voted aye. Motion carried.

I. A motion was made by Com. Gold and seconded by Com. Bowlin to approve payment of the bills. All voted aye. Motion carried.

J. A motion was made by Com. Gold and seconded by Com. Bowlin to go in to Executive Session to discuss personnel at Fairdealing-Olive Fire Department. All voted aye. Motion carried.

K. Judge Neal called court back to order.

L. The July 12th Fiscal Court meeting was rescheduled to July 11th at 9:30 a.m.

M. A motion was made by Com. Gold and seconded by Com. Cocke to adjourn. All voted aye. Motion carried.

Respectfully submitted by,

Desiree' Hermosillo
Fiscal Court Clerk

Marshall County Fiscal Court
February 7, 2017

The Marshall County Fiscal Court met in regular session on Tuesday, February 7, 2017 in the Fiscal Courtroom, Marshall County Courthouse, Benton, Kentucky. Elected Commissioners: Dr. Rick Cocke, Bob Gold and Johnny Bowlin; County Attorney Jeff Edwards and Assistant County Attorney Dennis Foust were present. Kevin Neal, County Judge/Executive presided.

I. GUESTS:

A. Tim York, Marshall County Clerk, presented the Clerk's 2016 Financial Settlement, excess fees paid to Marshall County Fiscal Court totaled \$274,787.62. A motion as made by Com. Cocke and seconded by Com. Gold to accept the Clerk's 2016 Financial Settlement subject to audit. All voted aye. Motion carried.

B. Scott Brown, ABC Administrator, presented his Quarterly Report. Mr. Brown stated this was a short quarter and the total monies received was \$72,852.63.

C. Casey Madole with Friends of Clarks River gave a presentation on a wildlife festival stating they would like to partner with the Wildlife Refuge and Marshall County in order to put on the festival. Ms. Madole stated Marshall County's part would be an in kind contribution consisting of hosting the festival at Mike Miller Park and providing employees to assist festival workers. A motion was made by Com. Bowlin and seconded by Com. Gold to allow Marshall County to be involved with the festival. All voted aye. Motion carried.

II. CORRESPONDENCE:

A. Judge Neal read a letter regarding the 2016-17 Waste Tire Grant completion.

B. Judge Neal read a letter from 911 Board Chairman Bryan Cutsinger regarding possible funding options for 911.

III. OLD BUSINESS:

A. A motion was made by Com. Bowlin and seconded by Com. Gold to approve the minutes of the January 17th meeting. All voted aye. Motion carried.

B. Emergency Management Director Curt Curtner gave an update on FEMA reimbursements from the July flooding.

C. Shawn Miller with DLZ Engineering presented a cost estimate to replace the bridge on Shar Cal Road. The final cost of the bridge is estimated at \$652,500.00. A motion was made by Com. Cocke and seconded by Com. Bowlin to move forward with DLZ Engineering to get the new bridge in place. All voted aye. Motion carried.

D. Deputy Judge Executive Brad Warning read the county uniform bid advertisement published in the January 24th and January 31st editions of the Tribune Courier. Three bids were received. There was question on one of the bids that came in late but was sent overnight by UPS. After discussion with County Attorney Jeff Edwards it was decided the late bid needed to be looked into, if the bidder can prove it was supposed to arrive before the deadline the bid will qualify. This item was tabled for further review until the next meeting.

E. The ambulance contract with Marshall County Hospital was discussed. Jeremy Jeffery Executive Director of Mercy Regional Ambulance in Paducah spoke about managing their ambulance service and answered questions regarding transitioning taking over an ambulance service.

IV. NEW BUSINESS:

A. A motion was made by Com. Gold and seconded by Com. Bowlin to appoint Kara Wilson to the Jonathan Creek Water District Board. All voted aye. Motion carried.

B. A motion was made by Com. Gold and seconded by Com. Bowlin to approve the non-constitution elected officials new salaries. All voted aye. Motion carried.

