

MEADE COUNTY WATER DISTRICT
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013

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William A. Talley
Jon D. Chesser
Bob E. Wientjes

Kentucky Offices:
Louisville
Brandenburg
Bardstown

INDEPENDENT AUDITORS' REPORT

Commissioners
Meade County Water District
Brandenburg, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

Opinion

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 Meade County Water 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the budgetary comparison information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 statement is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Meade County Water District's basic financial statements. The supplementary information is prepared for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2014, on our consideration of the Meade County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meade County Water District's internal control over financial reporting and compliance.

Richardson, Pennington & Skinner, PSC

Louisville, Kentucky
February 19, 2014

**MEADE COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

<u>ASSETS</u>	<u>2013</u>
Current Assets:	
Cash	\$ 343,742
Restricted cash	278,433
Prepaid insurance	11,343
Accounts receivable	192,860
Inventory - water	7,252
Inventory - parts	<u>62,364</u>
Total Current Assets	895,994
Fixed Assets:	
Land	<u>75,043</u>
Fixed Assets not being depreciated	75,043
Transmission and distribution facilities	10,645,948
Waterline extensions	6,870,736
Equipment	587,585
Trucks	279,537
Buildings	1,021,568
Improvements	<u>28,838</u>
Fixed Assets being depreciated	19,434,212
Less accumulated depreciation	<u>(5,481,764)</u>
Net Fixed Assets being depreciated	<u>13,952,448</u>
Net Total Fixed Assets	14,027,491
Other Assets:	
Bond issuance costs (net of accumulated amortization of \$10,626)	<u>8,699</u>
Total Other Assets	<u>8,699</u>
TOTAL ASSETS	<u><u>\$ 14,932,184</u></u>

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

**MEADE COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2013**

<u>LIABILITIES AND NET POSITION</u>	<u>2013</u>
Current Liabilities:	
Accounts payable	\$ 12,601
Notes payable - current portion	211,703
Customer deposits	60,528
Accrued expenses	13,337
Accrued interest - deposits	106
Accrued retirement payable	5,878
Accrued vacation & sick leave	37,931
Total Current Liabilities	342,084
 Long-Term Liabilities:	
Notes payable	3,985,528
Less: Current portion of long-term debt	(211,703)
Total Long-Term Liabilities	3,773,825
Total Liabilities	4,115,909
 Net Position	
Unrestricted:	
Unrestricted	(1,506,887)
Contributed capital in aid of construction	2,281,199
Invested In Capital Assets, Net of Related Debt	10,041,963
Total Net Position	10,816,275
TOTAL LIABILITIES AND NET POSITION	\$ 14,932,184

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

**MEADE COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>
Revenues:	
Water service	\$ 2,018,777
Total Revenues	<u>2,018,777</u>
Operating Expenses:	
Water test	2,075
Tools	2,339
Depreciation	521,592
Amortization	966
Payroll taxes	32,307
Utility tax	49,507
Other taxes and licenses	6,252
Salaries and wages	390,431
Commissioners pay	30,000
Employees pension and benefits	73,452
Water purchase	522,134
Purchased power	28,297
Repairs and maintenance	25,587
Billing expense	33,425
Materials and supplies	776
Professional fees	7,590
Contractual services	35,611
Transportation expense	31,737
Health insurance	125,709
Other insurance	24,503
Bad debts	102
Advertising	222
Public service assessment	3,652
Equipment rental	612
Office expenses	12,434
Uniforms	6,283
Telephone	12,257
Dues, fees and training	7,732
Gravel	4,303
Miscellaneous	59,024
Total Operating Expenses	<u>2,050,911</u>
Operating loss	(32,134)
Nonoperating revenue (expenses)	
KIA Grant	15,336
Interest Income	2,494
Debt service-interest	(152,139)
Total Nonoperating revenues (expenses)	<u>(134,309)</u>
Loss Before Capital Contributions	(166,443)
Capital contributions	<u>73,670</u>
Change in Net Position	(92,773)
Net Position, January 1, 2013	<u>10,909,048</u>
Net Position, December 31, 2013	<u>\$ 10,816,275</u>

