JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

FINANCIAL STATEMENTS

For the years ended June 30, 2016 and June 30, 2015

CoxHollida & Professionals

CONTENTS

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CoxHollida & Professionals

INDEPENDENT AUDITORS' REPORT

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

Report on 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.

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, 2016 and 2015, 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 and the standards applicable to audits contained in *Governmental Auditing Standards* , issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Jefferson County Public Service District, as of June 30, 2016, and 2015, 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 schedules of operating expenses, for the water and sewer departments 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 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, December 22, 2016, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

CoxHollida&Professionals PLLC

Martinsburg, West Virginia

December 22, 2016

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, 2016. 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 cashed 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.

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:

	2016	2015
Unrestricted cash	$ 191,544	$ 147,880
Restricted cash	1,496,310	1,077,016
Other assets	1,766,260	1,396,244
Deferred outflows	415,415	338,440
Capital assets	13,829,719	14,095,154
Total assets & deferred outflows	$ 17,699,248	$ 17,054,734
Current and other liabilities	$ 786,013	$ 794,176
Long-term liabilities	7,567,221	7,318,038
Deferred inflows	128,517	138,956
Total Liabilities & Deferred Inflows	$ 8,481,751	$ 8,251,170
Invested in assets, net of debt	7,819,322	6,733,396
Restricted net position	1,333,393	924,521
Unrestricted net position	64,782	1,145,647

	2016	2015
Total net position	$ 9,217,497	$ 8,803,564
Revenues	2016	2015
Sales to customers	$ 2,930,936	$ 2,545,442
Grant revenue	39,183	1,161,141
Other	182,852	288,732
Total revenue	3,152,971	3,995,315
Expenses		
Operating	2,258,064	2,179,037
Dropped projects	4,986	12,002
Disposal of assets	7,980	105,918
Depreciation and amortization	522,828	452,625
Interest expense	150,487	138,744
Bond issue costs	22,297	-
Total expenses	2,966,642	2,888,326
Net income before capital contributions	186,329	1,106,989
Capital contributions	227,604	250
Change in net position	$ 413,933	$ 1,107,241

In 2016, the District implemented a sewer rate increase to be in compliance with SB 234 requirements and provide sufficient revenues for issuance of the 2015 project soft costs loan in the amount of $660,000.

Restricted cash increased by $419k mainly from collections of capacity improvement fees and remaining construction costs from bond issuance. Other assets increased by $370K which consist of capitalization of soft costs associated with the sewer project. Long-term liabilities are up net $249k which is the net effect of issuance of the 2015 bond and payments to our current liabilities.

The total net position increased about $414K between 2016 and 2015. The majority of the change is due to the sewer rate and capacity improvement rate increases. Operating expenses increased $79k which is 3.6% over the prior year.

In fiscal year 2015 the District received water grant in the amount of 1.1 million to replace the water systems at Cavaland and Glen Haven. As a result of the project, the District realized over $106k loss on disposal of the original system. Other revenue decreased between 2016 and 2015 mainly from the insurance proceeds the repairs of pump station 1-12 caused by auto accident.

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. In the Water Department, the District also realized that we would not make the necessary 115% debt coverage so we initiated Case # 16-0701-PWD-19A for a rate increase with the PSC. This rate case was also needed to comply with SB 234 which requires that the utility maintain a reserve of 1/8 of its operating expenses from the 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?

Sewer Debt Service Exhibit	June 30,			
	2013	2014	2015	2016
Gross revenues	$ 2,240,124	$2,547,526	$ 2,655,108	$ 3,036,051
Operating expenses	(1,677,574)	(2,015,149)	(2,118,215)	(2,205,980)
Available for debt Service	582,550	523,377	536,893	830,071
Highest debt service	473,130	462,933	463,582	519,744
Debt service coverage	119%	115%	116%	160%
Amounts available to repair replace the system	$ 89,420	$ 69,444	$ 78,406	$ 82,036

Water Debt Service Exhibit	June 30, 2016
Gross revenues	$ 77,886
Operating expenses	(52,084)
Available for debt Service	25,802
Highest debt service	35,391
Debt service coverage	73%
Amounts available to repair replace the system	$ -

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.

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 26 new connections which equated to an addition of 65 EDUs. With the addition of Home Suites this year, we now serve three hotels. Also in FY 2016 the Apartments of Jefferson Crossing were completed and will provide additional customers and resulting revenue.

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 continuing 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.

As we noted in 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. "

Now, as FY 2016 has been completed, the project has been filed with the WV PSC in case PSD-16-0616-PSD-PC-CN. The project cost has been reduced by approximately $364,000 due to some design changes, and we have a commitment of funds from USDA for $3,575,000. The District is still waiting for commitment of funds from WV DEP for an equal amount from the State Revolving Fund. There are several interveners in the case including the City of Ranson. The change in design that reduced the cost of the project is due to Ranson's desire to back out of a transmission agreement that had included upgrades to one of their pump stations. The District had already spent well over $500,000 in project related costs based upon the design contemplated in the withdrawn transportation agreement. We are still awaiting a decision in this case.

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. The plant is a recirculating sand filter plant and operates very well.

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 was $2,000,000 and it is now completed. Our customers in these developments have now had their water rates increased approximately 40%. The bond payments associated with the project started in September of 2015. As mentioned above, the District has applied for a rate increase for these customers to be able to meet debt service, operating expenses and SB 234.

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 and Jefferson Utilities have taken no further action on this pursuit.