C. There was discussion on delaying Fiscal Court Employee's payday by one week to prevent estimations of employees times worked. All three commissioners requested employee feedback on the issue before taking any action.

D. Mandatory direct deposit was discussed. All three commissioners requested employee feedback on the issue before taking any action.

E. A motion was made by Com. Gold and seconded by Com. Bowlin to accept the Marshall County District Cooperative Extension Board Audited Financial Statements June 30, 2016. All voted aye. Motion carried.

F. A motion was made by Com Bowlin and seconded by Com. Cocke to accept the 2016 Marshall County Sheriff Fee Settlement. All voted aye. Motion carried.

G. The Sheriff's Department fuel line item was discussed. Treasurer Emily Martin stated there were some funds that could be moved to that line item. A motion was made by Com. Gold and seconded by Com. Bowlin to approve distributing those funds as Treasurer Emily Martin and Sheriff Byars see fit. All voted aye. Motion carried.

H. Treasurer Emily Martin requested an Intrafund Transfer moving \$260,939.49 from the General Fund to the Road Fund (Bank ONLY – FEMA DR4278). A motion was made by Com. Gold and seconded by Com. Bowlin to approve the transfer. All voted aye. Motion carried.

I. A motion was made by Com. Gold and seconded by Com. Cocke to approve the Appropriation Transfer. All voted aye. Motion carried.

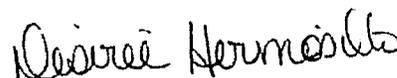
J. A motion was made by Com. Bowlin and seconded by Com. Gold to approve payment of the bills. All voted aye. Motion carried.

K. A motion was made by Com. Gold and seconded by Com. Bowlin to go in to Executive Session to discuss personnel. All voted aye. Motion carried.

L. Jude Neal called court back to order.

M. A motion was made by Com. Cocke and seconded by Com. Bowlin to adjourn. All voted aye. Motion carried.

Respectfully submitted by,



Desiree Hermsillo
Fiscal Court Clerk

JONATHAN CREEK WATER DISTRICT
Notes to Financial Statements
December 31, 2016

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2016:

CFSB loan #2 was used to refinance the balance of CFSB loan #1 and to purchase capital assets. The interest rate of the loan is 3.15% and will mature April 15, 2021. Payments of \$10,850.22 are due in monthly installments.

	\$ 535,894
Total debt	\$ 535,894

Principal and interest maturities of long-term debt are as follows:

	Principal	Interest	Total
2017	\$ 115,097	\$ 15,111	\$ 130,208
2018	118,745	11,462	130,207
2019	122,510	7,697	130,207
2020	126,393	3,814	130,207
2021	53,149	387	53,536
	\$ 535,894	\$ 38,471	\$ 574,365

Long-term debt activities for the year ended December 31, 2016 are as follows:

	For the Year Ended December 31, 2016				
	Beginning Balance	Additions	Debt Payments and Reductions	Ending Balance	Amount due within One Year
CFSB Loan #2	\$ -	\$ 600,573	\$ (64,679)	\$ 535,894	\$ 115,097
CFSB Loan #1	346,982	25,000	(371,982)	-	-
	\$ 346,982	\$ 625,573	\$ (436,661)	\$ 535,894	\$ 115,097

Note 4 – Cash and Investments

The carrying amount of the District's cash deposits was \$101,365 year ending December 31, 2016 and the bank balance, was \$103,953. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank. All deposits are held at Community Financial Services Bank. All deposits are insured under FDIC.