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

**MEADE COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u>
Cash flows from operating activities	
Cash received from customers	\$ 1,957,151
Cash payments to suppliers for goods and services	(707,956)
Cash payments to employees for services	(623,874)
Cash payments for taxes and licenses	(88,066)
Cash payments to others	(83,629)
Net cash provided by operating activities	<u>453,626</u>
Cash flows from capital and related financing activities	
Contributed capital	73,670
Grants received	15,336
Principal payments on loan	(182,215)
Interest paid	(152,139)
Net cash used by capital and related financing activities	<u>(245,348)</u>
Cash flows from investing activities	
Interest received	2,494
Purchase of fixed assets	(172,840)
Net cash used by investing activities	<u>(170,346)</u>
Net increase in cash	37,932
Cash and restricted cash at January 1, 2013	584,243
Cash and restricted cash at December 31, 2013	<u>\$ 622,175</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating income	\$ (32,134)
Adjustments	
Depreciation	521,592
Amortization	966
Net changes in assets and liabilities	
Accounts receivable	(48,751)
Inventory	36,167
Prepaid expenses	2,343
Accounts payable	(13,750)
Customer deposits	(12,875)
Accrued liabilities	68
Net cash provided by operating activities	<u>\$ 453,626</u>
Supplemental Disclosures:	
Cash paid for interest	<u>\$ 152,139</u>

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

**MEADE COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

The Meade County Water District is a water distribution system organized under the laws of the State of Kentucky. The District is exempt from Federal, State and Local income taxes. It is controlled by a board of commissioners appointed by the County Judge-Executive. The District purchases its water from the Commission of Brandenburg and Hardin County #1 under a long-term contract and the sale of this water is the source of the district's operating revenue. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's utilities are charges to the customers for service or water. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Meade County Water District's policy is to prepare its financial statements using the economic resources measurement focus and the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the balance sheet, and revenues recorded when earned and expenses are recorded at the time liabilities are incurred. The Department's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent commercial accounting guidance for their business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Accounts receivable is stated at gross amount due. Bad debts are charged directly to expense when management determines an account to be uncollectible. Management believes that all accounts receivable are collectible and that all bad debts have been written off.

Depreciation is provided on the straight-line method over the estimated economic useful life of the depreciable property, ranging from five to forty years. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation expense in 2013 was \$521,592.

The debt issue expense is amortized by the debt outstanding method over the term of the issue. Amortization expense in 2013 was \$966.

**MEADE COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

NOTE 2 - CASH AND CASH EQUIVALENTS

The District reporting entity considers highly liquid investments (including assets) with an original maturity of three months or less when purchased to be cash equivalents. The District considers cash in bank to be cash equivalents. At December 31, 2013, the District has a total cash equivalents balance of \$620,702, \$335,399 at Meade County Bank and \$285,303 at The Cecilian Bank. Federal Deposit Insurance Corporation (FDIC) insurance is limited to \$250,000 and the District has \$800,000 in securities pledged from Meade County Bank. Accordingly, at December 31, 2013 \$-0- was unsecured from Meade County Bank and \$35,303 was unsecured from The Cecilian Bank.

NOTE 3 - LONG-TERM DEBT

Long-term debt at December 31, 2013 consisted of the following:

	<u>2013</u>
Bonds payable to United States Department of Agriculture payable in semi-annual principal and interest installments in June and December of each year with final payment in 2032. The interest rate is 5.0%.	\$ 322,000
Bonds payable to Kentucky Infrastructure Authority, payable in semi-annual principal and interest installments in June and December of each year with final payment in 2024. The interest rate is 3.0%.	\$ 245,831
Bonds payable to Kentucky Rural Water Finance Corp. payable in monthly principal and interest installments final payment in December, 2024, collateralized by Water Revenue. The interest rate is 5.081%.	\$ 379,000
Bonds payable to Kentucky Infrastructure Authority, principal payable on each June 1 and interest payable on each December 1 and June 1. The interest rate is 4.68%	\$ 85,000
Note payable to KACOLT, payable in monthly interest and yearly principal. Final payment in January, 2015. The interest rate is 5.28%	\$ 90,000