Jefferson County Public Service District
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

ASSETS

	Water Department	Sewer Department	**2016 Total**	2015 Memorandum Only Total
CURRENT ASSETS				
Cash	$ 5,760	$ 185,782	**$ 191,542**	$ 147,880
Accounts receivable, net of allowance for doubtful accounts of $10,000	407	74,789	**75,196**	82,155
Accounts receivable - other	-	16,682	**16,682**	22,882
Accrued utility revenue	4,555	262,348	**266,903**	225,992
Prepaid expenses and deposits	-	5,782	**5,782**	5,782
Total current assets	10,722	545,383	**556,105**	484,691
RESTRICTED CASH	11,010	1,485,300	**1,496,310**	1,077,016
CAPITAL ASSETS				
Land and land rights	36,142	1,059,785	**1,095,927**	1,095,927
Construction work in progress	-	90,391	**90,391**	116,503
Utility plant in service	2,271,779	17,169,925	**19,441,704**	19,229,624
Less accumulated depreciation	(82,682)	(6,715,619)	**(6,798,301)**	(6,346,900)
Net capital assets	2,225,239	11,604,482	**13,829,721**	14,095,154
OTHER ASSETS				
Future utility plant preliminary survey and design charges	220,585	550,023	**770,608**	396,561
Due from other funds	-	12,408	**12,408**	-
Other assets - capacity upgrades, net of accumulated amortization of $486,106 and $441,914, respectively	-	618,680	**618,680**	662,872
Total other assets	220,585	1,181,111	**1,401,696**	1,059,433
Total assets	2,467,556	14,816,276	**17,283,832**	16,716,294
DEFERRED OUTFLOWS				
Employer contributions to pension plan subsequent to measurement date	-	65,410	**65,410**	67,214
Changes in employer proportion and differences between contributions and proportionate share of contributions	-	103,684	**103,684**	4,234
Original issue discount, net of accumulated amortization of $2,909 and $2,327, respectively	-	7,127	**7,127**	7,709
Deferred loss on bond refinancing, net of accumulated amortization of $120,533 and $100,444, respectively	-	239,194	**239,194**	259,283
Total deferred outflows	-	415,415	**415,415**	338,440
Total assets and deferred outflows	$ 2,467,556	$ 15,231,691	**$ 17,699,247**	$ 17,054,734

The accompanying notes are an integral part of this statement.

Jefferson County Public Service District
STATEMENTS OF NET POSITION (Continued)
June 30, 2016 and 2015

LIABILITIES

	Water Department	Sewer Department	**2016 Total**	2015 Memorandum Only Total
CURRENT LIABILITIES (payable from current assets)				
Accounts payable	$ 14,239	$ 134,974	**$ 149,213**	$ 216,229
Accrued taxes and expenses	401	38,166	**38,567**	32,462
Total current liabilities (payable from current assets)	14,640	173,140	**187,780**	248,691
CURRENT LIABILITIES (payable from restricted cash)				
Revenue bonds payable (due within one year)	30,636	378,846	**409,482**	361,689
Note payable (due within one year)	-	5,640	**5,640**	8,953
Accrued interest payable	-	20,193	**20,193**	20,094
Customer deposits	2,632	160,286	**162,918**	152,495
Capital improvement fees	-	-	**-**	2,254
Total current liabilities (payable from restricted cash)	33,268	564,965	**598,233**	545,485
LONG-TERM LIABILITIES				
Due to other funds	12,368	-	**12,368**	-
OPEB obligation	-	193,755	**193,755**	180,586
Net pension liability	-	130,213	**130,213**	131,356
Revenue bonds payable	931,838	6,299,047	**7,230,885**	7,000,069
Notes payable	-	-	**-**	6,027
Total long-term liabilities	944,206	6,623,015	**7,567,221**	7,318,038
Total liabilities	992,114	7,361,120	**8,353,234**	8,112,214
DEFERRED INFLOWS				
Differences between projected and actual investment earnings	-	128,517	**128,517**	138,956
Total liabilities and deferred inflows	$ 992,114	$ 7,489,637	**$ 8,481,751**	$ 8,251,170

NET POSITION

	Water Department	Sewer Department	**2016 Total**	2015 Memorandum Only Total
NET POSITION				
Invested in capital assets, net of related debt	1,483,350	6,335,973	**7,819,323**	6,733,396
Restricted for debt and construction	8,378	1,325,014	**1,333,392**	924,521
Unrestricted	(16,286)	81,067	**64,781**	1,145,647
Total net position	1,475,442	7,742,054	**9,217,496**	8,803,564
Total liabilities, deferred inflows, and net position	$ 2,467,556	$ 15,231,691	**$ 17,699,247**	$ 17,054,734

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, 2016 and 2015

	Water Department	Sewer Department	**2016 Total**	2015 Memorandum Only Total
OPERATING REVENUES				
Sales to general customers	$ 76,066	$ 2,854,871	**$ 2,930,937**	$ 2,545,442
Customers' forfeited discounts and penalties	1,501	61,315	**62,816**	55,670
Miscellaneous revenues	152	77,233	**77,385**	114,687
Total operating revenues	77,719	2,993,419	**3,071,138**	2,715,799
OPERATING REVENUE DEDUCTIONS BEFORE DEPRECIATION				
Operating expenses	52,085	2,205,979	**2,258,064**	2,179,037
Operating income before depreciation	25,634	787,440	**813,074**	536,762
DEPRECIATION	79,122	399,514	**478,636**	407,852
Operating income (loss)	(53,488)	387,926	**334,438**	128,910
NON-OPERATING INCOME (EXPENSE)				
Interest income	18	1,219	**1,237**	265
Grant revenue	39,183	-	**39,183**	1,161,141
Loss on disposal of assets	-	(7,980)	**(7,980)**	(105,918)
Interest expense	(4,073)	(146,414)	**(150,487)**	(138,744)
Amortization of and other assets-treatment plant upgrades	-	(44,192)	**(44,192)**	(44,773)
Bond issuance costs	-	(22,297)	**(22,297)**	-
Loss due to dropped projects	-	(4,986)	**(4,986)**	(12,002)
Miscellaneous non-operating revenues	-	41,412	**41,412**	118,110
Total non-operating income (expense)	35,128	(183,238)	**(148,110)**	978,079
Increase in net position before capital contributions	(18,360)	204,688	**186,328**	1,106,989
CAPITAL CONTRIBUTIONS	350	227,254	**227,604**	250
Increase in net position	(18,010)	431,942	**413,932**	1,107,239
Net position at beginning of year	1,493,452	7,310,112	**8,803,564**	7,946,146
GASB 68 restatement	-	-	**-**	(249,821)
Net position at beginning of year restated	1,493,452	7,310,112	**8,803,564**	7,696,325
Net position at end of year	$ 1,475,442	$ 7,742,054	**$ 9,217,496**	$ 8,803,564

