

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

FINANCIAL STATEMENTS

For the years ended June 30, 2015 and June 30, 2014



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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

The Members of the Public Service Board
Jefferson County Public Service District

We have audited the accompanying financial statements of the business-type activities of Jefferson County Public Service District ("District") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Jefferson County Public Service District, as of June 30, 2015, and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employees' retirement system information, and budgetary comparison information on pages 5-10, 42-43, and 45-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of operating expenses, for the water department and sewer department are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of 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 schedules of operating expenses, for the water and sewer departments and the schedule of expenditures of federal awards are 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 schedules of operating expenses, for the water and sewer departments and the schedule of expenditures of federal awards are 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, November 3, 2014, on our consideration of Jefferson County Public Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. the purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. that report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Cox Hollida & Professionals PLLC

Martinsburg, West Virginia

November 2, 2015

Jefferson County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2015

The management of Jefferson County Public Service District provides the following information as an introduction, overview and analysis of the District's financial statements for the year ended June 30, 2015. Readers should also review the basic financial statements that begin on page 10 to further enhance their understanding of the District's financial performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Required Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Financial Statements

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and capital and non capital financing activities and provides answers to such questions as "from where did cash come?", "for what was cash used?", and "what was the change in cash balance during the reporting period?"

The notes to the basic financial statements provide additional and explanatory data. They are an integral part of the basic financial statements.

Jefferson County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015

Financial Analysis of the District as a Whole

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet, the Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows report information about the District's activities in a way that will help answer this question. These statements report the net assets of the District and changes in them. You can think of the District's net position- the difference between assets and liabilities- as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, political leaders, and new or changed legislation.

The net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, at various times, the District receives infrastructure improvements from a developer and in return takes over these assets and maintains them. The District either puts in or has a developer put in the infrastructure, and pays for it through a developer contribution, current operations or by an issuance of a bond. These assets are reflected as an asset on the District's books and are depreciated over the estimated life of the assets.

Below are highlights of the financial statements:

	2015	2014 (Restated)
Unrestricted cash	\$ 147,880	\$ 146,646
Restricted cash	1,077,016	1,102,484
Other assets	1,396,244	1,378,530
Deferred outflows	338,440	287,662
Capital assets	<u>14,095,154</u>	<u>12,575,026</u>
Total assets & deferred outflows	\$ <u>7,054,734</u>	\$ <u>15,490,348</u>
Current and other liabilities	\$ 794,176	\$ 753,288
Long-term liabilities	7,318,038	6,790,914
Deferred inflows	<u>138,956</u>	—
Total Liabilities & Deferred Inflows	\$ <u>8,251,170</u>	\$ <u>7,544,202</u>
Invested in assets, net of debt	6,733,396	6,962,038
Restricted net position	924,521	954,747
Unrestricted net position	<u>1,145,647</u>	<u>29,361</u>
Total net position	\$ <u>8,803,564</u>	\$ <u>7,946,146</u>

Jefferson County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015

Revenues	2015	2014 (Restated)
Sales to customers	\$ 2,545,442	\$ 2,416,833
Grant revenue	1,161,141	166,800
Other	<u>288,732</u>	<u>177,608</u>
Total revenue	<u>3,995,315</u>	<u>2,761,241</u>
Expenses		
Operating	2,179,037	2,052,595
Dropped projects	12,002	4,760
Disposal of assets	105,918	-
Depreciation and amortization	452,625	437,892
Interest expense	138,744	141,674
Bond issue costs	<u>-</u>	<u>35,397</u>
Total expenses	<u>2,888,326</u>	<u>2,672,318</u>
Net income before capital contributions	1,106,989	88,925
Capital contributions	<u>250</u>	<u>12,250</u>
Change in net position	\$ <u>1,107,239</u>	\$ <u>101,173</u>

The total net position increased about \$850K between 2015 and 2014, due to an increase in grant revenue and capital assets as a result of the upgrades for the Glen Haven and Cavaland water systems. This project was funded in large part by a Drinking Water Treatment Revolving Fund loan, including around \$1M in loan forgiveness grants and \$985K in long-term debt.

The District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The objective of this statement is to improve decision-usefulness of information in employer entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability will also be enhanced through new note disclosure and required supplementary information. This implementation resulted in a prior period restatement to reduce beginning net position by around \$250K.

Revenues increased about \$128K from the 30b rate increase that took effect in 2014. The operating expenses increased by \$126K mainly from the related increase of treatment expenses from the City of Charles Town.

Jefferson County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015

With the closing of the Flowing Springs Waste Water Treatment Plant Project in 2014, the District expensed \$2.8 million of engineering, legal, accounting and management costs last year. These costs may have a future value as in FY 2016 the District applied to West Virginia Infrastructure and Jobs Development Council (IJDC) for the collection system upgrades that were associated with the Flowing Springs Wastewater Treatment Plant . On June 5, 2015 the District received notification of preliminary approval for this project which is IJDC project # 2014S-1538, The loan package suggested for this project, included in this preliminary approval is for a Rural Utility Service Loan (4%, 40 years) - \$3,575,000 and a Clean Water State Revolving Fund loan (0%, .5% Administrative Fee, 40 years)- \$3,575,000 for a total project cost of \$7,150,000.

Budgetary Highlights

Over the course of the year, the District approved an amendment to the Sewer Department budget mid-year, to adjust specific line items that were over-budget or under-budget overall, the District ended the Fiscal Year under budget and the actual operating expenses were higher from treatment cost comparable to the District's prior year.

Capital Assets and Debt Administration

Many debt obligations require debt coverage (revenues over operating expenses) to be more than 115% of the debt obligation. For the current fiscal year debt coverage was 116%.

Debt Service Exhibit	<u>June 30,</u>			
	2012	2013	2014	2015
Gross revenues	\$2,150,225	\$2,240,124	\$2,547,526	\$2,655,108
Operating expenses	<u>(1,735,560)</u>	<u>(1,677,574)</u>	<u>(2,015,149)</u>	<u>(2,118,215)</u>
Available for debt				
Service	414,665	582,550	523,377	536,893
Highest debt service	360,021	473,130	462,933	463,582
Debt service coverage	115%	119%	115%	116%
Amounts available to repair				
Replace the system	\$ 54,644	\$ 89,420	\$ 69,444	\$ 78,406

At the end of the current fiscal year, the District's Sewer and Water Departments had outstanding revenue bonds of \$6,376,466 and \$985,292, respectively.

Jefferson County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015

Economic Factors

The District began to experience a slowdown in new service customer connections in 2008. Management attributes much of the decline to the overall national slump in the housing industry. The District expects that the residential sector will continue to slowly increase as the economy improves. Overall, the District expects growth in new service customer connections and equivalent domestic units (EDU). This year alone the District had 40 new connections.

The District believes that the fundamentals of location and cost in Jefferson County remain favorable for economic development and expect that the District's commitment to providing readily available services will position the community for early economic recovery.

The District will continue to operate under an interstate environmental compact that commits West Virginia to play a role restoring water quality in the Chesapeake Bay. The new operating environment will require that the District and our municipal partners in the City of Ranson and the City of Charles Town find and implement solutions for these emerging regulatory challenges. The District expects to see increased operating and capital costs in the future associated with regulatory compliance.

The District is also still faced with costly upgrades to its collection system and must develop a new project plan that addresses urgent collection system needs as well as the transmission capability to continue to send wastewater to Charles Town for treatment. As mentioned above, On June 5, 2015, the District received unanimous approval from the West Virginia Infrastructure and Jobs Development Council (IJDC), Application # 2014-S-1538, for a sewer collection and transmission project to address the needs to meet our obligation of service to the public. The District has already obtained approximately 80% of the easements for the collection system project anticipated under the Flowing Springs VVWTP initiative and these will still be used to upgrade the existing collection and transmission system in this project.

In addition to a sewer collection system, the District also has one small wastewater treatment plant that serves the residents of Deerfield, a development of about 48 lots located in the North East area of Jefferson County.

Jefferson County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the fiscal year ended June 30, 2015

The District currently serves potable water to two small developments in Jefferson County, Cavaland, with about 40 customers and Glen Haven, with about 74 customers. These water systems were "given" to the District about 25 years ago and were installed by developer's who's main goal in constructing them, was to provide water service so they could sell homes. Unfortunately since these installations were not their main priority, they didn't use the best of materials or standardized practices in installation. After about five years of attempts, the District attained about 50% loan and 50% grants to replace these systems through our IJDC application #2012-W-1331. This project cost is \$2,000,000 and is now completed. Our customers in these developments have now had their water rates increased approximately 40%. The bond payments associated with this project will start in September of 2015.

On June 9, 2014, the District filed IJDC application # 2014-W-1537 to purchase Jefferson Utilities and upgrade their Mountain water systems that serve Blue Ridge Acres, Keyes Ferry Acres and Westridge Hills. These three developments have been in a moratorium for many years due to lack of sufficient public water infrastructure. The District has been in negotiations with Mr. Lee B. Snyder, owner of Jefferson Utilities for many years to reach this point. At the time of the writing of this document, the District is scheduled to present the purchase and project to the Technical Committee of the West Virginia Infrastructure and Jobs Development Council on September 29, 2015. The District and Jefferson Utilities are determined that there will be no monthly increase to these customers due to the project or acquisition.