**MEADE COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

NOTE 3 - LONG-TERM DEBT (CONTINUED)

Note payable to KACOLT, final payment due in November 2015, effective interest rate is 6.174%, collateralized by all equipment, furniture, furnishings, vehicles and other personal property comprising the construction project.	\$ 122,000
Note payable to Kentucky Infrastructure Authority, principal payable on each June 1 and interest payable on each December 1 and June 1. The interest rate is 3.00%.	\$ 636,697
Bonds payable to United States Department of Agriculture Rural Development payable in semi-annual principal and interest installments in January and July of each year with final payment in 2049. The interest rate is 4.125%.	<u>\$ 2,105,000</u>
Total Debt	<u>\$ 3,985,528</u>
Less: Current Portion	<u>211,703</u>
Long-Term Debt	<u><u>\$ 3,773,825</u></u>

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable USDA	\$ 330,000	\$ -0-	\$ 8,000	\$ 322,000	\$ 9,000
Bonds payable KIA	264,440	-0-	18,609	245,831	19,172
Bonds payable KRWFC	407,000	-0-	28,000	379,000	28,000
Bonds payable KIA	95,000	-0-	10,000	85,000	10,000
Note payable KACOLT	120,000	-0-	30,000	90,000	30,000
Note payable KACOLT	179,000	-0-	57,000	122,000	60,000
Note payable KIA	667,303	-0-	30,606	636,697	31,531
Bonds payable USDA	<u>2,105,000</u>	<u>-0-</u>	<u>-0-</u>	<u>2,105,000</u>	<u>24,000</u>
Total Long-Term Liabilities	<u><u>\$ 4,167,743</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 182,215</u></u>	<u><u>\$ 3,985,528</u></u>	<u><u>\$ 211,703</u></u>

**MEADE COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

NOTE 5 - BUDGET

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The office manager is responsible for preparing the proposed operating budget prior to each fiscal year commencing on January 1. The proposed operating budget is submitted to the Commissioners for approval.
2. Budgeted amounts are as originally adopted, or as amended by the Commissioners.

NOTE 6 – EMPLOYEE RETIREMENT BENEFITS

The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at (502) 696-8800.

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan. For the year ended December 31, 2013 and 2012, the Government's contribution rate for nonhazardous employees was 18.89% and 19.55%, respectively.

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. For the year ended December 31, 2013 and 2012, the Government's contribution rate for hazardous employees was 35.70% and 37.60%, respectively.

The contribution requirements and the amounts contributed to CERS were \$73,452, \$83,295, and \$87,962, respectively for the years ended December 31, 2013, 2012 and 2011.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

**MEADE COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

NOTE 6 – EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>% paid by Insurance Fund</u>	<u>% Paid by Member through Payroll Deduction</u>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

NOTE 7 - RISK MANAGEMENT

The Meade County Water District is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission currently carries property and general liability insurance through Arch Insurance Company. Workman’s Compensation insurance is carried through Kentucky Employers Mutual Insurance Now.

NOTE 8 – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 9 – ADVERTISING COSTS

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. Total non-direct-response advertising for 2013 amounted to \$222.

**MEADE COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013**

NOTE 10 – CONTRIBUTED CAPITAL IN AID OF CONSTRUCTION

Meade County Water District requires that each new customer be charged a fee of \$632 for installation, which was approved by the Public Service Commission. This fee is deposited into the contributed capital in aid of construction account to cover the cost of any needed expansion to the system. For 2013, the Commission collected \$73,670.