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, 2016 and 2015

	Water Department	Sewer Department	2016 Total	2015 Memorandum Only Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 77,425	$ 2,965,959	**$ 3,043,384**	$ 2,664,841
Cash payments for employee services		(645,489)	**(645,489)**	(639,808)
Cash payments for goods and services	(41,875)	(1,727,710)	**(1,769,585)**	(1,542,990)
Net cash flows provided by (used in) operating activities	35,550	592,760	**628,310**	482,043
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	18	1,219	**1,237**	265
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Expenditures for utility plant and other assets	(46,168)	(119,983)	**(166,151)**	(1,961,430)
Expenditures for preliminary surveys	(703)	(433,360)	**(434,063)**	(111,366)
Increase in customer deposits	512	9,911	**10,423**	4,708
Net capital improvement fees collected	-	(2,254)	**(2,254)**	2,254
Proceeds from grants	39,183	-	**39,183**	1,161,141
Principal payment on debt - bond	(22,818)	(358,573)	**(381,391)**	(333,813)
Principal payment on debt - notes	-	(9,340)	**(9,340)**	(7,736)
Proceeds from debt - notes	-	660,000	**660,000**	740,909
Credits on treatment upgrade bonds and Other	-	41,412	**41,412**	118,110
Interest paid on bonds and notes	(4,073)	(125,644)	**(129,717)**	(119,569)
Contributions in aid of construction	350	227,254	**227,604**	250
Expenditures for debt issuance expenses	-	(22,297)	**(22,297)**	-
Net cash provided by (used in) capital and related financing activities	(33,717)	(132,874)	**(166,591)**	(506,542)
Net increase (decrease) in cash	1,851	461,105	**462,956**	(24,234)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	14,917	1,209,979	**1,224,896**	1,249,130
CASH AND CASH EQUIVALENTS END OF YEAR	$ 16,768	$ 1,671,084	**$ 1,687,852**	$ 1,224,896
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$ (53,488)	$ 387,926	**$ 334,438**	$ 128,910
Depreciation	79,122	399,514	**478,636**	407,852
Adjustments for changes in operating assets and liabilities:				
(Increase) decrease in accounts and other receivables	(292)	13,451	**13,159**	(49,612)
(Increase) decrease in prepaid expenses	-	-	**-**	3,465
(Increase) decrease in net pension outflows	-	(109,228)	**(109,228)**	(50,958)
(Increase) decrease in accrued utility revenue	-	(40,911)	**(40,911)**	(1,346)
(Increase) decrease due from other utility	(114)	(12,408)	**(12,522)**	12,482
Increase (decrease) in accounts payable	10,323	(64,456)	**(54,133)**	16,662
Increase (decrease) in accrued expenses	-	5,704	**5,704**	3,788
Increase (decrease) in other employee benefit obligation	-	13,169	**13,169**	10,800
Net cash provided by operating activities	$ 35,551	$ 592,761	**$ 628,312**	$ 482,043

The accompanying notes are an integral part of this statement.

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.

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, 2016 and 2015.

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.

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, 2016 or 2015. 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, 2016 and 2015, are summarized below:

Sewer Department

Classification	Useful Lives
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

Classification	Useful Lives
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.

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 $17,949 and $21,860 at June 30, 2016, and 2015, 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.

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

Fiscal year ended June 30, 2015 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 inter-period 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, 2016 and 2015:

	Water	Sewer	**2016 Total**	2015 Memorandum Only Total
Revenue	$ -	$ 183,932	**$ 183,932**	$ 136,251
Petty cash	-	700	**700**	700
Operations and maintenance	5,760	-	**5,760**	9,780
Future needs	-	1,150	**1,150**	1,149
Total	$ 5,760	$ 185,782	**$ 191,542**	$ 147,880

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.

RESTRICTED CASH AND RESERVES

Restricted cash and reserves consisted of the following accounts and amounts at June 30, 2016 and 2015:

	Water	Sewer	**2016 Total**	2015 Memorandum Only Total
Debt service revenue	$ -	$ 142,400	**$ 142,400**	$ 143,590
Debt service reserve	-	459,424	**459,424**	505,224
Bond proceeds account	-	268,630	**268,630**	43,940
Renewal and replacement	-	82,036	**82,036**	78,406
Capacity improvement and assura	-	150,966	**150,966**	153,087
Capacity improvement 2015	-	226,133	**226,133**	-
Customer deposits	11,010	155,711	**166,721**	152,769
Total	$ 11,010	$ 1,485,300	**$ 1,496,310**	$ 1,077,016

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, 2016, and 2015, was $0 and $2,254 respectively.

CIF account was collections in excess of amounts to be remitted to Charles Town treatment facilities under previous tariff. These amounts was collected directly from new customers and this amounts can only be disbursed by the District with permission of the PSC.