Jefferson County Public Service District

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

	ASSETS			2014
	<u>Water</u>	<u>Sewer</u>	2015	Memorandum
	Department	Department	Total	<u>Only Total</u>
CURRENT ASSETS				
Cash	\$ 9,780	\$ 138,100	\$ 147,880	\$ 146,646
Accounts receivable, net of allowance for doubtful accounts of \$10,000	115	82,040	82,155	52,872
Accounts receivable - other	-	22,882	22,882	2,553
Accrued utility revenue	4,555	221,437	225,992	224,646
Prepaid expenses and deposits	<u>-</u>	<u>5,782</u>	<u>5,782</u>	<u>9,247</u>
Total current assets	<u>14,450</u>	<u>470,241</u>	<u>484,691</u>	<u>435,964</u>
RESTRICTED CASH	<u>5,137</u>	<u>1,071,879</u>	<u>1,077,016</u>	<u>1,102,484</u>
CAPITAL ASSETS				
Land and land rights	36,142	1,059,785	1,095,927	1,057,876
Construction work in progress	-	116,503	116,503	338,075
Utility plant in service	2,225,611	17,004,013	19,229,624	17,220,828
Less accumulated depreciation	<u>(3,560)</u>	<u>(6,343,340)</u>	<u>(6,346,900)</u>	<u>(6,041,753)</u>
Net capital assets	<u>2,258,193</u>	<u>11,836,961</u>	<u>14,095,154</u>	<u>12,575,026</u>
OTHER ASSETS				
Future utility plant preliminary survey and design charges	219,882	176,679	396,561	369,667
Due from other funds	-	-	-	12,482
Other assets - capacity upgrades, net of accumulated amortization of \$441,914 and \$397,723, respectively	<u>-</u>	<u>662,872</u>	<u>662,872</u>	<u>707,063</u>
Total other assets	<u>219,882</u>	<u>839,551</u>	<u>1,059,433</u>	<u>1,089,212</u>
Total assets	<u>2,497,662</u>	<u>14,218,632</u>	<u>16,716,294</u>	<u>15,202,686</u>
DEFERRED OUTFLOWS				
Employer contributions to pension plan subsequent to measurement date	-	67,214	67,214	-
Changes in employer proportion and differences between contributions and proportionate share of contributions	-	4,234	4,234	-
Original issue discount, net of accumulated amortization of \$2,327 and \$1,745, respectively	-	7,709	7,709	8,291
Deferred loss on bond refinancing, net of accumulated amortization of \$100,444 and \$80,355, respectively	<u>-</u>	<u>259,283</u>	<u>259,283</u>	<u>279,371</u>
Total deferred outflows	<u>-</u>	<u>338,440</u>	<u>338,440</u>	<u>287,662</u>
Total assets and deferred outflows	\$ <u>2,497,662</u>	\$ <u>14,557,072</u>	\$ <u>17,054,734</u>	\$ <u>15,490,348</u>

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District
STATEMENTS OF NET POSITION (Continued)
June 30, 2015 and 2014

LIABILITIES

	<u>Water Department</u>	<u>Sewer Department</u>	<u>2015 Total</u>	2014 <u>Memorandum Only Total</u>
CURRENT LIABILITIES (payable from current assets)				
Accounts payable	\$ 16,798	\$ 199,431	\$ 216,229	\$ 187,088
Accrued taxes and expenses	<u>-</u>	<u>32,462</u>	<u>32,462</u>	<u>28,674</u>
Total current liabilities (payable from current assets)	<u>16,798</u>	<u>231,893</u>	<u>248,691</u>	<u>215,762</u>
CURRENT LIABILITIES (payable from restricted cash)				
Revenue bonds payable (due within one year)	22,876	338,813	361,689	359,779
Note payable (due within one year)	-	8,953	8,953	8,953
Accrued interest payable	-	20,094	20,094	21,007
Customer deposits	2,120	150,375	152,495	147,787
Capital improvement fees	<u>-</u>	<u>2,254</u>	<u>2,254</u>	<u>-</u>
Total current liabilities (payable from restricted cash)	<u>24,996</u>	<u>520,489</u>	<u>545,485</u>	<u>537,526</u>
LONG-TERM LIABILITIES				
Due to other funds	-	-	-	12,482
OPEB obligation	-	180,586	180,586	169,786
Net pension liability	-	131,356	131,356	-
Revenue bonds payable	962,416	6,037,653	7,000,069	6,594,883
Notes payable	<u>-</u>	<u>6,027</u>	<u>6,027</u>	<u>13,763</u>
Total long-term liabilities	<u>962,416</u>	<u>6,355,622</u>	<u>7,318,038</u>	<u>6,790,914</u>
Total liabilities	<u>1,004,210</u>	<u>7,108,004</u>	<u>8,112,214</u>	<u>7,544,202</u>
DEFERRED INFLOWS				
Differences between projected and actual investment earnings	<u>-</u>	<u>138,956</u>	<u>138,956</u>	<u>-</u>
Total liabilities and deferred inflows	\$ <u>1,004,210</u>	\$ <u>7,246,960</u>	\$ <u>8,251,170</u>	\$ <u>7,544,202</u>
NET POSITION				
NET POSITION				
Invested in capital assets, net of related debt	1,272,901	5,460,495	6,733,396	6,962,038
Restricted for debt and construction	3,017	921,504	924,521	954,747
Unrestricted	<u>217,534</u>	<u>928,113</u>	<u>1,145,647</u>	<u>29,361</u>
Total net position	<u>1,493,452</u>	<u>7,310,112</u>	<u>8,803,564</u>	<u>7,946,146</u>
Total liabilities, deferred inflows, and net position	\$ <u>2,497,662</u>	\$ <u>14,557,072</u>	\$ <u>17,054,734</u>	\$ <u>15,490,348</u>

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended June 30, 2015 and 2014

	<u>Water Department</u>	<u>Sewer Department</u>	2015 Total	2014 <u>Memorandum Only Total</u>
OPERATING REVENUES				
Sales to general customers	\$ 59,726	\$ 2,485,716	\$ 2,545,442	\$ 2,416,833
Customers' forfeited discounts and penalties	1,181	54,489	55,670	50,322
Income from bad debts recovered	-	-	-	792
Miscellaneous revenues	<u>42</u>	<u>114,645</u>	<u>114,687</u>	<u>85,367</u>
Total operating revenues	<u>60,949</u>	<u>2,654,850</u>	<u>2,715,799</u>	<u>2,553,314</u>
OPERATING REVENUE DEDUCTIONS BEFORE DEPRECIATION				
Operating expenses	<u>60,822</u>	<u>2,118,215</u>	<u>2,179,037</u>	<u>2,052,595</u>
Operating income before depreciation	127	536,635	536,762	500,719
DEPRECIATION	<u>8,787</u>	<u>399,065</u>	<u>407,852</u>	<u>393,119</u>
Operating income (loss)	<u>(8,660)</u>	<u>137,570</u>	<u>128,910</u>	<u>107,600</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	7	258	265	227
Grant revenue	1,161,141	-	1,161,141	166,800
Loss on disposal of assets	(98,543)	(7,375)	(105,918)	349
Interest expense	(11)	(138,733)	(138,744)	(141,674)
Amortization of and other assets- treatment plant upgrades	-	(44,773)	(44,773)	(44,773)
Bond issuance costs	-	-	-	(35,397)
Loss due to dropped projects	-	(12,002)	(12,002)	(4,760)
Miscellaneous non-operating revenues	<u>-</u>	<u>118,110</u>	<u>118,110</u>	<u>40,551</u>
Total non-operating income (expense)	<u>1,062,594</u>	<u>(84,515)</u>	<u>978,079</u>	<u>(18,677)</u>
Increase in net position before capital contributions	<u>1,053,934</u>	<u>53,055</u>	<u>1,106,989</u>	<u>88,923</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>250</u>	<u>250</u>	<u>12,250</u>
Increase in net position	1,053,934	53,305	1,107,239	101,173
Net position at beginning of year	<u>439,518</u>	<u>7,506,628</u>	<u>7,946,146</u>	<u>7,844,973</u>
GASB 68 restatement	<u>-</u>	<u>(249,821)</u>	<u>(249,821)</u>	<u>-</u>
Net position at beginning of year restated	<u>439,518</u>	<u>7,256,807</u>	<u>7,696,325</u>	<u>7,844,973</u>
Net position at end of year	\$ <u>1,493,452</u>	\$ <u>7,310,112</u>	\$ <u>8,803,564</u>	\$ <u>7,946,146</u>

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2015 and 2014

	Water Department	Sewer Department	2015 Total	2014 Memorandum Only Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 59,408	\$ 2,605,433	\$ 2,664,841	\$ 2,516,529
Cash payments for employee services		(639,808)	(639,808)	(1,592,809)
Cash payments for goods and services	(75,579)	(1,467,411)	(1,542,990)	(361,659)
Net cash flows provided by (used in) operating activities	(16,171)	498,214	482,043	562,061
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	7	258	265	227
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Expenditures for utility plant and other assets	(1,904,521)	(56,909)	(1,961,430)	(294,226)
Expenditures for preliminary surveys	-	(111,366)	(111,366)	(413,254)
Increase in customer deposits	(778)	5,486	4,708	19,070
Net capital improvement fees collected	-	2,254	2,254	(2,254)
Proceeds from grants	1,161,141	-	1,161,141	-
Principal payment on debt - bond	-	(333,813)	(333,813)	(353,087)
Principal payment on debt - notes	-	(7,736)	(7,736)	(9,797)
Proceeds from debt - notes	740,909	-	740,909	244,383
Credits on treatment upgrade bonds and Other	-	118,110	118,110	40,551
Interest paid on bonds and notes	(11)	(119,558)	(119,569)	(120,160)
Contributions in aid of construction	-	250	250	-
Expenditures for debt issuance expenses	-	-	-	(35,397)
Net cash provided by (used in) capital and related financing activities	(3,260)	(503,282)	(506,542)	(924,171)
Net increase (decrease) in cash	(19,424)	(4,810)	(24,234)	(361,883)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	34,341	1,214,789	1,249,130	1,611,013
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 14,917	\$ 1,209,979	\$ 1,224,896	\$ 1,249,130
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (8,660)	\$ 137,570	\$ 128,910	\$ 107,600
Depreciation	8,787	399,065	407,852	393,119
Adjustments for changes in operating assets and liabilities:				
(Increase) decrease in accounts and other receivables	(1,541)	(48,071)	(49,612)	5,080
(Increase) decrease in prepaid expenses	-	3,465	3,465	-
(Increase) decrease in net pension outflows	-	(50,958)	(50,958)	-
(Increase) decrease in accrued utility revenue	-	(1,346)	(1,346)	(41,871)
(Increase) decrease due from other utility		12,482	12,482	-
Increase (decrease) in accounts payable	(14,757)	31,419	16,662	94,462
Increase (decrease) in accrued expenses	-	3,788	3,788	(841)
Increase (decrease) in other employee benefit obligation	-	10,800	10,800	4,512
Net cash provided by operating activities	\$ (16,171)	\$ 498,214	\$ 482,043	\$ 562,061

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

GENERAL

Jefferson County Public Service District ("District") is a public corporation created by the Jefferson County Commission on December 1, 1983, for the purpose of operating a public utility by providing water and sewer services to customers in its franchise area in Jefferson County. The District is governed by a board of directors who are appointed by the Jefferson County Commission.

The territory embraced by the District consists of all land within the boundaries of Jefferson County, excluding water and sewage authorities within incorporated municipalities and any other public service districts properly authorized and existing within the county.

Reporting Entity

For financial reporting purposes, the District is considered an independent reporting entity. The basic criteria for defining the District as an independent reporting entity is the District's financial independence, accountability for fiscal matters, significant influence on operations and ability to designate management.

For purposes of regulation by the West Virginia Public Service Commission and as required by its revenue bond issues, water and sewer departments are maintained as separate entities with separate books of account.