NOTE 11– RESTRICTED CASH

Meade County Water District is required to maintain several cash accounts that are restricted:

Customer Deposits Account – The District is required to maintain this account for customer deposits, which are to be given back to the customer when they leave the district.	\$ 35,288
Reserves Account – The District is required to maintain a reserve account to be used to replace capital expenditures.	31,281
Debt Service Account – The District is required to maintain this account to pay off the debt from Farmers Home Administration.	157,441
Maintenance and Replacement Reserve Account – The District is required to maintain this account as a reserve for a loan.	19,430
Rural Development Depreciation Reserve Fund - The District is required to maintain this account as a reserve for a loan.	33,537
Construction Accounts – The District is required to maintain these account to pay the debt occurred for extension projects.	<u>1,456</u>
Total Restricted Cash	<u>\$ 278,433</u>

NOTE 12 – SUBSEQUENT EVENTS POLICY

The District has evaluated subsequent events through February 19, 2014, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTAL SCHEDULE
KENTUCKY RURAL WATER FINANCE BONDS
SERIES 2001A
DECEMBER 31, 2013**

<u>YEAR</u>	<u>Principal Installments, Series A Bonds</u>
2014	\$ 28,000
2015	30,000
2016	32,000
2017	33,000
2018	35,000
2019	38,000
2020	41,000
2021	44,000
2022	47,000
2023	49,000
2024	<u>2,000</u>
	<u><u>\$ 379,000</u></u>

See Note 3 in the financial statements.

**MEADE COUNTY WATER DISTRICT
 SUPPLEMENTAL SCHEDULE
 WATER WORKS REVENUE BONDS OF 1992
 DECEMBER 31, 2013**

<u>YEAR</u>	<u>Principal Installments, Series A Bonds</u>
2014	\$ 9,000
2015	9,000
2016	10,000
2017	11,000
2018	11,000
2019	13,000
2020	13,000
2021	14,000
2022	15,000
2023	16,000
2024	17,000
2025	18,000
2026	20,000
2027	20,000
2028	22,000
2029	23,000
2030	25,000
2031	27,000
2032	29,000
	\$ 322,000
	\$ 322,000

See Note 3 in the financial statements.

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTAL SCHEDULE
NOTE PAYABLE TO MEADE COUNTY FISCAL COURT
DECEMBER 31, 2013**

<u>YEAR</u>	<u>Principal Payments</u>	<u>Interest and Fees</u>	<u>Projected Annual Total Payments</u>
2014	\$ 60,000	\$ 5,989	\$ 65,989
2015	<u>62,000</u>	<u>2,233</u>	<u>64,233</u>
	<u>\$ 122,000</u>	<u>\$ 8,222</u>	<u>\$ 130,222</u>

See Note 3 in the financial statements.

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTAL INFORMATION (CONTINUED)
BONDS PAYABLE TO KENTUCKY INFRASTRUCTURE AUTHORITY
DECEMBER 31, 2013**

<u>YEAR</u>	<u>Principal Payments</u>
2014	\$ 10,000
2015	10,000
2016	10,000
2017	10,000
2018	10,000
2019	10,000
2020	10,000
2021	10,000
2022	5,000
	<hr/>
	\$ 85,000
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See Note 3 in the financial statements.

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTAL INFORMATION (CONTINUED)
BONDS PAYABLE TO KENTUCKY ASSOCIATION OF COUNTIES LEASING TRUST
DECEMBER 31, 2013**

<u>YEAR</u>	<u>Principal Payments</u>
2014	\$ 30,000
2015	30,000
2016	<u>30,000</u>
	<u>\$ 90,000</u>

See Note 3 in the financial statements.

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTAL INFORMATION (CONTINUED)
BONDS PAYABLE TO KENTUCKY INFRASTRUCTURE AUTHORITY
DECEMBER 31, 2013**

<u>YEAR</u>	<u>Principal Payments</u>
2014	\$ 19,172
2015	19,751
2016	20,348
2017	20,963
2018	21,597
2019	22,250
2020	22,922
2021	23,615
2022	24,329
2023	25,064
2024	25,820
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	\$ 245,831
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See Note 3 in the financial statements.