CIF 2015 account is collections in excess of amounts to be remitted to Charles Town treatment facilities under the current tariff. These amounts collected directly for new customer flows can only be disbursed by the District with permission of the PSC. This tariff is currently under review by 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.

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DEPOSITS AND INVESTMENTS

At June 30, 2016, the District's cash and investment balances were as follows:

Investment Type	Maturities		Fair Value	Standard Poor Rating
Repurchase Agreements	Various	$	1,537	AA+
State Investment Pool	Average of 90 days		607,952	Unknown
Total investments			609,489	
Cash			1,078,365	
Total Cash and Investments		$	1,687,854	

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 investments in the state investment pool constitute 99.75% 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.

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, 2016, $569,398 of the District's bank balance of $1,069,398, was exposed to custodial credit risk. $500,000 of the bank balance was covered by Federal Deposit Insurance (FDIC) and $569,398 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, 2016 and 2015, 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, 2016 and 2015.

CAPITAL ASSETS

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	60,245	116,503	60,245	116,503
Total capital assets not being depreciated - sewer	1,115,255	121,278	60,245	1,176,288
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	242,101	4,430	5,215	241,316
Total capital assets being depreciated - sewer	16,955,142	62,840	13,969	17,004,013

Less Accumulated Depreciation – Sewer Department

	Balance at June 30, 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	156,683	12,238	5,215	163,706
Total accumulated depreciation	5,954,334	399,065	10,059	6,343,340
Total capital assets being depreciated, net - sewer	11,000,808	(336,225)	-	10,660,673
Net capital assets - sewer	$ 12,116,063	$ (214,947)	$ 60,245	$ 11,836,961

CAPITAL ASSETS (Continued)

Water Department

	Balance at July 01, 2014	Additions	Retirements	Balance at June 30, 2015
Capital assets not being depreciated:				
Land and land rights	$ 2,866	$ 33,276	$ -	$ 36,142
Construction work in progress	277,830	2,176,513	2,454,343	-
Total capital assets not being depreciated-water	280,696	2,209,789	2,454,343	36,142
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	101	-	101	-
Total capital assets being depreciated - water	265,686	2,077,855	117,930	2,225,611

Less Accumulated Depreciation – Water Department

	Balance at July 01, 2014	Additions	Retirements	Balance at June 30, 2015
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	86	4	90	-
Total accumulated depreciation	87,419	6,877	90,736	3,560
Total capital assets being depreciated, net - water	178,267	2,070,978	-	2,222,051
Net capital assets - water	$ 458,963	$ 4,280,767	$ 2,454,343	$ 2,258,193

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2016 was as follows:

Sewer Department

	Balance at July 01, 2015	Additions	Retirements	Balance at June 30, 2016
Capital assets not being depreciated:				
Land and land rights	$ 1,059,785	$ -	$ -	$ 1,059,785
Construction work in progress	116,503	44,886	70,998	90,391
Total capital assets not being depreciated - sewer	1,176,288	44,886	70,998	1,150,176
Capital assets being depreciated:				
Collection mains and services	11,267,038	8,650	-	11,275,688
Transmission mains	240,858	-	-	240,858
Gravity mains	64,865	-	-	64,865
Force mains	1,149,792	2,505	-	1,152,297
Electric pumping equipment	3,914,816	120,557	15,557	4,019,816
Transportation equipment	101,440	45,035	-	146,475
Communication equipment	23,888	-	-	23,888
Furniture and office equipment	241,316	25,335	20,613	246,038
Total capital assets being depreciated - sewer	17,004,013	202,082	36,170	17,169,925

Less Accumulated Depreciation – Sewer Department

	Balance at July 01, 2015	Additions	Retirements	Balance at June 30, 2016
Collection mains and services	4,023,900	224,184	-	4,248,084
Transmission mains	122,263	4,819	-	127,082
Gravity mains	26,594	1,297	-	27,891
Force mains	568,009	23,029	-	591,038
Electric pumping equipment	1,342,623	120,532	6,541	1,456,614
Transportation equipment	74,940	9,921	-	84,861
Communication equipment	21,305	1,016	-	22,321
Furniture and office equipment	163,706	14,716	20,694	157,728
Total accumulated depreciation	6,343,340	399,514	27,235	6,715,619
Total capital assets being depreciated, net - sewer	10,660,673	(197,432)	-	10,454,306
Net capital assets - sewer	$ 11,836,961	$ (152,546)	$ 70,998	$ 11,604,482

CAPITAL ASSETS (Continued)

Water Department

	Balance at July 01, 2015	Additions	Retirements	Balance at June 30, 2016
Capital assets not being depreciated:				
Land and land rights	$ 36,142	$ -	$ -	$ 36,142
Capital assets being depreciated:				
Wells and springs	71,205	-	-	71,205
Pump equipment	670,273	534	-	670,807
Transmission and distribution lines	1,265,590	40,995	-	1,306,585
Services and meters	218,543	4,639	-	223,182
Total capital assets being depreciated - water	2,225,611	46,168	-	2,271,779

Less Accumulated Depreciation – Water Department

	Balance at July 01, 2015	Additions	Retirements	Balance at June 30, 2016
Wells and springs	3,560	1,780	-	5,340
Pump equipment	-	33,534	-	33,534
Transmission and distribution lines	-	26,130	-	26,130
Services and meters	-	17,678	-	17,678
Total accumulated depreciation	3,560	79,122	-	82,682
Total capital assets being depreciated, net - water	2,222,051	(32,954)	-	2,189,097
Net capital assets - water	$ 2,258,193	$ (32,954)	$ -	$ 2,225,239

CONSTRUCTION WORK IN PROGRESS

Construction work in progress is made up of the following at June 30, 2016:

Norborne Glebe Project - Sewer	$	11,575
Sheridan Project - Sewer		8,403
Wormald/Beallair Project - Sewer		16,324
Jefferson Crossing		1,169
Aspen Green - Sewer		52,920
	$	90,391

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. 180 homes are currently on the billing system. Over the past fiscal year, the developer has purchased 13 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.