**JONATHAN CREEK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation on these assets and amounts in accumulated depreciation were as follows:

	Balance 12/31/10	Additions	Dispositions	Balance 12/31/11
Accumulated depreciation:				
Organization	\$ 5,702	\$ 0	\$ 0	\$ 5,702
Land & land rights	4,813	248	0	5,061
Structures & improvements	4,743	694	0	5,437
Wells & springs	37,595	1,829	0	39,424
Pumping equipment	131,111	6,144	0	137,255
Water treatment equipment	291,709	7,582	0	299,291
Distribution reservoirs & standpipes	552,163	9,826	0	561,989
Transmission & distribution mains	1,471,659	88,390	0	1,560,049
Services	44,229	1,156	0	45,385
Meters & meter installations	240,222	31,399	0	271,621
Hydrants	50,768	4,148	0	54,916
Office furniture and equipment	14,320	872	0	15,192
Transportation equipment	22,287	0	0	22,287
Tools, shop & garage equipment	3,045	449	0	3,494
Power operated equipment	35,171	3,888	0	39,059
Communication equipment	1,958	0	0	1,958
Miscellaneous equipment	148,765	2,477	0	151,242
Total	<u>\$ 3,060,260</u>	<u>\$ 159,102</u>	<u>\$ 0</u>	<u>\$ 3,219,362</u>

NOTE 5 - LONG-TERM LIABILITIES

At year end, the District's long-term liabilities consisted of a loan from the Kentucky Infrastructure Authority (KIA) and GMAC loans. The GMAC loans are payable annually and all carry an interest rate of 5%. One is payable at \$69,349 each January 1 with a final maturity date of January 1, 2018. The second is payable at \$8,420 each September 23 with a final maturity date of September 23, 2018. The KIA loan is payable monthly at varying amounts and at interest rates varying from 3.16% to 5.29%.

JONATHAN CREEK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The activity of long-term debt for the year was as follows:

	Balance 12/31/10	Additions	Retirements	Balance 12/31/11	Due Within One Year
GMAC loans	\$ 446,687	\$ 0	\$ 55,448	\$ 391,239	\$ 6,116
KIA loan	774,286	0	170,885	603,401	179,761
Total	<u>\$ 1,220,973</u>	<u>\$ 0</u>	<u>\$ 226,333</u>	<u>\$ 994,640</u>	<u>\$ 185,877</u>

Principal and interest requirements to retire the District's long-term obligations were as follows:

Year Ended December 31	Interest	Service Fee	Principal	Total
2012	\$ 33,516	\$ 1,189	\$ 185,877	\$ 220,582
2013	40,298	824	249,141	290,263
2014	28,245	395	261,062	289,702
2015	14,592	34	98,244	112,870
2016	10,016	0	67,830	77,846
2017-2018	9,688	0	132,486	142,174
	<u>\$ 136,355</u>	<u>\$ 2,442</u>	<u>\$ 994,640</u>	<u>\$ 1,133,437</u>

NOTE 6 - RETIREMENT PLAN

The District's employees participate in the County Employees Retirement System (CERS) which is a cost-sharing, multiple-employer defined benefit public employee retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. The CERS provides for retirement, disability and death benefits to plan members and beneficiaries. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the CERS. That report may be obtained by writing to the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

Plan members are required to contribute 5% of creditable compensation and the District is required to contribute at an actuarially determined rate, which was 16.93% until July, 2011, at which time the rate was increased to 18.96%.

The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. The District's contributions to the CERS for the years ended December 31, 2011, 2010, and 2009 were \$37,474, \$30,806, and \$21,222 respectively, equal to the required contributions for each year.

JONATHAN CREEK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation on these assets and amounts in accumulated depreciation were as follows:

	Balance 12/31/11	Additions	Dispositions	Balance 12/31/12
Accumulated depreciation:				
Organization	\$ 5,702	\$ 0	\$ 0	\$ 5,702
Land & land rights	5,061	124	0	5,185
Structures & improvements	5,437	1,037	0	6,474
Wells & springs	39,424	1,830	0	41,254
Pumping equipment	137,255	7,882	0	145,137
Water treatment equipment	299,291	7,581	0	306,872
Distribution reservoirs & standpipes	561,989	9,826	0	571,815
Transmission & distribution mains	1,560,049	89,239	0	1,649,288
Services	45,385	1,195	0	46,580
Meters & meter installations	271,621	33,146	0	304,767
Hydrants	54,916	3,807	0	58,723
Office furniture and equipment	15,192	204	0	15,396
Transportation equipment	22,287	1,945	0	24,232
Tools, shop & garage equipment	3,494	670	0	4,164
Power operated equipment	39,059	2,389	0	41,448
Communication equipment	1,958	0	0	1,958
Miscellaneous equipment	151,242	2,746	0	153,988
Total	<u>\$ 3,219,362</u>	<u>\$ 163,621</u>	<u>\$ 0</u>	<u>\$ 3,382,983</u>

NOTE 5 - LONG-TERM LIABILITIES

At year end, the District's long-term liabilities consisted of a loan from the Kentucky Infrastructure Authority (KIA) and GMAC loans. The GMAC loans are payable annually and all carry an interest rate of 5%. One is payable at \$69,349 each January 1 with a final maturity date of January 1, 2018. The second is payable at \$8,420 each September 23 with a final maturity date of September 23, 2018. The KIA loan is payable monthly at varying amounts and at interest rates varying from 3.16% to 5.29%.

JONATHAN CREEK WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2012

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The activity of long-term debt for the year was as follows:

	Balance 12/31/11	Additions	Retirements	Balance 12/31/12	Due Within One Year
Berkadia loans	\$ 391,239	\$ 0	\$ 58,210	\$ 333,029	\$ 61,118
KIA loan	603,401	0	179,760	423,641	190,504
Total	<u>\$ 994,640</u>	<u>\$ 0</u>	<u>\$ 237,970</u>	<u>\$ 756,670</u>	<u>\$ 251,622</u>

Principal and interest requirements to retire the District's long-term obligations were as follows:

Year Ended December 31	Interest	Service Fee	Principal	Total
2013	\$ 37,814	\$ 824	\$ 251,622	\$ 290,260
2014	25,517	395	263,682	289,594
2015	11,732	34	101,010	112,776
2016	7,018	0	70,751	77,769
2017	3,480	0	64,702	68,182
2018	244	0	4,903	5,147
	<u>\$ 85,805</u>	<u>\$ 1,253</u>	<u>\$ 756,670</u>	<u>\$ 843,728</u>

NOTE 6 - RETIREMENT PLAN

The District's employees participate in the County Employees Retirement System (CERS) which is a cost-sharing, multiple-employer defined benefit public employee retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. The CERS provides for retirement, disability and death benefits to plan members and beneficiaries. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the CERS. That report may be obtained by writing to the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

Plan members are required to contribute 5% of creditable compensation and the District is required to contribute at an actuarially determined rate, which was 18.96% until July, 2012, at which time the rate was increased to 19.55%.

The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. The District's contributions to the CERS for the years ended December 31, 2012, 2011, and 2010 were \$42,434, \$37,474, and \$30,806 respectively, equal to the required contributions for each year.

JONATHAN CREEK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation on these assets and amounts in accumulated depreciation were as follows:

	Balance 12/31/12	Additions	Dispositions	Balance 12/31/13
Accumulated depreciation:				
Organization	\$ 5,702	\$ 0	\$ 0	\$ 5,702
Land & land rights	5,185	124	0	5,309
Structures & improvements	6,474	1,296	0	7,770
Wells & springs	41,254	1,829	0	43,083
Pumping equipment	145,137	7,783	0	152,920
Water treatment equipment	306,872	7,802	0	314,674
Distribution reservoirs & standpipes	571,815	9,827	0	581,642
Transmission & distribution mains	1,649,288	89,753	0	1,739,041
Services	46,580	1,345	0	47,925
Meters & meter installations	304,767	34,500	0	339,267
Hydrants	58,723	3,536	0	62,259
Office furniture and equipment	15,396	431	0	15,827
Transportation equipment	24,232	3,890	0	28,122
Tools, shop & garage equipment	4,164	1,214	0	5,378
Power operated equipment	41,448	3,245	0	44,693
Communication equipment	1,958	0	0	1,958
Miscellaneous equipment	153,988	2,792	0	156,780
Total	\$ 3,382,983	\$ 169,367	\$ 0	\$ 3,552,350