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTAL INFORMATION (CONTINUED)
BONDS PAYABLE TO KENTUCKY INFRASTRUCTURE AUTHORITY
DECEMBER 31, 2013**

<u>YEAR</u>	<u>Principal Payments</u>
2014	\$ 31,531
2015	32,484
2016	33,466
2017	34,477
2018	35,519
2019	36,593
2020	37,699
2021	38,839
2022	40,012
2023	41,222
2024	42,468
2025	43,751
2026	45,074
2027	46,436
2028	47,840
2029	49,286
	<hr/>
	\$ 636,697
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See Note 3 in the financial statements.

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTAL SCHEDULE
WATERWORKS REVENUE BONDS
SERIES 2010
DECEMBER 31, 2013**

<u>YEAR</u>	<u>Principal Installments, Series A Bonds</u>
2014	\$ 24,000
2015	25,000
2016	26,000
2017	27,500
2018	28,500
2019	30,000
2020	31,500
2021	32,500
2022	34,000
2023	36,000
2024	37,500
2025	39,000
2026	41,000
2027	43,000
2028	45,000
2029	47,000
2030	49,000
2031	51,500
2032	54,000
2033	56,500
2034	59,000
2035	61,500
2036	64,500
2037	67,500
2038	70,500
2039	74,000
2040	77,500
2041	81,000
2042	84,500
2043	88,500
2044	92,500
2045	97,000
2046	101,500
2047	106,000
2048	111,000
2049	110,000
	<u>\$ 2,105,000</u>

See Note 3 in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**MEADE COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
BUDGETED AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget		Actual	Variance
	Original	Final		Over (Under)
Revenues:				
Water Service	\$ 2,040,000	\$ 2,040,000	\$ 2,018,777	\$ (21,223)
Operating Expenses:				
Water test	3,873	3,873	2,075	(1,798)
Tools	900	900	2,339	1,439
Depreciation expense	521,442	521,442	521,592	150
Amortization	1,000	1,000	966	(34)
Payroll taxes	55,910	55,910	32,307	(23,603)
Utility tax	47,000	47,000	49,507	2,507
Other taxes and licenses	6,300	6,300	6,252	(48)
Salaries and wages	310,840	310,840	390,431	79,591
Commissioners pay	30,000	30,000	30,000	-0-
Employees pension and benefits	99,000	99,000	73,452	(25,548)
Water purchase	544,391	544,391	522,134	(22,257)
Purchased power	15,380	15,380	28,297	12,917
Repairs and maintenance	28,200	28,200	25,587	(2,613)
Billing expense	36,000	36,000	33,425	(2,575)
Materials and supplies	600	600	776	176
Professional fees	7,700	7,700	7,590	(110)
Contractual services	23,780	23,780	35,611	11,831
Transportation expense	33,000	33,000	31,737	(1,263)
Health insurance	127,730	127,730	125,709	(2,021)
Other insurance	31,000	31,000	24,503	(6,497)
Bad debts	6,000	6,000	102	(5,898)
Advertising	300	300	222	(78)
Public service assessment	3,700	3,700	3,652	(48)
Equipment rental	800	800	612	(188)
Office expenses	9,500	9,500	12,434	2,934
Uniforms	6,300	6,300	6,283	(17)
Telephone	12,700	12,700	12,257	(443)
Dues, fees and training	5,000	5,000	7,732	2,732
Gravel	2,000	2,000	4,303	2,303
Miscellaneous	18,454	18,454	59,024	40,570
Total Operating Expenses	<u>1,988,800</u>	<u>1,988,800</u>	<u>2,050,911</u>	<u>62,111</u>
Operating Income (Loss)	51,200	51,200	(32,134)	(83,334)
Nonoperating revenue (expenses)				
KIA Grant	20,000	20,000	15,336	(4,664)
Interest Income	2,600	2,600	2,494	(106)
Debt service-interest	(153,000)	(153,000)	(152,139)	861
Total Nonoperating revenues (expenses)	<u>(130,400)</u>	<u>(130,400)</u>	<u>(134,309)</u>	<u>(3,909)</u>
Net Income (Loss) before capital contributions	(79,200)	(79,200)	(166,443)	(87,243)
Capital contributions	79,200	79,200	73,670	(5,530)
Net Position, January 1, 2013	<u>10,909,048</u>	<u>10,909,048</u>	<u>10,909,048</u>	<u>-0-</u>
Net Position, December 31, 2013	<u>\$ 10,909,048</u>	<u>\$ 10,909,048</u>	<u>\$ 10,816,275</u>	<u>\$ (92,773)</u>