The District purchased two private water systems, Glen Haven Utilities, Inc. and Cavaland South Water Service in 1994 for \$5,010. The assets were recorded by Jefferson County Public Service District at net book value since fair market value was not available. Financial data of these water systems are shown in the financial statements under the columnar heading of water department.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). As a proprietary fund type, the District applies all 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 Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Financial Reporting Entity

The District complies with GASB Statement No. 14, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the criteria, there are no component units to include in the District's financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Basis of Presentation

Accounts of the District are organized on the basis of fund accounting under one fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, except for the immaterial modification concerning inventories listed in the notes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources to pensions, and pension expense, information about the fiduciary net position of the District's Public Employee Retirement System (PERS) and additions to/deductions from the Plan's fiduciary net position have been determine on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Assets, Deferred Outflows, Liabilities, and Net Position

The reserve method is used to provide for possible losses in the collection of customer's accounts receivable.

The District bills customers each month for the prior month's usage. Therefore, accrued utility revenue represents one month's revenues earned but not billed at June 30, 2015 and 2014.

Inventory of materials and supplies are not recorded on the balance sheet. Materials and supplies are expensed when purchased.

Restricted cash held in trust under trust indentures is stated at cost.

It is the District's policy to first use restricted assets when available and then use general revenues to finance projects and expenses.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities and Net Position (Continued)

Utility plant purchased is stated at cost at the date of acquisition. Donated assets, principally water and sewer lines and land, are recorded at an amount which approximates the donor's cost and are recorded as capital contributions. Depreciation is provided on the straight-line method at various rates calculated to allocate the costs of the respective items over their estimated useful lives ranging from 3 to 50 years. Interest paid on loans obtained for construction of plant facilities is capitalized when material. There was no capitalized interest for the years ended June 30, 2015 or 2014. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Major classifications of utility plant of the District and their respective useful lives at June 30, 2015 and 2014, are summarized below:

Sewer Department

<u>Classification</u>	<u>Useful Lives</u>
Collection mains and services	50 years
Transmission mains	50 years
Gravity mains	50 years
Force mains	50 years
Flow meters	50 years
Electric pumping equipment	20-50 years
Transportation equipment	5 years
Communication equipment	5 - 7 years
Furniture and office equipment	3 - 7 years

Water Department

<u>Classification</u>	<u>Useful Lives</u>
Structures and improvements	20-50 years
Supply mains	50 years
Pump equipment	10-50 years
Transmission and distribution lines	10-50 years
Services and meters	10-50 years
Hydrants	30 years

Construction work in progress represents costs for projects that were not completed at year end.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities and Net Position (Continued)

Deferred Outflows of Resources

Deferred Bond-Refunding Costs: Deferred bond-refunding costs represent the difference between the acquisition prices and the net carrying amounts of old debt in current and advance refunding; these refunding result in defeasances of old debt. These deferred costs are amortized as a component of interest expense on the straight-line method over the remaining lives of the old or new debt, whichever are shorter.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees may, depending on level and length of service, be paid for various amounts of their total accrued vacation upon termination or retirement. Accrued sick pay is not paid upon termination. The District accrues a liability for unused vacation hours that meets the criteria for payment at the eligible employees' current rates of pay plus retirement benefits and employment taxes. The accrual for compensated absences was \$21,860 and \$17,300 at June 30, 2015, and 2014, respectively.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the related bonds. Bond insurance is deferred as a prepaid expense and amortized over the lives of the bonds. Other issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Amortization of the deferred loss on bond refinancing is calculated by the straight-line method over the terms of the Series 2010A Revenue Bond and is reflected as an increase to interest expense.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position-Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities and Net Position (Continued)

Budget

In accordance with West Virginia Code, Management shall prepare and submit to the Board a tentative budget. Such tentative budget shall be considered by the Board and, subject to any revisions or amendments that may be determined by the Board, shall be adopted as the budget for the ensuing fiscal year. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the Board.

Use of 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Adoption of Accounting Pronouncement

The District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The objective of this statement is to improve decision-usefulness of information in employer entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability will also be enhanced through new note disclosure and required supplementary information.

CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments consisted of the following accounts and amounts at June 30, 2015 and 2014:

		<u>Water</u>		<u>Sewer</u>		2015 Total		2014 Memorandum Only Total
Revenue	\$	-	\$	136,251	\$	136,251	\$	114,887
Petty cash		-		700		700		700
Operations and maintenance		9,780		-		9,780		30,111
Future needs		-		1,149		1,149		948
Total	\$	<u>9,780</u>	\$	<u>138,100</u>	\$	<u>147,880</u>	\$	<u>146,646</u>

The revenue fund is a restricted account in accordance with provisions of the revenue bond resolutions; however, these funds are generally available for the operations of the District.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

RESTRICTED CASH AND RESERVES

Restricted cash and reserves consisted of the following accounts and amounts at June 30, 2015 and 2014

	<u>Water</u>	<u>Sewer</u>	2015 Total	2014 Memorandum Only Total
Debt service revenue	\$ -	\$ 143,590	\$ 143,590	\$ 140,552
Debt service reserve	-	505,224	505,224	505,132
Bond proceeds account	-	43,940	43,940	69,100
Renewal and replacement	-	78,406	78,406	84,226
Capacity improvement and assura	-	153,087	153,087	150,800
Customer deposits	<u>5,137</u>	<u>147,632</u>	<u>152,769</u>	<u>152,674</u>
 Total	 \$ <u>5,137</u>	 \$ <u>1,071,879</u>	 \$ <u>1,077,016</u>	 \$ <u>1,102,484</u>

The debt service revenue and related reserve includes funds on deposit with the West Virginia Municipal Bond Commission as trustee under the various revenue bond indentures and proceeds from bond issues. The Trust indentures require the trustee to establish various special purpose trust fund accounts, make periodic transfers to and between funds, maintain them at a specified level and/or disburse funds from them in accordance with the specific terms of the indentures.

The renewal and replacement funds are under the control and custody of the District as trustee in accordance with provisions of the revenue bond indentures. The renewal and replacement fund represents funds on deposit for the purpose of making repairs and replacements.

The District is required to collect Capacity Improvement Fees (CIF), by the orders of the Public Service Commission of West Virginia (PSC) dated March 2005 and modified January 2010, which are to be used for the purpose of improving the Charles Town treatment facilities.

The District is required to remit CIF collections for new customers flows that will be treated at the Charles Town treatment plant by 30 days from collection without interest. The District maintains a liability on the books for fees collected but not yet transferred. The balance of the liability as of June 30, 2015, and 2014, was \$2,254 and \$0 respectively.

CIF collections in excess of amounts to be remitted to Charles Town treatment facilities and amounts collected directly for new customer flows were to be treated at the Flowing Springs Waste Water Treatment Plant can only be disbursed by the District with permission of the PSC.

The customer deposits fund represents funds on deposit with a financial institution as required by the Public Service Commission of West Virginia. These funds are returned to customers upon twelve consecutive timely service payments or upon termination of service.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

DEPOSITS AND INVESTMENTS

At June 30, 2015, the District's cash and investment balances were as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Standard Poor Rating</u>
Repurchase Agreement	Various	\$ 571,588	AA+
State Investment Pool	Average of 90 days	<u>648,814</u>	AA-
Total investments		1,220,402	
Cash		<u>4,497</u>	
Total Cash and Investments		\$ <u><u>1,224,899</u></u>	

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value changes arising from changing interest rates.

Credit Risk

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia, obligations of the federal mortgage association, indebtedness secured by first lien deeds of trust for property situated within this state if the payment is substantially insured or guaranteed by the federal government, pooled mortgage trusts (subject to limitations), indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, interest earning deposits which are fully insured or collateralized, and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars. The District has no investment policy that would further limit its investment choices.

Concentration Credit Risk

The District does not have a formal investment policy that limits its investments in any one issuer.

GAAP requires disclosure when any one issuer is 5% or more of the investment portfolio. The investment in the repurchase agreements, with it's underlying securities being Federal Home Loan Bank and Fannie Mae mortgage loans of 47%, and investments in the state investment pool of 53% of the investment portfolio. These types of investments are within state statutes as listed under credit risk, therefore, this is not viewed as an additional risk by the District.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk-Deposits and Investments (excluding investments at the West Virginia Municipal Bond Commission)

Custodial credit risk is the risk that in the event of a bank or counter party failure, the District will not be able to recover the value of its deposits, investments or collateral securities that are in possession of an outside party. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2015, \$333,674 of the District's bank balance of \$584,823 was exposed to custodial credit risk. \$251,149 of the bank balance was covered by Federal Deposit Insurance (FDIC) and \$333,674 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

In fiscal years ended June 30, 2015 and 2014, the District has a repurchase agreement with a local financial institution for the investment of excess funds in all of the District's accounts held at that institution. Under the repurchase agreement, all collected balances in the account at the end of each day are automatically withdrawn and used to purchase an investment under the repurchase agreement. The repurchase agreement states that the securities purchased will be U.S. Government or Agency Securities or Mortgage Backed Securities. The securities will not be identified as the District's specific property, nor will they be delivered to the District and during any trading day, the District's securities are commingled with the bank's own securities, and may be subject to liens granted by the bank to third parties. The repurchase agreement also states that the purchased interest in underlying securities is not considered a deposit and therefore not insured by the FDIC, the United States Government or Agency thereof, or any other. The market value of the investments approximates cost at June 30, 2015 and 2014.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

Sewer Department

	Balance at July 01, 2013	Additions	Retirements	Balance at June 30, 2014
Capital assets not being depreciated:				
Land and land rights	\$ 1,042,760	\$ 12,250	\$ -	\$ 1,055,010
Construction work in progress	89,593	-	29,348	60,245
Total capital assets not being depreciated - sewer	<u>1,132,353</u>	<u>12,250</u>	<u>29,348</u>	<u>1,115,255</u>
Capital assets being depreciated:				
Collection mains and services	11,245,044	-	-	11,245,044
Transmission mains	240,858	-	-	240,858
Gravity mains	64,865	-	-	64,865
Force mains	1,147,076	1,226	-	1,148,302
Electric pumping equipment	3,525,458	364,681	-	3,890,139
Transportation equipment	81,633	41,089	21,282	101,440
Communication equipment	22,393	-	-	22,393
Furniture and office equipment	236,803	5,298	-	242,101
Total capital assets being depreciated - sewer	<u>16,564,130</u>	<u>412,294</u>	<u>21,282</u>	<u>16,955,142</u>
Less Accumulated Depreciation – Sewer Department				
	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Collection mains and services	3,573,996	224,902	-	3,798,898
Transmission mains	112,629	4,818	-	117,447
Gravity mains	23,999	1,298	-	25,297
Force mains	522,072	22,943	-	545,015
Electric pumping equipment	1,125,070	101,895	-	1,226,965
Transportation equipment	78,986	8,205	21,282	65,909
Communication equipment	14,903	3,217	-	18,120
Furniture and office equipment	139,896	16,787	-	156,683
Total accumulated depreciation	<u>5,591,551</u>	<u>384,065</u>	<u>21,282</u>	<u>5,954,334</u>
Total capital assets being depreciated, net - sewer	<u>10,972,579</u>	<u>28,229</u>	<u>-</u>	<u>11,000,808</u>
Net capital assets - sewer	\$ <u>12,104,932</u>	\$ <u>40,479</u>	\$ <u>29,348</u>	\$ <u>12,116,063</u>