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 76 metered customers and 2 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.

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 was a reimbursement to the Developer of $43,716 during December 2015 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.

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, 2016 and 2015 is $616,680 and $662,872 respectively. (See details on reclassification in Sewer Service Agreement note).

REVENUE BONDS PAYABLE

The District was obligated under trust indentures with respect to the following sewer and water revenue bonds outstanding at June 30, 2016 and 2015:

Water	**2016**	2015
Series 2014 A Water Revenue Bonds, original face value of $985,350, payable in quarterly installments with principal beginning December 1, 2014, at 0.5% interest and concluding on September 1, 2045.	**$ 962,474**	$ 985,292

REVENUE BONDS PAYABLE (Continued)

The District was obligated under trust indentures with respect to the following sewer and water revenue bonds outstanding at June 30, 2016 and 2015:

Sewer		**2016**		2015
Series - 1988 B sewer revenue bonds, original face value of $425,767, payable in annual installments, with principal beginning in 1990 at $10,917 at 0% interest and concluding October 10, 2028.	**$**	**141,925**	$	152,842
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.		**89,856**		119,808
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.		**173,415**		186,027
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.		**596,688**		635,184
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.		**1,503,730**		1,570,566
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 $3% increasing to 4.375% interest and concluding on October 1, 2028.	**$**	**1,485,000**	$	1,570,000

REVENUE BONDS PAYABLE (Continued)

		2016		2015
Series - 2013 A Sewer Revenue Bonds, original face value of $1,660,000, payable in semi-annual installments with principal beginning June 1, 2014, at 2.25% increasing to 4.0% interest and concluding on October 1, 2028.	**$**	**1,385,000**	**$**	1,480,000
Series - 2015 A Sewer Revenue Bonds, original face value of $660,000, payable in 180 monthly installments with principal beginning December 1, 2015, at 3.39% interest.		**640,240**		-
Total sewer revenue bonds payable	**$**	**6,677,893**	$	6,376,466

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, 2016 are as follows:

		Sewer				**Water**		
Year Ending June 30		**Principal**		**Interest**		**Principal**		**Interest**
2017	$	378,846	$	128,240	$	30,636	$	4,755
2018		390,053		120,946		30,789		4,602
2019		391,299		113,254		30,943		4,447
2020		404,436		111,809		31,098		4,292
2021		416,090		103,031		31,254		4,136
2022-2026		2,212,048		362,998		158,633		18,318
2027-2031		1,705,995		80,121		162,646		14,305
2032-2036		536,295		8,626		166,760		10,190
2037-2041		242,830		854		170,982		5,971
2042-2046		-		-		148,733		1,679
	$	6,677,893	$	1,029,879	$	962,474	$	72,695

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, 2015 was as follows:

		Balance at July 01, 2014		Additions		Deductions		Balance at June 30, 2015
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		1,570,000		-		90,000		1,480,000

REVENUE BONDS PAYABLE (Continued)

Total sewer revenue bonds payable	$	6,710,279	$	-	$	333,813	$ 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

Sewer revenue bond activity for the year ended June 30, 2016 was as follows:

		Balance at July 01, 2015		Additions		Deductions		Balance at June 30, 2016
Series 1988 B	$	152,842	$	-	$	10,917	$	141,925
Series 1998 B		119,808		-		29,952		89,856
Series 1998 C		662,039		-		-		662,039
Series 1999 A		186,027		-		12,612		173,415
Series 2000 A		635,184		-		38,496		596,688
Series 2008 A		1,570,566		-		66,836		1,503,730
Series 2010 A		1,570,000		-		85,000		1,485,000
Series 2013 A		1,480,000		-		95,000		1,385,000
Series 2015 A		-		660,000		19,760		640,240
Total sewer revenue bond payable	$	6,376,466	$	660,000	$	358,573	$	6,677,893
Less: Current portion due in upcoming year								378,846
Long-term sewer revenue bonds payable at June 30, 2016 (net of current portion)							$	6,299,047

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

	Balance at July 01, 2014		Additions	Deductions		Balance at June 30, 2015
Series 2014 A	244,383	$	740,909	-	$	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

Water revenue bond activity for the year ended June 30, 2016 was as follows:

	Balance at July 01, 2015		Additions	Deductions		Balance at June 30, 2016
Series 2014 A	985,292	$	-	22,818	$	962,474
Less: Current portion due in upcoming year						30,636
Long-term sewer revenue bonds payable at June 30, 2016 (net of current portion)					$	931,838

REVENUE BONDS PAYABLE (Continued)

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

	Sewer		Water	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Debt service coverage ratio Requirement 115%	160%	116%	73%	N/A
Funding of renewal and replacement fund	Yes	Yes	No	N/A
Funding of Debt Service fund	Yes	Yes	Yes	N/A

The Series 2015A (Sewer) Bonds were issued in the current year to cover engineering and pre-construction costs related to a sewer transmission project. Although the calculated Water debt service coverage ratio of 73% is below the required 115%, the District is not in violation of this bond covenant as they already have rates in place to achieve the required coverage ratio in future years. However, the water renewal and replacement account was not timely established and funded; therefore, the District was in violation of the respective bond covenant at June 30, 2016.

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.