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

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013**

1. Insurance Coverage

<u>POLICY NUMBER</u>	<u>INSURANCE COMPANY AND ADDRESS</u>	<u>EXPIRATION DATE OF POLICY</u>
Insurance Policy # GWPKG0097705	Arch Insurance Co. 300 Plaza 3 rd Floor Jersey City, NJ 07311	7/1/2014

<u>TYPE</u>	<u>COVERAGE</u>
General Liability	\$ 3,000,000
Auto Liability	\$ 1,000,000
Property - Buildings	\$ 1,000 Deductible
Government crime	\$ 100,000
Flood coverage	\$ 500,000

2. Water and/or Sewer Utility Borrowers Only

A. Water purchased	325,267,600
B. Water sold	270,409,325
C. Water in storage tanks & lines	4,786,113
D. Treated waste	N/A
E. Number of users – Water	4,970
F. Number of users – Sewer	N/A

**MEADE COUNTY WATER DISTRICT
SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2013**

3. Distribution of All Cash and Investments

Appropriate bank accounts have been set up as required by grant and bond resolution agreements. All accounts are interest bearing checking accounts. Federal Deposit Insurance Corporation (FDIC) insurance is limited to \$250,000 and the District has \$800,000 in securities pledged from Morgan Keegan at Meade County Bank. At December 31, 2013, the unsecured amount is \$35,303 at The Cecilian Bank and \$ -0- at Meade County Bank.

4. Aged Accounts Receivable at December 31, 2013 were as follows

	DAYS				TOTAL
	0-30	31-60	61-90	OVER 90	
Dollar Values	<u>\$ 95,631</u>	<u>\$ 7,014</u>	<u>\$ 3,190</u>	<u>\$ 87,025</u>	<u>\$ 192,860</u>

5. List of commissioners

NAME	ADDRESS	TERM	
		YEARS	EXPIRATION DATE
Doug Cornett, Chairman	125 Cornett Lane Guston, KY 40142	4	July 1, 2015
Allen Stivers, Treasurer	710 Payne Road Ekron, KY 40117	4	July 1, 2017
Norman Boothe, Secretary	58 St. Martins Road Vine Grove, KY 40175	4	June 20, 2015
Wesley Prather, Commissioner	905 Whelan Road Vine Grove, KY 40175	4	July 1, 2017
Mickey Chism, Commissioner	5520 Midway Road Brandenburg, KY 40108	4	July 1, 2016

William A. Talley
Jon D. Chesser
Bob E. Wientjes

Kentucky Offices:
Louisville
Brandenburg
Bardstown

**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**

Commissioners
Meade County Water District
Brandenburg, Kentucky

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 responses that we consider to be significant deficiencies [Finding 2013-1].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meade County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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*.

Meade County Water District's Response to Findings

Meade County Water District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Meade County Water 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 result 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.

Richardson, Pennington & Skinner, PSC

Louisville, Kentucky
February 19, 2014

**MEADE COUNTY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013**

FINDING 2013-1: *Adequate Segregation of Duties*

Condition: This finding was a significant deficiency stating that the District needed adequate segregation of duties among personnel.

Recommendation: The auditor informed the District that management should implement procedures requiring approval, recordkeeping and reconciliation to be completed by different employees to obtain a proper segregation of duties. Individuals in the accounting process should not have the ability to initiate, record, and reconcile the accounting transactions.

Response: The District is aware of the condition, but due to the limited number of personnel and budgetary constraints a proper segregation of duties would be difficult. The District will take steps to improve the segregation of duties among personnel as completely as possible.