Jefferson County Public Service District

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

CAPITAL ASSETS (Continued)

Water Department

	<u>Balance at July 01, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2014</u>
Capital assets not being depreciated:				
Land and land rights	\$ 2,866	\$ -	\$ -	\$ 2,866
Construction work in progress	-	277,830	-	277,830
Total capital assets not being depreciated-water	<u>2,866</u>	<u>277,830</u>	<u>-</u>	<u>280,696</u>
Capital assets being depreciated:				
Structures and improvements	90,042	-	-	90,042
Supply mains	1,240	-	-	1,240
Wells and springs	81,154	-	-	81,154
Pump equipment	18,235	-	-	18,235
Transmission and distribution lines	58,316	-	-	58,316
Services and meters	16,598	-	-	16,598
Hydrants	122	-	21	101
Total capital assets being depreciated - water	<u>265,707</u>	<u>-</u>	<u>21</u>	<u>265,686</u>

Less Accumulated Depreciation – Water Department

	<u>Balance at July 01, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2014</u>
Structures and improvements	28,902	3,815	-	32,717
Supply mains	590	31	-	621
Wells and springs	1,402	2,035	-	3,437
Pump equipment	13,420	989	-	14,409
Transmission and distribution lines	26,791	1,680	-	28,471
Services and meters	7,178	500	-	7,678
Hydrants	82	4	-	86
Total accumulated depreciation	<u>78,365</u>	<u>9,054</u>	<u>-</u>	<u>87,419</u>
Total capital assets being depreciated, net - water	<u>187,342</u>	<u>(9,054)</u>	<u>-</u>	<u>178,267</u>
Net capital assets - water	<u>\$ 190,208</u>	<u>\$ 268,776</u>	<u>\$ -</u>	<u>\$ 458,963</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2015 was as follows:

Sewer Department

	Balance at July 01, 2014	Additions	Retirements	Balance at June 30, 2015
Capital assets not being depreciated:				
Land and land rights	\$ 1,055,010	\$ 4,775	\$ -	\$ 1,059,785
Construction work in progress	<u>60,245</u>	<u>116,503</u>	<u>60,245</u>	<u>116,503</u>
Total capital assets not being depreciated - sewer	<u>1,115,255</u>	<u>121,278</u>	<u>60,245</u>	<u>1,176,288</u>
Capital assets being depreciated:				
Collection mains and services	11,245,044	21,994	-	11,267,038
Transmission mains	240,858	-	-	240,858
Gravity mains	64,865	-	-	64,865
Force mains	1,148,302	1,490	-	1,149,792
Electric pumping equipment	3,890,139	33,431	8,754	3,914,816
Transportation equipment	101,440	-	-	101,440
Communication equipment	22,393	1,495	-	23,888
Furniture and office equipment	<u>242,101</u>	<u>4,430</u>	<u>5,215</u>	<u>241,316</u>
Total capital assets being depreciated - sewer	<u>16,955,142</u>	<u>62,840</u>	<u>13,969</u>	<u>17,004,013</u>
Less Accumulated Depreciation – Sewer Department				
	Balance at July 01, 2014	Additions	Retirements	Balance at June 30, 2015
Collection mains and services	3,798,898	225,002	-	4,023,900
Transmission mains	117,447	4,816	-	122,263
Gravity mains	25,297	1,297	-	26,594
Force mains	545,015	22,994	-	568,009
Electric pumping equipment	1,226,965	120,502	4,844	1,342,623
Transportation equipment	65,909	9,031	-	74,940
Communication equipment	18,120	3,185	-	21,305
Furniture and office equipment	<u>156,683</u>	<u>12,238</u>	<u>5,215</u>	<u>163,706</u>
Total accumulated depreciation	<u>5,954,334</u>	<u>399,065</u>	<u>10,059</u>	<u>6,343,340</u>
Total capital assets being depreciated, net - sewer	<u>11,000,808</u>	<u>(336,225)</u>	<u>-</u>	<u>10,660,673</u>
Net capital assets - sewer	\$ <u>12,116,063</u>	\$ <u>(214,947)</u>	\$ <u>60,245</u>	\$ <u>11,836,961</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

CAPITAL ASSETS (Continued)**Water Department**

	<u>Balance at July 01, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated:				
Land and land rights	2,866	\$ 33,276	\$ -	\$ 36,142
Construction work in progress	<u>277,830</u>	<u>2,176,513</u>	<u>2,454,343</u>	<u>-</u>
Total capital assets not being depreciated - water	<u>280,696</u>	<u>2,209,789</u>	<u>2,454,343</u>	<u>36,142</u>
Capital assets being depreciated:				
Structures and improvements	90,042	-	90,042	-
Supply mains	1,240	-	1,240	-
Wells and springs	81,154	-	9,949	71,205
Pump equipment	18,235	652,038	-	670,273
Transmission and distribution lines	58,316	1,207,274	-	1,265,590
Services and meters	16,598	218,543	16,598	218,543
Hydrants	<u>101</u>	<u>-</u>	<u>101</u>	<u>-</u>
Total capital assets being depreciated - water	<u>265,686</u>	<u>2,077,855</u>	<u>117,930</u>	<u>2,225,611</u>

Less Accumulated Depreciation – Water Department

	<u>Balance at July 01, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Structures and improvements	32,717	3,396	36,113	-
Supply mains	621	30	651	-
Wells and springs	3,437	123	-	3,560
Pump equipment	14,409	986	15,395	-
Transmission and distribution lines	28,471	1,682	30,153	-
Services and meters	7,678	656	8,334	-
Hydrants	<u>86</u>	<u>4</u>	<u>90</u>	<u>-</u>
Total accumulated depreciation	<u>87,419</u>	<u>6,877</u>	<u>90,736</u>	<u>3,560</u>
Total capital assets being depreciated, net - water	<u>178,267</u>	<u>2,070,978</u>	<u>-</u>	<u>2,222,051</u>
Net capital assets - water	\$ <u>458,963</u>	\$ <u>4,280,767</u>	\$ <u>2,454,343</u>	\$ <u>2,258,193</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

CONSTRUCTION WORK IN PROGRESS

Construction work in progress is made up of the following at June 30, 2015:

Norborne Glebe Project - Sewer	\$	11,575
Sheridan Project - Sewer		8,403
Wormald/Beallair Project - Sewer		16,324
Pump Station 1-12 - Sewer		70,998
Aspen Green - Sewer		9,203
	\$	<u>116,503</u>

Sewer

The Norborne Glebe Project is an alternate main line extension that will service the Norborne Glebe subdivision. The project has been expanded from its original plant to serve 602 homes, to serve approximately 1,000 residential units and 40 acres of commercial property. 152 homes are currently on the billing system. Over the past fiscal year, the developer has purchased 22 CIFs. This pace is scheduled to continue for new homes. This project is being built by the developer and upon phase completion will be turned over to the District, at which time the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. Phase I was turned over to the District in September 2005. This is reflected in capital contributions and utility plant in the year ended June 30, 2006. The estimated date of completion for the remainder of the project is 2025 with an estimated total cost of \$500,000 (unaudited).

The District has an alternate main line extension agreement for the Sheridan Development and four separate agreements for the associated Old Standard wastewater treatment plant of which three of these agreements had expired by June 30, 2011. The agreements are; real estate purchase agreement, leaseback agreement, operation and maintenance agreement and an asset purchase agreement. The real estate purchase agreement and leaseback agreement stages have already taken place and the plant is currently constructed and serving the homes of Sheridan. It has not been turned over to the District from the developer, who was known as Old Standard LLC, because of an old Mechanic's Lien which the District learned about two years ago. The property was sold at auction in the 2013 fiscal year. The Developer changed his business name for the plant to East Jefferson Sewer Services LLC (EJSS), and purchased the plant and land at the auction. In response the District filed a complaint case at the WV Public Service Commission, #14-0264-S-CN, to attempt to void the sale because, it is our understanding that utilities need to seek PSC approval before selling assets. In response to our claim at the PSC, East Jefferson Sewer Services LLC filed a civil suit asking the Judge to verify the new ownership of the plant and land. The PSC finalized the case but did not solve the associated issues. At this point, the District is attempting to purchase Jefferson Utilities. If this purchase goes through, the District will own the Old Standard Plant from EJSS and the sewer lines and pump stations in Sheridan. A new AMEA will need to be created with the new owner of the Development.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

CONSTRUCTION WORK IN PROGRESS (Continued)

The Beallair Development by Wormald Developers is under an alternate mainline extension agreement. The project will service approximately 400 homes when fully built out. Currently there are 67 metered customers and 1 flat rate customer. The sewer system is being constructed by the Developer and will be turned over to the District for \$1 when completed. At that time, the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. The estimated cost is currently unavailable. The District previously accepted one pump station and the lines for lots 1-49.

The Spruce Hill North Project is an alternate mainline extension that will service the Spruce Hill North subdivision. The project will service approximately 119 homes, of which 113 are currently on the billing system. The developer has purchased the remaining EDUs and those homes will be on billing within the next 6 months. This project is being built by the developer and both pump stations have already been turned over to the District. Upon completion, all of the lines will be turned over to the District, at which time the estimated total cost of the project will be recorded on the District's books as utility plant and capital contributions. The total estimated cost is approximately \$100,000 (unaudited).

Aspen Greens is a project with an Alternate Mainline Extension Agreement which states the Developer will increase the size of his offsite system to accommodate the District's planned Flowing Springs Collection System Transmission project. There is a reimbursement to the Developer of \$43,000 and this will save the District about \$400,000 on this section of the line in the project. This section of line is now completed and the infrastructure of the Development is under construction. The reimbursement of \$43,000 will be included in the District's final funding for the Flowing Springs Collection and Transmission Project.

Water

On September 11, 2013 the District received an order from the West Virginia Public Service Commission for a water project for the Glen Haven and Cavaland water systems. A certificate of convenience and necessity was granted to construct the proposed water project. The cost of the project is expected not to exceed \$2,323,491.