Deferred requisition cost:	Original Amt.	Accum. Amort.	Net Amount
Series 1998 A bond issue costs	$ 109,885	$ 36,809	$ 73,076
Deferred loss on 1998 A refinance	249,842	83,724	166,118
Deferred 2010 A reacquisition cost	$ 359,727	$ 120,533	$ 239,194

NOTES PAYABLE

Notes payable consist of the following:

	2016	2015
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.	**5,640**	$ 14,980

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

2017	$ 5,640
Total	$ 5,640

NONCURRENT LIABILITIES

Changes in long-term liabilities for governmental activities for the fiscal year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Net pension liability	$ 131,356	$ 127,374	$ 128,517	$ 130,213
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. The March 20, 2013 order was changed in August 2015 by PSC WV Order No. 17 to increase capacity improvement fees collected from $1,127 to $4,832 per equivalent dwelling unit for service rendered on or after August 13, 2015.

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.

Capacity improvement fee activity for the years ended June 30, 2016 and 2015:

Charles Town WWTP	**June 30, 2016**	June 30, 2015
Capacity improvement fees collected	$ **299,260**	$ 158,907
Capacity improvement fees remitted to Charles Town	**(75,509)**	(156,653)
Deposited in Districts CIF Account	**(226,005)**	-
Amount due to Charles Town WWTP beginning of year	**2,254**	-
Amount due to Charles Town WWTP end of year	$ **-**	$ 2,254

MISCELLANEOUS OPERATING REVENUES

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

		2016		2015
Transportation credits	**$**	**36,545**	$	36,439
System billing fees - water department		**31,148**		41,255
Shared staff reimbursement		**2,093**		25,857
Bad debts recovered		**1,800**		3,382
Disconnect/reconnect fees		**430**		160
Other miscellaneous revenue		**5,217**		7,552
Total	**$**	**77,233**	$	114,645

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 $84,645 and $81,576 in lease expense for fiscal years ended June 30, 2016 and 2015 respectively. Minimum future rental payments under non-cancelable operating lease are as follows:

2017	$	87,037
2018		89,648
2019		37,946
Total minimum future rental payments	$	214,631

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 reclassed 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, 2016 and 2015 is $618,680 and $662,872 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, 2016 and 2015, treatment expenses totaled $940,800 and $908,222 respectively.

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	4.5% - 6.0%
District's contribution rate	13.50%
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
2016	$ 65,410	$ 22,484	$ 87,894	100%
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%

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 measured as of June 30, 2015, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2014 and rolled forward to June 30, 2015 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 plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2015, the government's reported the following proportions and increase/decreases from its proportion measured as of June 30, 2015:

Amount for proportionate share of net pension liability	$	197,686
Percentage for proportionate share of net pension liability		0.035402%
Increase/(decrease) % from prior proportion measured		-0.018900%

For the year ended June 30, 2016, the government recognized the following pension expense:

PERS pension expense	$	(42,014)

The government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	$ 60,313	$ 103,663
Deferred difference in assumptions	-	23,778
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,939	1,076
Differences between expected and actual experience	40,432	
Government contributions subsequent to the measurement date	65,410	-
	169,094	128,517

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:

Year Ended June 30:		
2017	$	33,444
2018		33,444
2019		34,390
2020		-
2021		-
Thereafter		-
	$	101,278

Actuarial Assumptions

The total pension liability was determine by an actuarial valuation as of July 1, 2014 and rolled forward to June 30, 2015 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation rate	1.90%
Salary increases	3.35% - 6.0%
Investment Rate of Return	7.50%

Mortality Rates
- Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA
- Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA
- Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA
- Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA

The actuarial assumptions used in the July 1, 2014 PERS valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rates 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:

EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

Actuarial assumptions (continued)

Investment	Long-term Expected Real Rate of Return	PERS Target Asset Allocation
US (Domestic) Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	0.0%
Inflation (CPI)	1.9%	0.0%
		100.0%

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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Government's proportionate share of PERS's net pension liability	$ 455,916	$ 197,686	$ (20,479)

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.

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.

	Fiscal Years Ended June 30:		
	2016	2015	2014
Per participant per month:			
Contractually required Contributions	$ 164	$ 164	$ 176
District contributions to PEIA for pay as you go	$ 266	$ 225	$ 94
District's annual required contributions:			
Contractually required	$ 26,945	$ 24,576	$ 19,296
District contributions to PEIA for pay as you go	13,776	13,776	14,784
Net OPEB obligation	$ 13,169	$ 10,800	$ 4,512
Percentage of required contributions paid	51%	56%	77%

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:		
2016	$	13,169
2015		10,800
2014		4,512
2013		3,792
2012		38,112
2011		44,520
2010		51,362
2009		19,001
2008		8,487
	$	193,755

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

	2016		2015	
	Water	**Sewer**	Water	Sewer
Cash	**$ 5,760**	**$ 185,782**	$ 9,780	$ 138,100
Restricted cash	**11,010**	**1,485,300**	5,137	1,071,879
Total	**$ 16,770**	**$ 1,671,082**	$ 14,917	$ 1,209,979

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

	2016	2015
Loss on dropped projects	**$ (4,986)**	$ (12,002)
Loss on disposal of assets	**$ (7,980)**	$ (105,918)

REQUIRED SUPPLEMENTAL INFORMATION

Jefferson County Public Service District

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

June 30, 2016 and 2015

Public Employees Retirement System

Last 2 Fiscal Years

	2016	2015
Government's proportion of the net pension liability (asset) (percentage)	0.035402%	0.035591%
Government's proportion of the net pension liability (asset)	$ 197,686	$ 131,356
Government's covered-employee payroll	$ 484,519	$ 480,102
Government's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	40.80%	27.36%
Plan fiduciary net position as a percentage of the total pension liability	83.10%	79.70%

See independent auditors' report.