NOTE 5 - LONG-TERM LIABILITIES

At year end, the District's long-term liabilities consisted of loans from the Kentucky Infrastructure Authority (KIA) and CFSB. The CFSB loan was obtained in order to pay off loans held by Berkadia. The loan is payable semi-annually and carries an interest rate of 4%. Payments are \$37,483 each February and August with a final maturity date of February 6, 2018. The KIA loan is payable monthly at varying amounts and at interest rates varying from 3.16% to 5.29%. The final maturity date is February 1, 2015.

JONATHAN CREEK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The activity of long-term debt for the year was as follows:

	Balance 12/31/12	Additions	Retirements	Balance 12/31/13	Due Within One Year
Berkadia loans	\$ 333,029	\$ 0	\$ 333,029	\$ 0	\$ 0
CFSB loan	0	336,222	30,721	305,501	63,205
KIA loan	423,641	0	190,505	233,136	199,508
Total	<u>\$ 756,670</u>	<u>\$ 336,222</u>	<u>\$ 554,255</u>	<u>\$ 538,637</u>	<u>\$ 262,713</u>

Principal and interest requirements to retire the District's long-term obligations were as follows:

Year Ended December 31	Interest	Service Fee	Principal	Total
2014	\$ 23,683	\$ 395	\$ 262,713	\$ 286,791
2015	10,517	34	99,423	109,974
2016	6,493	0	68,474	74,967
2017	3,671	0	71,295	74,966
2018	751	0	36,732	37,483
	<u>\$ 45,115</u>	<u>\$ 429</u>	<u>\$ 538,637</u>	<u>\$ 584,181</u>

NOTE 6 - RETIREMENT PLAN

The District's employees participate in the County Employees Retirement System (CERS) which is a cost-sharing, multiple-employer defined benefit public employee retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. The CERS provides for retirement, disability and death benefits to plan members and beneficiaries. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the CERS. That report may be obtained by writing to the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

Plan members are required to contribute 5% of creditable compensation and the District is required to contribute at an actuarially determined rate, which was 19.55% until July, 2013, at which time the rate was increased to 18.89%.

The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. The District's contributions to the CERS for the years ended December 31, 2013, 2012, and 2011 were \$40,700, \$42,434, and \$37,474 respectively, equal to the required contributions for each year.

JONATHAN CREEK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation on these assets and amounts in accumulated depreciation were as follows:

	Balance 12/31/13	Additions	Dispositions	Balance 12/31/14
Accumulated depreciation:				
Organization	\$ 5,702	\$ 0	\$ 0	\$ 5,702
Land & land rights	5,309	-	0	5,309
Structures & improvements	7,770	1,504	0	9,274
Wells & springs	43,083	1,829	0	44,912
Pumping equipment	152,920	8,590	0	161,510
Water treatment equipment	314,674	8,164	0	322,838
Distribution reservoirs & standpipes	581,642	9,899	0	591,541
Transmission & distribution mains	1,739,041	90,005	0	1,829,046
Services	47,925	1,504	0	49,429
Meters & meter installations	339,267	35,720	27,017	347,970
Hydrants	62,259	3,284	0	65,543
Office furniture and equipment	15,827	1,666	0	17,493
Transportation equipment	28,122	6,420	5,000	29,542
Tools, shop & garage equipment	5,378	2,232	0	7,610
Power operated equipment	44,693	4,102	0	48,795
Communication equipment	1,958	0	0	1,958
Miscellaneous equipment	156,780	2,095	1,249	157,626
Total	<u>\$ 3,552,350</u>	<u>\$ 177,014</u>	<u>\$ 33,266</u>	<u>\$ 3,696,098</u>