The financing of the project, consisting of a West Virginia Infrastructure and Jobs Development Council grant in the amount of \$254,895; a Drinking Water Treatment Revolving Fund loan in the amount of \$985,350 at 0.5% interest and a 0.5% administrative fee for 30 years; a Drinking Water Treatment Revolving Fund forgiveness loan in the amount of \$1,073,246; and a contribution by the Utility in the amount of \$10,000. This project is now completed.

OTHER ASSETS

Future Utility Plant Preliminary Survey and Design Charges

These charges represent engineering, legal, accounting and other incidental costs incurred for the acquisition and or development of future sewer and water systems.

Other Assets-Capacity Upgrades

The District's contribution to the Charles Town wastewater treatment plant upgrade is being amortized over the remaining life (25 years) of the associated bonds. The carrying amount of this asset, net of amortization at June 30, 2015 and 2014 is \$662,872 and \$707,063 respectively. (See details on reclassification in Sewer Service Agreement note).

Jefferson County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

REVENUE BONDS PAYABLE

The District was obligated under trust indentures with respect to the following sewer and water revenue bonds outstanding at June 30, 2015 and 2014:

Water	<u>2015</u>	<u>2014</u>
Series 2014 A Water Revenue Bonds, original face value of \$985,350, payable in quarterly installments with principal beginning December 1, 2014, at 0.5% interest and concluding on September 1, 2045.	\$ <u>985,292</u>	\$ <u><u>244,383</u></u>
Sewer		
Series - 1988 B sewer revenue bonds, original face value of \$425,767, payable in annual installments, with principal beginning in 1990 at \$10,917 at 0% interest and concluding October 10, 2028.	\$ 152,842	\$ 163,759
Series - 1998 B sewer revenue bonds, original face value of \$599,089, payable in quarterly installments, with principal beginning September 1, 1999 at \$7,489 at 0% interest and concluding June 1, 2019.	119,808	149,760
Series - 1998 C sewer revenue bond, Infrastructure fund, original face value of \$662,039, payable in quarterly installments, with principal and interest beginning September 1, 2019 at 1% interest and concluding June 1, 2038.	662,039	662,039
Series - 1999 A sewer revenue bond, original face value of \$378,363, payable in quarterly installments, with principal beginning June 1, 2000 at \$3,154 at 0% interest and concluding March 1, 2030.	186,027	198,639
Series - 2000 A sewer revenue bonds, original face value of \$1,154,889, payable in quarterly installments with principal beginning March 1, 2002 at \$9,625 at 0% interest and concluding December 1, 2031.	635,184	673,680
Series - 2008 A sewer revenue bonds, original face value of \$2,005,000, payable in quarterly installments with principal beginning March 1, 2009 at \$16,709 at 0% interest and concluding December 1, 2038.	1,570,566	1,637,402

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

REVENUE BONDS PAYABLE (Continued)

2015

2014

Series - 2010 A sewer revenue refunding bonds, original face value of \$1,895,000, payable in semi-annual installments with principal beginning October 1, 2010 at \$19,900 at 3% increasing to 4.375% interest and concluding on October 1, 2028.

\$ 1,570,000 \$ 1,655,000

Series - 2013 A Sewer Revenue Bonds, original face value of \$1,660,000, payable in semi-annual installments with principal beginning June 1, 2014, at 2.25% increasing to 4.0% interest and concluding on October 1, 2028.

1,480,000 1,570,000

Total sewer revenue bonds payable

\$ 6,376,466 \$ 6,710,279

Maturities of sewer and water revenue bonds payable and interest payments for each of the next five years and in subsequent five-year increments succeeding June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Sewer</u>		<u>Water</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 338,813	\$ 112,281	\$ 22,876	\$ 3,667
2017	343,813	107,081	30,636	4,755
2018	353,813	100,994	30,789	4,602
2019	353,811	94,550	30,943	4,447
2020	365,658	94,395	31,098	4,292
2021-2025	1,948,143	349,727	157,843	19,109
2026-2030	1,752,467	100,849	161,835	15,116
2031-2035	572,973	10,443	165,929	11,021
2036-2040	346,974	1,845	170,129	6,824
2041-2045	-	-	174,435	2,519
2046	-	-	8,779	11
	<u>\$ 6,376,466</u>	<u>\$ 972,165</u>	<u>\$ 985,292</u>	<u>\$ 76,363</u>

The bond issues are secured by a first lien on the revenues derived from the system and a statutory mortgage lien on the system.

All sewer revenue bonds are on parity with each other.

Sewer revenue bond activity for the year ended June 30, 2014 was as follows:

	<u>Balance at July 01, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2014</u>
Series 1988 B	\$ 174,676	\$ -	\$ 10,917	\$ 163,759
Series 1993 A	24,274	-	24,274	-
Series 1998 B	179,712	-	29,952	149,760
Series 1998 C	662,039	-	-	662,039
Series 1999 A	211,251	-	12,612	198,639
Series 2000 A	712,176	-	38,496	673,680
Series 2008 A	1,704,238	-	66,836	1,637,402
Series 2010 A	1,735,000	-	80,000	1,655,000
Series 2013 A	<u>1,660,000</u>	<u>-</u>	<u>90,000</u>	<u>1,570,000</u>

Jefferson County Public Service District

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

REVENUE BONDS PAYABLE (Continued)

Total sewer revenue bonds payable	\$	<u>7,063,366</u>	\$	<u>-</u>	\$	<u>353,087</u>	\$	6,710,279
Less: Current portion due in upcoming year								<u>333,813</u>

Long-term sewer revenue bonds payable at June 30, 2014 (net of current portion) \$ 6,376,466

Sewer revenue bond activity for the year ended June 30, 2015 was as follows:

		Balance at <u>July 01, 2014</u>		<u>Additions</u>		<u>Deductions</u>		Balance at <u>June 30, 2015</u>
Series 1988 B	\$	163,759	\$	-	\$	10,917	\$	152,842
Series 1998 B		149,760		-		29,952		119,808
Series 1998 C		662,039		-		-		662,039
Series 1999 A		198,639		-		12,612		186,027
Series 2000 A		673,680		-		38,496		635,184
Series 2008 A		1,637,402		-		66,836		1,570,566
Series 2010 A		1,655,000		-		85,000		1,570,000
Series 2013 A		<u>1,570,000</u>		<u>-</u>		<u>90,000</u>		<u>1,480,000</u>
Total sewer revenue bond payable	\$	<u>6,710,279</u>	\$	<u>-</u>	\$	<u>333,813</u>	\$	6,376,466

Less: Current portion due in upcoming year 338,813

Long-term sewer revenue bonds payable at June 30, 2015 (net of current portion) \$ 6,037,653

Water revenue bond activity for the year ended June 30, 2014 was as follows:

		Balance at <u>July 01, 2013</u>		<u>Additions</u>		<u>Deductions</u>		Balance at <u>June 30, 2014</u>
Series 2014 A		<u>-</u>	\$	<u>244,383</u>		<u>-</u>	\$	244,383

Less: Current portion due in upcoming year 25,966

Long-term sewer revenue bonds payable at June 30, 2014 (net of current portion) \$ 218,417

Water revenue bond activity for the year ended June 30, 2015 was as follows:

		Balance at <u>July 01, 2014</u>		<u>Additions</u>		<u>Deductions</u>		Balance at <u>June 30, 2015</u>
Series 2014 A		<u>244,383</u>	\$	<u>740,909</u>		<u>-</u>	\$	985,292

Less: Current portion due in upcoming year 22,876

Long-term sewer revenue bonds payable at June 30, 2015 (net of current portion) \$ 962,416

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

REVENUE BONDS PAYABLE (Continued)

The covenants contained in each of the bond issues include the following ratios and deposit requirements:

	Sewer		Water	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Debt service coverage ratio Requirement 115%	116%	115%	N/A	N/A
Funding of renewal and replacement fund	Yes	Yes	N/A	N/A
Funding of Debt Service fund	Yes	Yes	N/A	N/A

The water bond was issued in current year to construction of water improvements to Cavaland and Glen Haven. The loan has not been fully drawn and the renewal and replacement fund and debt service fund is not required.

Current Refunding - Deferred Outflows

The District on June 24, 2010, issued Series 2010 A Sewer revenue bonds to refund its Series 1998 A revenue refinancing bonds. As required by Generally Accepted Standards Board Statement No. 23, the District deferred the difference between the reacquisition price and the net carrying amount of the old debt to be amortized as a component of interest expense over the shorter of the remainder life of the old debt or the new debt.

	<u>Original Amt.</u>	<u>Accum. Amort.</u>	<u>Net Amount</u>
Deferred requisition cost:			
costs	\$ 109,885	\$ 31,043	\$ 78,842
refinance	<u>249,842</u>	<u>69,401</u>	<u>180,441</u>
Deferred 2010 A reacquisition cost	\$ <u>359,727</u>	\$ <u>100,444</u>	\$ <u>259,283</u>

NOTES PAYABLE

Notes payable consist of the following:

	<u>2015</u>	<u>2014</u>
Sewer Department		
Note payable to the bank in the amount of \$44,062 at the fixed rate of 4.25%, principal and interest due in monthly installments beginning February 2012 and concluding in January 2017.	\$ <u>14,980</u>	\$ <u>22,716</u>

Principal amounts due over the life of the bond are as follows:

	2016	\$ 8,953
	2017	<u>6,027</u>
Total		<u>\$ 14,980</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

NONCURRENT LIABILITIES

Changes in long-term liabilities for governmental activities for the fiscal year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Net pension liability	\$ 318,929	\$ -	\$ 187,573	\$ 131,356

Current portion due in upcoming year -

CAPACITY IMPROVEMENT FEES

The District began collecting capacity improvement fees in March 2005 for all new connections to the District's system pursuant to a PSC order dated March 28, 2005. This order was modified by an order dated January 30, 2009, to increase the amount of the capacity improvement fee collected to \$7,500 from \$1,127 per equivalent dwelling unit. The January 30, 2009 order was changed by the March 20, 2013 order to reduce capacity improvement fees collected from \$7,500 to \$1,127 per equivalent dwelling unit.

As required by the previous order, new service connections that will be treated at the Charles Town waste water treatment plant, \$1,127 per equivalent dwelling unit will be maintained in a separate fund administered jointly by the District, City of Charles Town, and Corporation of Ranson and shall only be used for the purpose of improving the Charles Town treatment facilities.

Per the January 30, 2009 order, new sewer connections that will be treated at the District's Flowing Springs waste water treatment plant and the capacity improvement fees collected in excess of amounts required to be remitted to Charles Town, are required to be used to pay down debt service of the construction bonds. Per the March 20, 2013 order and the dropping of the Flowing Springs Wastewater Treatment Plant Project, no excess amounts will be used to pay down debt service.

Capacity improvement fee activity for the years ended June 30, 2015 and 2014:

<u>Charles Town WWTP</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Capacity improvement fees collected	\$ 158,907	\$ 100,424
Capacity improvement fees remitted	156,653	102,678
Amount due to Charles Town WWTP beginning of year	-	2,254
Amount due to Charles Town WWTP end of year	\$ 2,254	\$ -

PRIOR PERIOD ADJUSTMENT

The following restatement was performed to net position at the beginning of the year due to the adoption of Governmental Accounting Standards Board Statement No. #68, Accounting and Financial Reporting for Pensions:

Net position, as previously stated	\$ 7,946,146
Deferred outflow of resources-employer contributions made during measurement period	69,108
Net Pension Liability	<u>(318,929)</u>
Net position, restated	\$ <u>7,696,325</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

MISCELLANEOUS OPERATING REVENUES

Miscellaneous operating revenues - sewer department- consist of the following items:

	<u>2015</u>	<u>2014</u>
Transportation credits	\$ 36,439	\$ 33,911
System billing fees - water department	41,255	45,702
Shared staff reimbursement	25,857	-
Bad debts recovered	3,382	-
Disconnect/reconnect fees	160	1,910
Other miscellaneous revenue	<u>7,552</u>	<u>3,724</u>
Total	\$ <u>114,645</u>	\$ <u>85,247</u>

LEASE

In April 2008, the District entered into a (10) ten year facilities lease agreement with options to extend. The monthly lease payments start at \$5,782 for the first twelve months and escalate at a rate of 3% each year. The District expensed \$81,576 and \$79,791 in lease expense for fiscal years ended June 30, 2015 and 2014 respectively. Minimum future rental payments under non-cancelable operating lease are as follows:

2016	\$ 84,502
2017	87,037
2018	89,648
2019	<u>37,946</u>
Total minimum future rental payments	\$ <u>299,133</u>

SEWER SERVICE AGREEMENT

Effective for service rendered on and after May 1, 2005, by order of the Public Service Commission of West Virginia (PSC), the District is considered a bulk rate customer to the City of Charles Town; therefore, the specific formula used to calculate the amount charged for these sewer services in prior years was changed to include actual usage at a resale rate as stated in the City of Charles Town's sewer tariff, less resale and transportation credits, applicable only to the District. The bulk rate is reflected at gross in the supplemental schedule of operating expenses - sewer department under treatment and disposal rent. The credits are reflected as income in the District's financial statements. The resale credit, which is for the debt incurred by the District as part of the 2000 Charles Town treatment plant upgrade, is reflected as miscellaneous non-operating revenues.

As of July 1, 2005, the District's asset related to the Charles Town wastewater treatment plant upgrade was reclassified from utility plant in service to other assets on the balance sheet and is being amortized over the remaining life (25 years) of the associated bonds for the Charles Town wastewater treatment plant upgrades (Series 2000). The carrying amount of this asset, net of amortization at June 30, 2015 and 2014 is \$662,872 and \$707,063 respectively. The transportation credits are for reimbursement of fixed debt associated with lift stations to transport Charles Town's sewage from the former Sanitary Associates service area, and for flows from the former Sanitary Associates area. These credits are included in miscellaneous operating revenues. During the years ended June 30, 2015 and 2014, treatment expenses totaled \$908,222 and \$783,523 respectively.

Effective December 2005, per the Amendment to Sewer Service Agreement, the District must also remit to Charles Town, on a monthly basis, \$6.10 per equivalent dwelling unit for all new sewer service customers that connect to the sewer system on or after December 2005.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Plan Descriptions, Contribution Information, and Funding Policies

The District participates in the West Virginia Public Employees Retirement System (WVPERS), a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of Council employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

The plan is administered by the Consolidated Public Retirement Board (CPRB), which acts as a common investment and administrative agent for all of the participating employers. CPRB issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at www.wvretirement.com. The following is a summary of eligibility factors, contribution methods, and benefits provisions:

Eligibility to participate	All full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
District's contribution rate	14.00%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

Trend Information

Fiscal Year Ended	District Contributions	Employee Contributions	Total Contributions	Percent Contributed
2015	\$ 67,214	\$ 21,605	\$ 88,819	100%
2014	69,108	21,438	90,546	100%
2013	65,554	21,071	86,625	100%
2012	64,383	19,981	84,364	100%
2011	48,438	17,438	65,876	100%

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At fiscal year-end, the government reported the following liabilities for its proportionate share of the net pension liabilities. The net position liabilities were measure as of June 30, 2014, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2013 and rolled forward to June 30, 2014 using the actuarial assumptions and methods described in the appropriate section of this note. The government's proportion of the net pension liabilities was based on a projection of the government's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2014, the government's reported the following proportions and increase/decreases from its proportion measured as of June 30, 2013:

Amount for proportionate share of net pension liability	\$	131,356
Percentage for proportionate share of net pension liability		0.035591%
Increase/(decrease) % from prior proportion measured		1.705487%

For the year ended June 30, 2015, the government recognized the following pension expense:

PERS pension expense	\$	16,257
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The government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 138,956
Changes in proportion and differences between government contributions and proportionate share of contributions	4,234	-
Government contributions subsequent to the measurement date	<u>67,214</u>	<u>-</u>
	<u>71,448</u>	<u>138,956</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

The amount reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2016	\$ 33,444
2017	33,444
2018	33,444
2019	34,390
2020	-
Thereafter	-
	\$ 134,722

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2013 and rolled forward to June 30, 2014 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation rate	2.20%
Salary increases	4.25% - 6.0%
Investment Rate of Return	7.50%

Mortality Rates

- Healthy males - 1983 GAM
- Healthy females - 1971 GAM
- Disabled males - 1971 GAM
- Disabled females - Revenue ruling 96-7

The actuarial assumptions used in the July 1, 2013 PERS valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2009.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Rates summarized in the following table include the inflation component and were used for the PERS defined benefit plan:

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Actuarial assumptions (continued)

<u>Investment</u>	<u>Long-term Expected Real Rate of Return</u>	<u>PERS Target Asset Allocation</u>
US Equity (Russell 3000)	7.6%	27.5%
International Equity (ACWI ex US)	8.5%	27.5%
Fixed Income	2.9%	15.0%
High Yield	4.8%	0.0%
TPS	2.9%	0.0%
Real Estate	6.8%	10.0%
Private Equity	9.9%	10.0%
Hedge Funds	5.0%	10.0%
Inflation (CPI)	2.2%	0.0%
		<u>100.0%</u>

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent for all defined benefit plans. The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Government's proportionate share of PERS's net pension liability	\$ 371,161	\$ 131,356	\$ (72,984)

Pension plans' fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

OTHER POST EMPLOYMENT BENEFITS

Plan Description. The District is an active participant with the West Virginia Public Employees Insurance Agency (PEIA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. PEIA provides medical benefits to retired employees and former employees of participating and non-participating West Virginia government entities. West Virginia Code, Chapter 5, Article 16, assigns the authority to establish and amend benefit provisions to PEIA. PEIA annually issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained online from PEIA's website: www.westvirginia.com/peia.

Funding Policy. West Virginia Code, Chapter 5, Article 16 provides that contribution requirements of the plan and the participating employers are established and may be amended by PEIA. Plan members or beneficiaries receive benefits do not contribute to the plan.

Participating employers are contractually required to contribute at a rate assessed each year by PEIA. PEIA sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

	<u>Fiscal Years Ended June 30:</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Per participant per month:			
Contractually required Contributions	\$ <u>164</u>	\$ <u>176</u>	\$ <u>178</u>
District contributions to PEIA for pay as you go	\$ <u>225</u>	\$ <u>94</u>	\$ <u>79</u>
District's annual required contributions:			
Contractually required	\$ 24,576	\$ 19,296	\$ 18,667
District contributions to PEIA for pay as you go	<u>13,776</u>	<u>14,784</u>	<u>14,875</u>
Net OPEB obligation	\$ <u>10,800</u>	\$ <u>4,512</u>	\$ <u>3,792</u>
Percentage of required contributions paid	<u>56%</u>	<u>77%</u>	<u>80%</u>

The District recorded the total net OPEB obligation during fiscal year ended June 30, 2013 which consisted of the

Net OPEB obligation

Fiscal year ended June 30:

2015	\$ 10,800
2014	4,512
2013	3,792
2012	38,112
2011	44,520
2010	51,362
2009	19,001
2008	<u>8,487</u>
	\$ <u>180,586</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash and cash equivalents consist of the following at June 30, 2015 and 2014:

	<u>2015</u>		<u>2014</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Cash	\$ 9,780	\$ 138,100	\$ 30,111	\$ 116,535
Restricted cash	<u>5,137</u>	<u>1,071,879</u>	<u>4,230</u>	<u>1,098,254</u>
Total	\$ <u>14,917</u>	\$ <u>1,209,979</u>	\$ <u>34,341</u>	\$ <u>1,214,789</u>

Schedule of Noncash Investing and Financing activities at June 30, 2015 and 2014 - Sewer:

	<u>2015</u>	<u>2014</u>
Loss on dropped projects	\$ <u>(12,002)</u>	\$ <u>(4,760)</u>
Loss on disposal of assets	\$ <u>(105,918)</u>	\$ <u>-</u>
Grant Revenue for:		
Forgiveness of loan	\$ -	\$ 145,000
Water project	<u>-</u>	<u>21,800</u>
	\$ <u>-</u>	\$ <u>166,800</u>
Contribution of Land	\$ <u>-</u>	\$ <u>12,250</u>

SUBSEQUENT EVENT

At the November 2, 2015 Board meeting, the District authorized the issuance of a Series 2015A Bond in the amount of \$660,000, at the rate 3.39% amortized monthly for 15 years. The proceeds of the issuance will be used to fund engineering and other soft costs of planning a sewer transmission line improvement project.

REQUIRED SUPPLEMENTAL INFORMATION

Jefferson County Public Service District

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

June 30, 2015 and 2014

Public Employees Retirement System

Last 2 Fiscal Years

	<u>2015</u>	<u>2014</u>
Government's proportion of the net pension liability (asset) (percentage)	0.035591%	0.034984%
Government's proportion of the net pension liability (asset)	\$ 131,356	\$ 318,929
Government's covered-employee payroll	\$ 480,102	\$ 477,898
Government's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	27.36%	66.74%
Plan fiduciary net position as a percentage of the total pension liability	93.98%	79.70%

See independent auditors' report.

Jefferson County Public Service District

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

June 30, 2015 and 2014

Public Employees Retirement System

Last 5 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 67,214	\$ 69,108	\$ 65,554	\$ 64,383	\$ 48,438
Contributions in relation to the contractually required contribution	<u>(67,214)</u>	<u>(69,108)</u>	<u>(65,554)</u>	<u>(64,383)</u>	<u>(48,438)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 480,102	\$ 477,898	\$ 468,246	\$ 444,022	\$ 387,505
Contributions as a percentage of covered-employee payroll	14.00%	14.50%	14.00%	14.50%	12.50%

See independent auditors' report.

SUPPLEMENTAL INFORMATION

Jefferson County Public Service District

BUDGETARY COMPARISON SCHEDULE - WATER DEPARTMENT

For the year ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (under)	Actual Amounts GAAP Basis
REVENUES					
Operating revenues	\$ 49,200	\$ 64,700	\$ 60,907 (C)	\$ 42	\$ 60,949
Non-operating revenues	(B) <u>300</u>	<u>300</u>	<u>7</u>	<u>(7)</u>	<u>-</u>
Total revenues	<u>49,500</u>	<u>65,000</u>	<u>60,914</u>	<u>35</u>	<u>60,949</u>
REVENUE DEDUCTIONS BEFORE DEPRECIATION					
Operating expenses	<u>48,700</u>	<u>39,600</u>	<u>60,822</u>	<u>-</u>	<u>60,822</u>
Income before depreciation	800	25,400	92	35	127
DEPRECIATION	(A) <u>-</u>	<u>-</u>	<u>-</u>	<u>8,787</u>	<u>8,787</u>
Income before non-operating expenses	<u>800</u>	<u>25,400</u>	<u>92</u>	<u>(8,752)</u>	<u>(8,660)</u>
NON-OPERATING INCOME (EXPENSES)					
Interest income	(B) -	-	-	7	7
Interest expense	-	-	-	(11)	(11)
Bond issue costs	-	-	-	-	-
Debt service expense	-	-	-	-	-
Renewal & replacement Reserve requirements	-	-	-	-	-
Loss on Disposal of Assets	-	-	-	(98,543)	(98,543)
Grant revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,161,141</u>	<u>1,161,141</u>
Total non-operating income (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,062,594</u>	<u>1,062,594</u>
Increase (decrease) net position	800	25,400	92	1,053,842	1,053,934
Net position at beginning of year	<u>439,518</u>	<u>439,518</u>	<u>439,518</u>	<u>-</u>	<u>439,518</u>
Net position at end of year	\$ <u>440,318</u>	\$ <u>464,918</u>	\$ <u>439,610</u>	\$ <u>1,053,842</u>	\$ <u>1,493,452</u>

NOTES:

- (A) Non-cash items are not included for budgetary purposes.
- (B) For budgetary purposes, includes interest earned.
- (C) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.

Jefferson County Public Service District

BUDGETARY COMPARISON SCHEDULE - WATER DEPARTMENT

For the year ended June 30, 2014

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences Over (under)</u>	<u>Actual Amounts GAAP Basis</u>
REVENUES					
Operating revenues	\$ 49,200	\$ 49,200	\$ 45,656	(C)\$ 912	\$ 46,568
Non-operating revenues	(B) <u>300</u>	<u>300</u>	<u>5</u>	<u>(5)</u>	<u>-</u>
Total revenues	<u>49,500</u>	<u>49,500</u>	<u>45,661</u>	<u>907</u>	<u>46,568</u>
REVENUE DEDUCTIONS BEFORE DEPRECIATION					
Operating expenses	<u>48,700</u>	<u>48,700</u>	<u>37,427</u>	<u>-</u>	<u>37,427</u>
Income before depreciation	800	800	8,234	907	9,141
DEPRECIATION	(A) <u>-</u>	<u>-</u>	<u>-</u>	<u>9,054</u>	<u>9,054</u>
Income before non-operating expenses	<u>800</u>	<u>800</u>	<u>8,234</u>	<u>(8,147)</u>	<u>87</u>
NON-OPERATING INCOME (EXPENSES)					
Interest income	(B) -	-	-	4	4
Interest expense	-	-	-	(1)	(1)
Bond issue costs	-	-	-	(35,397)	(35,397)
Grant revenue	-	-	-	166,800	166,800
Total non-operating income (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,406</u>	<u>131,406</u>
Increase (decrease) in net position	800	800	8,234	123,259	131,493
Net position at beginning of year	<u>308,025</u>	<u>308,025</u>	<u>308,025</u>	<u>-</u>	<u>308,025</u>
Net position at end of year	\$ <u>308,825</u>	\$ <u>308,825</u>	\$ <u>316,259</u>	\$ <u>123,259</u>	\$ <u>439,518</u>

NOTES:

(A) Non-cash items are not included for budgetary purposes.

(B) For budgetary purposes, includes interest earned.

(C) Miscellaneous revenues included in non-operating revenues for budgetary purposes.

See independent auditors' report.

BUDGETARY COMPARISON SCHEDULE - SEWER DEPARTMENT

For the year ended June 30, 2015

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences Over (under)</u>	<u>Actual Amounts GAAP Basis</u>
REVENUES					
Operating revenues	\$ 2,544,267	\$ 2,544,267	\$ 2,540,205 (F)	\$ 114,645	\$ 2,654,850
Non-operating revenues	(C) <u>164,000</u>	<u>164,000</u>	<u>233,013</u>	<u>(233,013)</u>	<u>-</u>
Total revenues	<u>2,708,267</u>	<u>2,708,267</u>	<u>2,773,218</u>	<u>(118,368)</u>	<u>2,654,850</u>
REVENUE DEDUCTIONS BEFORE DEPRECIATION					
Operating expenses	(G) <u>2,174,156</u>	<u>2,174,156</u>	<u>2,092,563</u>	<u>25,652</u>	<u>2,118,215</u>
Income before depreciation	534,111	534,111	680,655	(144,020)	536,635
DEPRECIATION					
	(A) <u>-</u>	<u>-</u>	<u>-</u>	<u>399,065</u>	<u>399,065</u>
Income before non-operating expenses	<u>534,111</u>	<u>534,111</u>	<u>680,655</u>	<u>(543,085)</u>	<u>137,570</u>
NON-OPERATING INCOME (EXPENSES)					
Interest income	(C) -	-	-	258	258
Loss on disposal of assets	(A) -	-	-	(7,375)	(7,375)
Interest expense	(B) -	-	-	(138,733)	(138,733)
Amortization of treatment plant upgrades	(A) -	-	-	(44,773)	(44,773)
Loss due to dropped projects	(A) -	-	-	(12,002)	(12,002)
Miscellaneous non-operating revenues	(A) <u>-</u>	<u>-</u>	<u>-</u>	<u>118,110</u>	<u>118,110</u>
Total non-operating income (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,515)</u>	<u>(84,515)</u>
Increase (decrease) in net position before capital contributions	<u>534,111</u>	<u>534,111</u>	<u>680,655</u>	<u>(627,600)</u>	<u>53,055</u>
CAPITAL CONTRIBUTIONS					
	(C) <u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>
OTHER FINANCING SOURCES (USES)					
Renewal and replacement funds	(67,707)	(67,707)	(62,870) (E)	62,870	-
Debt service	(D) <u>(451,094)</u>	<u>(451,094)</u>	<u>(473,126)</u> (E)	<u>473,126</u>	<u>-</u>
Total other financing (uses)	<u>(518,801)</u>	<u>(518,801)</u>	<u>(535,996)</u>	<u>535,996</u>	<u>-</u>
Increase (decrease) in net position	15,310	15,310	144,659	(91,354)	53,305
Net position at beginning of year	<u>7,506,628</u>	<u>7,506,628</u>	<u>7,506,628</u>	<u>-</u>	<u>7,506,628</u>
GASB 68 restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249,821)</u>	<u>(249,821)</u>
Net position at end of year	\$ <u>7,521,938</u>	\$ <u>7,521,938</u>	\$ <u>7,651,287</u>	\$ <u>(91,354)</u>	\$ <u>7,310,112</u>

NOTES:

- (A) Non-cash items are not included for budgetary purposes.
- (B) Interest expense is included in debt service for budgetary purposes.
- (C) For budgetary purposes, includes interest earned on debt service and other funds, capital contributions, developer guaranteed minimum payments, grant revenues and miscellaneous operating revenues.
- (D) Budget includes principal, interest, and funding of debt service and reserve funds.
- (E) Balance sheet transactions are excluded from revenues and expenses under GAAP.
- (F) Miscellaneous revenues included in non-operating revenues for budgetary purposes.
- (G) Budget operating expenses do not include bad debts or increase in OPEB liability.

See independent auditors' report.

BUDGETARY COMPARISON SCHEDULE - SEWER DEPARTMENT

For the year ended June 30, 2014

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (under)	Actual Amounts GAAP Basis
REVENUES					
Operating revenues	\$ 2,238,288	\$ 2,405,267	\$ 2,421,499	(F)\$ 85,247	\$ 2,506,746
Non-operating revenues	(C) <u>165,000</u>	<u>142,000</u>	<u>126,021</u>	<u>(126,021)</u>	<u>-</u>
Total revenues	<u>2,403,288</u>	<u>2,547,267</u>	<u>2,547,520</u>	<u>(40,774)</u>	<u>2,506,746</u>
REVENUE DEDUCTIONS BEFORE DEPRECIATION					
Operating expenses	(G) <u>1,805,598</u>	<u>2,003,134</u>	<u>1,997,986</u>	<u>17,182</u>	<u>2,015,168</u>
Income before depreciation	597,690	544,133	549,534	(57,956)	491,578
DEPRECIATION					
	(A) <u>-</u>	<u>-</u>	<u>-</u>	<u>384,065</u>	<u>384,065</u>
Income before non-operating expenses	<u>597,690</u>	<u>544,133</u>	<u>549,534</u>	<u>(442,021)</u>	<u>107,513</u>
NON-OPERATING INCOME (EXPENSES)					
Interest income	(C) -	-	-	223	223
Loss on disposal of assets	(A) -	-	-	349	349
Interest expense	(B) -	-	-	(141,673)	(141,673)
Amortization of treatment plant upgrades	(A) -	-	-	(44,773)	(44,773)
Loss due to dropped projects	(A) -	-	-	(4,760)	(4,760)
Miscellaneous non-operating revenues	(A) <u>-</u>	<u>-</u>	<u>-</u>	<u>40,551</u>	<u>40,551</u>
Total non-operating income (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,083)</u>	<u>(150,083)</u>
Increase (decrease) in net position before capital contributions	<u>597,690</u>	<u>544,133</u>	<u>549,534</u>	<u>(592,104)</u>	<u>(42,570)</u>
CAPITAL CONTRIBUTIONS					
	(A) (C) <u>-</u>	<u>-</u>	<u>-</u>	<u>12,250</u>	<u>12,250</u>
OTHER FINANCING SOURCES (USES)					
Renewal and replacement funds	(60,082)	(63,682)	(62,870)	(E) 62,870	-
Debt service	(D) <u>(485,943)</u>	<u>(473,124)</u>	<u>(473,126)</u>	(E) <u>473,126</u>	<u>-</u>
Total other financing (uses)	<u>(546,025)</u>	<u>(536,806)</u>	<u>(535,996)</u>	<u>535,996</u>	<u>-</u>
Increase (decrease) in net position	51,665	7,327	13,538	(43,858)	(30,320)
Net position at beginning of year	<u>7,536,948</u>	<u>7,536,948</u>	<u>7,536,948</u>	<u>-</u>	<u>7,536,948</u>
Net position at end of year	\$ <u>7,588,613</u>	\$ <u>7,544,275</u>	\$ <u>7,550,486</u>	\$ <u>(43,858)</u>	\$ <u>7,506,628</u>

NOTES:

- (A) Non-cash items are not included for budgetary purposes.
(B) Interest expense is included in debt service for budgetary purposes.
(C) For budgetary purposes, includes interest earned on debt service and other funds, capital contributions, developer guaranteed minimum payments and miscellaneous operating revenues.
(D) Budget includes principal, interest, and funding of debt service and reserve funds.
(E) Balance sheet transactions are excluded from revenues and expenses under GAAP.
(F) Miscellaneous revenues included in non-operating revenues for budgetary purposes.
(G) Budget operating expenses do not include bad debts or increase in OPEB liability.

See independent auditors' report.

Jefferson County Public Service District

SCHEDULES OF OPERATING EXPENSES - WATER DEPARTMENT

For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
SOURCE OF SUPPLY EXPENSES		
Repairs and maintenance	\$ 1,260	\$ -
Operation supplies and expenses	<u>1,831</u>	<u>502</u>
Total	<u>3,091</u>	<u>502</u>
PUMPING EXPENSES		
Repairs and maintenance	46,111	2,555
Operation supplies and expenses	<u>5,984</u>	<u>4,264</u>
Total	<u>52,095</u>	<u>6,819</u>
BILLING AND COLLECTING EXPENSES		
Meter reading, accounting and collection	<u>109</u>	<u>-</u>
ADMINISTRATIVE AND GENERAL EXPENSES		
Professional fees	218	26,233
Miscellaneous expenses	<u>5,309</u>	<u>3,873</u>
Total	<u>5,527</u>	<u>30,106</u>
Total operating expenses	\$ <u>60,822</u>	\$ <u>37,427</u>

See independent auditors' report.

SCHEDULES OF OPERATING EXPENSES - SEWER DEPARTMENT

For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
COLLECTING EXPENSES		
Operation labor	\$ 53,668	\$ 39,167
Supplies and expense	<u>4,814</u>	<u>1,921</u>
Total	<u>58,482</u>	<u>41,088</u>
PUMPING SYSTEM		
Operation labor	63,968	80,609
Power purchased for pumping	47,478	45,131
Pumping and supplies	52,437	59,528
Pumping maintenance	<u>46,038</u>	<u>55,444</u>
Total	<u>209,921</u>	<u>240,712</u>
TREATMENT AND DISPOSAL SYSTEM EXPENSES		
Operation labor	2,194	1,837
Supplies and expense	4,013	4,037
Treatment and disposal rent	<u>908,222</u>	<u>783,523</u>
Total	<u>914,429</u>	<u>789,397</u>
BILLING AND COLLECTING EXPENSES		
Meter reading, accounting and collection	<u>124,666</u>	<u>127,221</u>
ADMINISTRATIVE AND GENERAL EXPENSES		
General office salaries	221,062	221,694
Employee benefits	137,880	176,368
Office supplies and expense	77,165	74,254
Insurance	31,986	17,966
Professional fees	152,714	138,983
Miscellaneous general expense	14,579	20,027
Directors' fees	6,490	8,837
Rent	81,576	79,791
Regulatory commission expense and penalties	21,383	18,763
Transportation expense	5,569	4,483
Utilities	22,629	24,212
Bad debts	14,852	12,670
Repairs and maintenance	<u>22,832</u>	<u>18,702</u>
Total	<u>810,717</u>	<u>816,750</u>
Total operating expenses	\$ <u>2,118,215</u>	\$ <u>2,015,168</u>

See independent auditors' report.

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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**

The Members of the Public Service Board
Jefferson County Public Service District

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 Jefferson County Public Service District ("District") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

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.

Cox Hollida & Professionals PLLC

Martinsburg, West Virginia

November 2, 2015

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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**

The Members of the Public Service Board
Jefferson County Public Service District

Report on Compliance for Each Major Federal Program

We have audited the Jefferson County Public Service District ("District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2015. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Jefferson County Public Service District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report Internal Control over Compliance

Management of the Jefferson County Public Service 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order 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 the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiency in internal control over compliance that we consider to be material weakness

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as time 2015-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questions costs.

The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express not opinion on the response.

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 communication is not suitable for any other purpose.

Cox Hollida & Professionals PLLC

Martinsburg, West Virginia

November 2, 2015

Jefferson County Public Service District

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency:			
Pass-through West Virginia Department of Environmental Protection:			
Capitalization Grant for Drinking Water State Revolving Fund*	66.468	2012W-1331	\$ <u>1,089,245</u>
Total U.S. Environmental Protection Agency			<u>1,089,245</u>
Total expenditures of Federal Awards			\$ <u><u>1,089,245</u></u>

* Major Program

See accompanying notes to schedule of expenditures of federal awards.

Jefferson County Public Service District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - WATER DEPARTMENT

For the year ended June 30, 2015

NOTE A - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards include the federal award activity of the Jefferson County Public Service District for the year ended June 30, 2015, and is presented on the 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 (OMB)". Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE B - LOANS OUTSTANDING

The Jefferson County Public Service District had the following loan balance outstanding at June 30, 2015:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization grants for state revolving funds (Drinking Water Treatment Revolving Fund)	66.468	2012W-1331	\$ 985,292

Jefferson County Public Service District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? ___ Yes X no
Significant deficiencies identified that are not
considered to be material weakness(es)? ___ Yes X no

Noncompliance material to financial statements
noted? ___ Yes X no

Federal Awards

Internal control over major programs:
Material weakness (es) identified? X Yes ___ no
Significant deficiencies identified that are
not considered to be material weakness(es)? ___ Yes X no

Type of auditor's report issued on
compliance for major programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? X Yes ___ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	US Dept. of Environmental Protection Agency, Capitalization Grant for State Revolving Fund.

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ Yes X no

Section II-Financial Statement Findings

Internal Control Over Financial Reporting and Compliance

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the year ended June 30, 2015

Section III-Federal Awards Findings and Questioned Costs

Compliance, Significant Deficiency and Material Weakness

2015-1 Capitalization Grant for State Revolving Fund, US Department of Environmental Protection Agency, CFDA 66.468

Condition: It was noted during review of the Capitalization Grant for State Revolving Fund, that vendors providing services and products under the award have not been screened for eligibility to receive federal funds. The District's administrator subsequently screened this vendor and they were not suspended or debarred for eligibility.

Criteria: OMB Circular A-133 requires that the procurement of goods and services are in compliance with the provision of the A-102 Common Rule or OMB Circular A-110, as applicable, and that covered transactions are not made with a debarred or suspended party.

Cause: This grant has no procedures established to verify that the vendors providing goods and services under the award have not been suspended or debarred by the Federal Government.

Effect: Federal award funds may be used to purchase goods or services from suspended or debarred vendors.

Questioned Costs: None, please see the perspective information below.

Perspective Information: Selection of four disbursements that total \$678,603 were selected for audit. Only one vendor was screened for eligibility upon being awarded the bid for the project. However, all other vendors were subsequently screened and were not suspended or debarred for eligibility.

Recommendation: It is recommended that proper procedures are established for verifying vendor eligibility in advance of awarding contracts for goods or services with federal awards funds.

Views of Responsible Officers and Planned Corrective Actions: The District agrees with the finding and recommended procedures have been implemented.

Jefferson County Public Service District

SCHEDULE OF PRIOR YEAR FINDINGS

For the year ended June 30, 2015

Financial Statements Prior Year Findings

None

Jefferson County Public Service District

October 30, 2015

Re: Corrective Action Plan – FY 2014/2015 Audit Report

To Whom It May Concern:

The Jefferson County Public Service District's FY 2014/2015 audit report has been reviewed and I am pleased to find that the auditors of Cox Hollida & Professionals have detected no substantial discrepancy. Each year the District attempts to improve its financial controls to assure the public that its tax dollars are handled prudently.

The results of the audit disclosed one (1) deficiency in internal control over compliance that was considered to be a material weakness only due to the amount of the expenditures. The District respectfully submits the following corrective action plan for the year ending June 30, 2015.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III-Federal Awards Findings and Questioned Costs

Compliance, Significant Deficiency and Material Weakness

2015-1 Capitalization Grant for State Revolving Fund, US Department of Environmental Protection Agency, CFDA 66.468

Condition: It was noted during review of the Capitalization Grant for State Revolving Fund, that some vendors providing services under the award have not been screened for eligibility to receive federal funds. The District subsequently screened these vendors and they were not suspended or debarred for eligibility.

Criteria: OMB Circular A-133 requires that the procurement of goods and services are in compliance with the provision of the A-102 Common Rule or OMB Circular A-110, as applicable, and that covered transactions are not made with a debarred or suspended party.

Cause: This grant has no procedures established to verify that the vendors providing goods and services under the award have not been suspended or debarred by the Federal Government.

Effect: Federal award funds may be used to purchase goods or services from suspended or debarred vendors.

Context: Selection of four disbursements that total \$678,603 were selected for audit. Only one vendor was screened for eligibility upon being awarded the bid for the project. However, all other vendors were subsequently screened and were not suspended or debarred for eligibility.

Recommendation: It is recommended that proper procedures are established for verifying vendor eligibility in advance of awarding contracts for goods or services with federal awards funds.

Views of Responsible Offices and Planned Corrective Actions: The District agrees with the finding and recommended procedures will be implemented for future grants.

I trust you will find the District's response to the deficiencies adequate; however, should you need additional clarification or wish to review the deficiency corrections, please feel free to contact me at (304)725-4647.

Sincerely,

A handwritten signature in black ink that reads "William H. Strider". The signature is written in a cursive style with a large initial "W".

William H. Strider, Treasurer
Jefferson County Public Service District