Jefferson County Public Service District

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

June 30, 2016 and 2015

Public Employees Retirement System

Last 5 Fiscal Years

	2016	2015	2014	2013	2011
Contractually required contribution	$ 65,410	$ 67,214	$ 69,108	$ 65,554	$ 64,383
Contributions in relation to the contractually required contribution	(65,410)	(67,214)	(69,108)	(65,554)	(64,383)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 484,519	$ 480,102	$ 477,898	$ 468,246	$ 442,022
Contributions as a percentage of covered-employee payroll	13.50%	14.00%	14.50%	14.00%	14.50%

See independent auditors' report.

SUPPLEMENTAL INFORMATION

Jefferson County Public Service District

BUDGETARY COMPARISON SCHEDULE - WATER DEPARTMENT

For the year ended June 30, 2016

		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences Over (under)	Actual Amounts GAAP Basis
REVENUES							
Operating revenues		$ 83,000	$ 78,200	$ 77,567	(C)	$ 152	$ 77,719
Non-operating revenues	(B)	300	300	19		(19)	-
Total revenues		83,300	78,500	77,586		133	77,719
REVENUE DEDUCTIONS BEFORE DEPRECIATION							
Operating expenses		42,500	47,714	52,085		-	52,085
Income before depreciation		40,800	30,786	25,501		133	25,634
DEPRECIATION	(A)	-	-	-		79,122	79,122
Income before non-operating expenses		40,800	30,786	25,501		(78,989)	(53,488)
NON-OPERATING INCOME (EXPENSES)							
Interest income	(B)	-	-	-		18	18
Interest expense		-	-	-		(4,073)	(4,073)
Bond issue costs		-	-	-		-	-
Debt service expense				-		-	-
Renewal & replacement				-		-	
Reserve requirements							-
Loss on Disposal of Assets						-	-
Grant revenue		-	-	-		39,183	39,183
Total non-operating income (expenses)		-	-	-		35,128	35,128
CAPITAL CONTRIBUTIONS	(D)	-	-	-		350	350
Increase (decrease) net position		40,800	30,786	25,501		(43,511)	(18,010)
Net position at beginning of year		440,318	464,918	439,610		-	1,493,452
Net position at end of year		$ 481,118	$ 495,704	$ 465,111		$ (43,511)	$ 1,475,442

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.
(D) For budgetary purposes, includes capital contributions.

See independent auditors' report.

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)	300	300	7	(7)	-
Total revenues		49,500	65,000	60,914	35	60,949
REVENUE DEDUCTIONS BEFORE DEPRECIATION						
Operating expenses		48,700	39,600	60,822	-	60,822
Income before depreciation		800	25,400	92	35	127
DEPRECIATION	(A)	-	-	-	8,787	8,787
Income before non-operating expenses		800	25,400	92	(8,752)	(8,660)
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		-	-	-	1,161,141	1,161,141
Total non-operating income (expenses)		-	-	-	1,062,594	1,062,594
Increase (decrease) in net position		800	25,400	92	1,053,842	1,053,934
Net position at beginning of year		439,518	439,518	439,518	-	439,518
Net position at end of year		$ 440,318	$ 464,918	$ 439,610	$ 1,053,842	$ 1,493,452

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 - SEWER DEPARTMENT

For the year ended June 30, 2016

		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis		Budget to GAAP Differences Over (under)	Actual Amounts GAAP Basis
REVENUES							
Operating revenues		$ 2,591,478	$ 2,916,194	$ 2,916,185	(F)	$ 77,233	$ 2,993,418
Non-operating revenues	(C)	164,000	121,256	119,866		(119,864)	2
Total revenues		2,755,478	3,037,450	3,036,051		(42,631)	2,993,419
REVENUE DEDUCTIONS BEFORE DEPRECIATION							
Operating expenses	(G)	2,210,640	2,328,155	2,191,776		14,204	2,205,979
Income before depreciation		544,838	709,295	844,275		(56,835)	787,440
DEPRECIATION	(A)	-	-	-		399,514	399,514
Income before non-operating expenses		544,838	709,295	844,275		(456,349)	387,926
NON-OPERATING INCOME (EXPENSES)							
Interest income	(C)	-	-	-		1,219	1,219
Loss on disposal of assets	(A)	-	-	-		(7,980)	(7,980)
Interest expense	(B)	-	-	-		(146,414)	(146,414)
Amortization of treatment plant upgrades	(A)	-	-	-		(44,192)	(44,192)
Bond issuance costs	(A)	-	-	-		(22,297)	(22,297)
Loss due to dropped projects	(A)	-	-	-		(4,986)	(4,986)
Miscellaneous non-operating revenues	(A)	-	-	-		41,412	41,412
Total non-operating income (expenses)		-	-	-		(183,238)	(183,238)
Increase (decrease) in net position before capital contributions		544,838	709,295	844,275		(639,587)	204,688
CAPITAL CONTRIBUTIONS	(C)	-	-	-		227,254	227,254
OTHER FINANCING SOURCES (USES)							
Renewal and replacement funds		(345,217)	(366,956)	(349,873)	(E)	349,873	-
Debt service	(D)	(463,894)	(493,774)	(493,557)	(E)	493,557	-
Total other financing (uses)		(809,111)	(860,730)	(843,430)		843,430	-
Increase (decrease) in net position		(264,273)	(151,435)	845		431,097	431,942
Net position at beginning of year		7,310,112	7,310,112	7,310,112		-	7,310,112
Net position at end of year		$ 7,045,839	$ 7,158,677	$ 7,310,957		$ 431,097	$ 7,742,054

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.

Jefferson County Public Service District

BUDGETARY COMPARISON SCHEDULE - SEWER 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		$ 2,544,267	$ 2,544,267	$ 2,540,205	(F)	$ 114,645	$ 2,654,850
Non-operating revenues	(C)	164,000	164,000	233,013		(233,013)	-
Total revenues		2,708,267	2,708,267	2,773,218		(118,368)	2,654,850
REVENUE DEDUCTIONS BEFORE DEPRECIATION							
Operating expenses	(G)	2,174,156	2,174,156	2,092,563		25,652	2,118,215
Income before depreciation		534,111	534,111	680,655		(144,020)	536,635
DEPRECIATION	(A)	-	-	-		399,065	399,065
Income before non-operating expenses		534,111	534,111	680,655		(543,085)	137,570
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)	-	-	-		118,110	118,110
Total non-operating income (expenses)		-	-	-		(84,515)	(84,515)
Increase (decrease) in net position before capital contributions		534,111	534,111	680,655		(627,600)	53,055
CAPITAL CONTRIBUTIONS	(C)	-	-	-		250	250
OTHER FINANCING SOURCES (USES)							
Renewal and replacement funds		(67,707)	(67,707)	(62,870)	(E)	62,870	-
Debt service	(D)	(451,094)	(451,094)	(473,126)	(E)	473,126	-
Total other financing (uses)		(518,801)	(518,801)	(535,996)		535,996	-
Increase (decrease) in net position		15,310	15,310	144,659		(91,354)	53,305
Net position at beginning of year		7,506,628	7,506,628	7,506,628		-	7,506,628
GASB 68 restatement		-	-	-		(249,821)	(249,821)
Net position at end of year		$ 7,521,938	$ 7,521,938	$ 7,651,287		$ (91,354)	$ 7,310,112

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.

SCHEDULES OF OPERATING EXPENSES - WATER DEPARTMENT

For the years ended June 30, 2016 and 2015

		2016		2015
SOURCE OF SUPPLY EXPENSES				
Repairs and maintenance	**$**	**4,318**	$	1,260
Operation supplies and expenses		**1,044**		1,831
Total		**5,362**		3,091
PUMPING EXPENSES				
Repairs and maintenance		**31,148**		46,111
Operation supplies and expenses		**5,072**		5,984
Total		**36,220**		52,095
BILLING AND COLLECTING EXPENSES				
Meter reading, accounting and collection		**47**		109
ADMINISTRATIVE AND GENERAL EXPENSES				
Professional fees		**1,680**		218
Bad debts		**54**		-
Miscellaneous expenses		**8,723**		5,309
Total		**10,457**		5,527
Total operating expenses	**$**	**52,085**	$	60,822

See independent auditors' report.

SCHEDULES OF OPERATING EXPENSES - SEWER DEPARTMENT

For the years ended June 30, 2016 and 2015

	2016	2015
COLLECTING EXPENSES		
Operation labor	$ 48,702	$ 53,668
Supplies and expense	3,803	4,814
Total	52,505	58,482
PUMPING SYSTEM		
Operation labor	69,984	63,968
Power purchased for pumping	45,520	47,478
Pumping and supplies	52,293	52,437
Pumping maintenance	46,778	46,038
Total	214,575	209,921
TREATMENT AND DISPOSAL SYSTEM EXPENSES		
Operation labor	2,041	2,194
Supplies and expense	3,993	4,013
Treatment and disposal rent	940,800	908,222
Total	946,834	914,429
BILLING AND COLLECTING EXPENSES		
Meter reading, accounting and collection	137,855	124,666
ADMINISTRATIVE AND GENERAL EXPENSES		
General office salaries	231,275	221,062
Employee benefits	65,278	137,880
Office supplies and expense	83,550	77,165
Insurance	38,542	31,986
Professional fees	237,773	152,714
Miscellaneous general expense	23,742	14,579
Directors' fees	7,050	6,490
Rent	84,645	81,576
Regulatory commission expense and penalties	23,462	21,383
Transportation expense	4,002	5,569
Utilities	20,453	22,629
Bad debts	15,347	14,852
Repairs and maintenance	19,091	22,832
Total	854,210	810,717
Total operating expenses	$ 2,205,979	$ 2,118,215

See independent auditors' report.

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CoxHollida & Professionals

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2016.

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 an instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2016-001.

District's Response to Findings

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

Purpose of this Report

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

CoxHollida & Professionals PLLC

Martinsburg, West Virginia

December 22, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

Internal Control

2016-001 **Condition:**

The District did not timely deposit renewal and replacement funds into a separate account following issuance of the 2015 Water Bonds. Bond covenants require the District to calculate and deposit two and one half percent (2 1/2 %) of each months water revenues.

Criteria:

Internal controls should be in place to ensure the Water Fund is in compliance with all bond covenants.

Cause:

There are no procedures in place for the Water Fund to ensure new bond requirements are met immediately following bond issuance.

Effect:

The 2015 Water Bonds could be called for non-compliance.

Recommendation:

The District should ensure that they follow they adhere to all bond covenants, including the timely calculation and deposit of required renewal and replacement funds.

Audited Agency's Response:

The District's water fund did not have any previous water revenue bonds prior to the 2015 series bonds. Thus, there was no previous requirement for funding a replacement reserve. When the District realized the violation of this covenant, the Board established an account and a plan to fully fund the depreciation reserve. Prior to the establishment of the separate depreciation reserve account, the District had a savings account set up to fund upgrades.

Jefferson County Public Service District

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

Internal Control

None

Compliance

Financial Audit - None

Single Audit:

2015-001

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.

Recommendation:

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

Audited Agency's Response:

The District agreed with the finding and recommendation and designed procedures to be implemented.