NOTE 5 - LONG-TERM LIABILITIES

At year end, the District's long-term liabilities consisted of two loans from CFSB and a capital lease payable to Advance Acceptance. The CFSB loans were obtained in order to pay off loans held by Berkadia and KIA. The first loan is payable semi-annually and carries an interest rate of 4%. Payments are \$37,483 each February and August with a final maturity date of February 6, 2018. The second loan is payable on January 31, 2015. The capital lease is payable monthly and carries an interest rate of 8.5%. Payments are \$160 per month with a final maturity date of May 12, 2017.

JONATHAN CREEK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The activity of long-term debt for the year was as follows:

	Balance 12/31/13	Additions	Retirements	Balance 12/31/14	Due Within One Year
CFSB loan #1	\$ 305,501	\$ 0	\$ 63,213	\$ 242,288	\$ 65,928
CFSB loan #2	0	142,428	24,243	118,185	118,185
Capital lease	0	5,100	922	4,178	1,626
KIA loan	233,136	0	233,136	0	0
Total	<u>\$ 538,637</u>	<u>\$ 147,528</u>	<u>\$ 321,514</u>	<u>\$ 364,651</u>	<u>\$ 185,739</u>

Principal and interest requirements to retire the District's long-term obligations were as follows:

Year Ended December 31	Interest	Principal	Total
2015	\$ 11,200	\$ 185,739	\$ 196,939
2016	6,525	70,360	76,885
2017	3,621	72,145	75,766
2018	728	36,407	37,135
	<u>\$ 22,074</u>	<u>\$ 364,651</u>	<u>\$ 386,725</u>

NOTE 6 - RETIREMENT PLAN

The District's employees participate in the County Employees Retirement System (CERS) which is a cost-sharing, multiple-employer defined benefit public employee retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. The CERS provides for retirement, disability and death benefits to plan members and beneficiaries. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the CERS. That report may be obtained by writing to the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

Plan members are required to contribute 5% of creditable compensation and the District is required to contribute at an actuarially determined rate, which was 18.89% until July, 2014, at which time the rate was increased to 17.67%.

The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. The District's contributions to the CERS for the years ended December 31, 2014, 2013, and 2012 were \$35,642, \$40,700, and \$42,434 respectively, while the required contributions were \$37,695, \$40,700, and \$42,434 respectively.

JONATHAN CREEK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Long-term Debt

At year end, the District's long-term liabilities consisted of the following loan:

- (1) CFSB loans, the balances of the loans were combined in the new CFSB line of credit as of December 31, 2015.
- (2) Capital lease, the balances of the lease was fully paid off as of December 31, 2015.
- (3) The District has a CFSB line of credit with a balance of \$347 thousand as of December 31, 2015, which will be converted into a note in May of 2016.

The following is a summary of long-term debt transactions for the year ended December 31, 2015.

	Balance 12/31/14	Issued	Retired	Balance 12/31/15	Due Within One Year
CFSB loan #1	242,288	-	242,288	-	-
CFSB loan #2	118,185	-	118,185	-	-
CFSB llnce of credit	-	436,651	89,669	346,982	346,982
Capital lease	4,178	-	4,178	-	-
Total long-term debt	364,651	436,651	454,320	346,982	346,982
Accrued vacation	-	3,618	-	3,618	-
Total Long-Term Liabilities	\$ 364,651	\$ 440,269	\$ 454,320	\$ 350,600	\$ 346,982

NOTE 4 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year ended December 31, 2015, the District purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

B. Retirement Plan

For the year ended December 31, 2015, the District's total covered payroll for all employees was \$201,612. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

County Employees Retirement System Non-Hazardous (CERS)

Plan description – Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit plan. CERS is administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees