

GREEN-TAYLOR WATER DISTRICT

FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Green-Taylor Water District
Greensburg, KY

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Green-Taylor Water District, as of and for the years ended December 31, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities Green-Taylor Water District, as of December 31, 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 and budgetary comparison information on pages 3 through 6 and pages 20 through 23 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 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2017 on our consideration of Green-Taylor Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Green-Taylor Water District's internal control over financial reporting and compliance.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Campbellsville, KY

May 30, 2017

GREEN-TAYLOR WATER DISTRICT

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Management's Discussion and Analysis

Green-Taylor Water District is presenting the following discussion and analysis in order to provide an overall review of the utility's financial activities for the years ending December 31, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with the utility's financial statements and notes to the basic financial statements in order to enhance their understanding of the utility's financial performance.

2016 HIGHLIGHTS

For Green-Taylor Water District, 2016 has been a year of transition and stress. New water testing requirements have caused numerous problems for our system. Management issues and water quality issues plagued the majority of 2016, but we finished the year on stable ground. As in 2015, new regulations caused us to struggle with an increase in the cost of testing and maintaining water quality. Due to damage from Mother Nature being unkind to us, we have made some repairs to and are upgrading our telemetry system. A portion of the money from the insurance payment appears in this financial statement, but will be expended in 2017.

Our Revenues increased this year and our Expenses decreased, leaving us more financially sound. We completed a much needed break room and office space for our Operators. We purchased some new equipment to replace some equipment that had become worn, and constantly needing repair.

Overall, we have made improvements both financially and in infrastructure, and hope to continue this into 2017. We will continue to work with our water suppliers to provide the best quality water possible as well as maintain a lucrative operation.

Required Financial Statements

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The statements of Net Position include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Districts creditors (liabilities). The Statement of Revenues, Expense and Changes in Net Position identify the District's revenues and expenses for the years ended December 31, 2016 and 2015. This statement normally provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance.

Financial Analysis of the District

The Statements of Net Position includes all of the utility's assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utility.

A summary of the District's Statements of Net Position is presented below.

ASSETS	2016	2015
Cash and Investments	\$ 2,032,570	\$ 1,812,022
Other Assets	558,344	473,267
Capital Assets	10,187,921	10,405,558
Total Assets	<u>12,778,835</u>	<u>12,690,847</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions	294,503	173,092
Discount on Debt Refunding	52,885	56,380
Total Deferred Outflows of Resources	<u>347,388</u>	<u>229,472</u>
LIABILITIES		
Current Liabilities	528,011	500,322
Long-term Liabilities	4,329,726	4,352,956
Total Liabilities	<u>4,857,737</u>	<u>4,853,278</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Contributions	25,600	38,400
Total Deferred Inflows of Resources	<u>25,600</u>	<u>38,400</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,623,420	6,651,558
Restricted	1,247,051	1,223,071
Unrestricted	372,415	154,012
Total Net Position	<u>\$ 8,242,886</u>	<u>\$ 8,028,641</u>

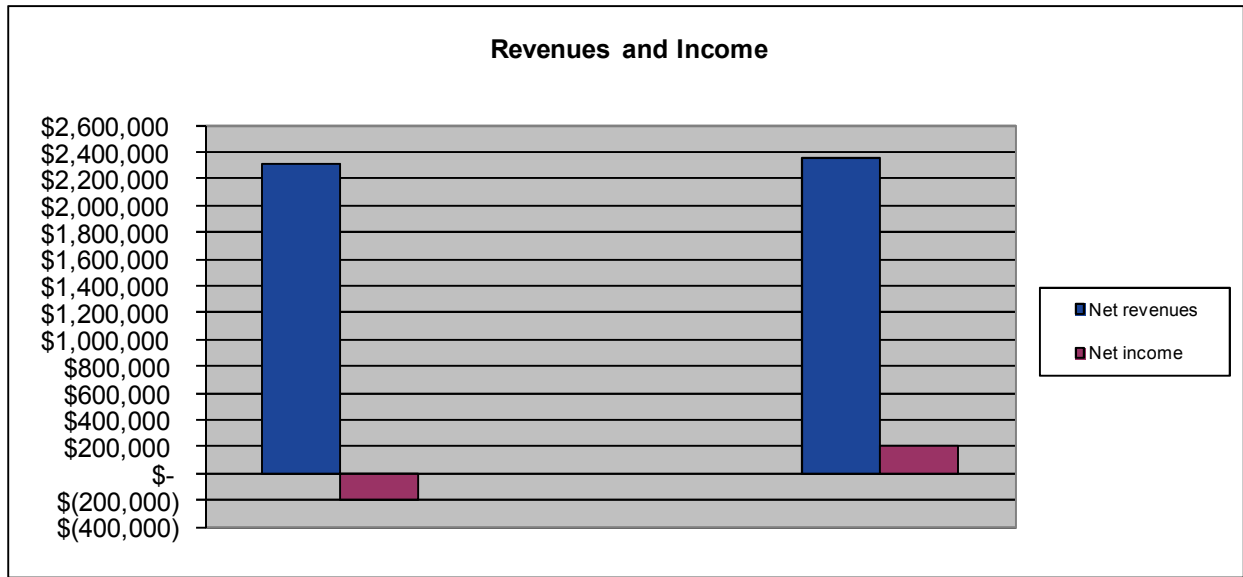
Net Position increased \$236,251 from 2015 to 2016.

2016 Operating Results

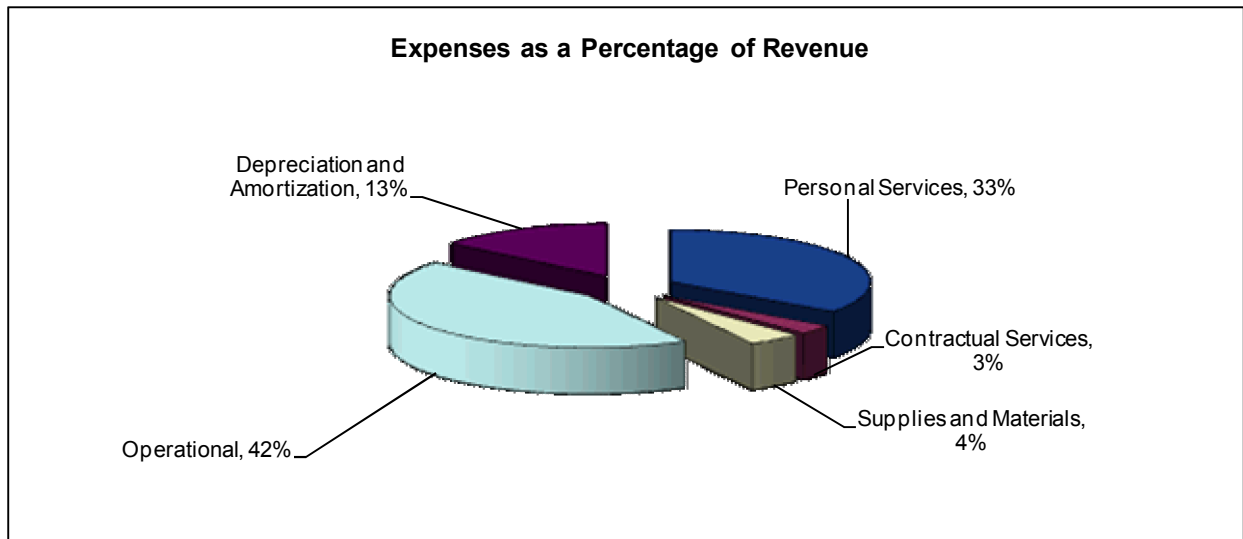
Condensed Statement of Revenues, Expenses and Changes in Net Position:

CONDENSED STMT. OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
	2016	2015
Operating Revenues	\$ 2,349,976	\$ 2,313,573
Other Revenues	218,988	30,008
Total Revenues	<u>2,568,964</u>	<u>2,343,581</u>
Operating Expenses	1,913,791	2,077,769
Depreciation and Amortization	313,652	312,106
Non-operating Expenses	162,635	171,628
Total Expenses	<u>2,390,078</u>	<u>2,561,503</u>
Income/(Loss) Before Capital Contributions and Grants	178,886	(217,922)
Grants	13,359	-
Capital Contributions	22,000	25,950
Change in Net Position	214,245	(191,972)
Beginning Net Positions	<u>8,028,641</u>	<u>8,220,613</u>
Ending Net Position	<u>\$ 8,242,886</u>	<u>\$ 8,028,641</u>

The following chart shows the difference between net revenues and net income for the years ended December 31, 2016 and 2015.



The following pie chart shows expenses as a percentage of revenue for the year ended December 31, 2016.



Capital Assets

The net book value of the District's capital assets as of December 31, 2016 and 2015 are \$10,190,098 and \$10,405,558.

	CAPITAL ASSETS AT YEAR END	
	2016	2015
Land	\$ 50,235	\$ 50,235
Construction in Progress	13,359	11,234
Buildings	179,495	151,733
Plant & Equipment	15,829,952	15,763,824
Total Capital Assets	16,073,041	15,977,026
Less: Accumulated Depreciation	(5,885,120)	(5,571,468)
Capital Assets, Net	<u>\$ 10,187,921</u>	<u>\$ 10,405,558</u>

Debt Outstanding

At year-end, the District had 3,630,720 in notes outstanding versus \$3,754,000 last year. Long-term debt outstanding decreased \$142,881, from 2015 to 2016.

Financial Contact

The District's financial statements are designed to provide the District's customers, commissioners, creditors and other interested parties with a general overview of the District's financial operations and financial condition. If you have questions about the report or need additional financial information, please contact the District's Manager, Roger Moss at (270) 932-4947 or 250 Industrial Park Road, Greensburg, KY 42743.

GREEN-TAYLOR WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 785,519	\$ 588,951
Customer & Other Accounts Receivable, net	453,962	365,811
Inventory	91,495	95,142
Prepaid Expenses	12,887	12,314
Restricted Cash & Investments	1,247,051	1,223,071
Total Current Assets	2,590,914	2,285,289
NON-CURRENT ASSETS		
Capital Assets:		
Land & Construction in Progress	63,594	61,469
Other Capital Assets (net of accumulated depreciation)	10,124,327	10,344,089
Total Non-Current Assets	10,187,921	10,405,558
TOTAL ASSETS	12,778,835	12,690,847
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions	294,503	173,092
Discount on Debt Refunding	52,885	56,380
TOTAL DEFERRED OUTFLOWS OF RESOURCES	347,388	229,472
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable - Trade	94,458	82,665
Accrued & Withheld Taxes	19,158	17,028
Accrued Payroll & Employee Benefits	15,812	16,428
Customer Deposits	99,982	101,021
Deferred Revenue	10,064	10,064
Current Portion - Notes Payable	12,601	-
Liabilities Payable from Restricted Assets:		
Interest Payable	79,436	83,616
Current Portion - Revenue Bonds	196,500	189,500
Total Current Liabilities	528,011	500,322
NON-CURRENT LIABILITIES		
Long-Term Liabilities (Excluding Current Portion):		
Net Pension Liability	908,107	788,456
Non-Current Portion - Notes Payable	53,619	-
Non-Current Portion - Revenue Bonds	3,368,000	3,564,500
Total Non-Current Liabilities	4,329,726	4,352,956
TOTAL LIABILITIES	4,857,737	4,853,278
DEFERRED INFLOWS OF RESOURCES		
Pension Contributions	25,600	38,400
TOTAL DEFERRED INFLOWS OF RESOURCES	25,600	38,400
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,623,420	6,651,558
Restricted	1,247,051	1,223,071
Unrestricted	372,415	154,012
TOTAL NET POSITION	\$ 8,242,886	\$ 8,028,641

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services	\$ 2,264,622	\$ 2,228,590
Service Charges and Other	85,354	84,983
Total Operating Revenues	<u>2,349,976</u>	<u>2,313,573</u>
OPERATING EXPENSES		
Contractual Services	63,716	57,400
Supplies & Materials	95,777	112,705
Depreciation & Amortization	313,652	312,106
Personal Service	776,371	891,553
Operational	977,927	1,016,111
Total Operating Expenses	<u>2,227,443</u>	<u>2,389,875</u>
OPERATING INCOME (LOSS)	<u>122,533</u>	<u>(76,302)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	5,117	5,009
Interest Expenses and Fiscal Charges	(159,139)	(168,132)
Bond Issuance Costs	(3,496)	(3,496)
Insurance Proceeds	182,800	-
Other income	31,071	24,999
Total Non-operating Revenues (Expenses)	<u>56,353</u>	<u>(141,620)</u>
INCOME (LOSS) BEFORE GRANTS & CAPITAL CONTRIBUTIONS	178,886	(217,922)
Grants	13,359	-
Capital Contributions	22,000	25,950
CHANGE IN NET POSITION	214,245	(191,972)
NET POSITION		
Beginning of Year	<u>8,028,641</u>	<u>8,220,613</u>
End of Year	<u>\$ 8,242,886</u>	<u>\$ 8,028,641</u>

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$ 2,334,948	\$ 2,308,571
Cash Payments to Employees for Services	(789,417)	(776,858)
Cash Payments to Suppliers for Goods & Services	(1,122,553)	(1,176,302)
Customer Deposits Received	20,255	25,950
Customer Deposits Returned	(21,294)	(21,855)
Net Cash Provided (Used) By Operating Activities	421,939	359,506
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Principal Paid on Bonds	(189,500)	(176,500)
Interest Paid on Debt	(163,323)	(171,998)
Acquisition of Capital Assets and Construction in Progress	(96,015)	(17,698)
Payments on Capital Lease	-	(7,800)
Proceeds from Capital Debt	66,220	-
Contributed Capital	22,000	25,950
Capital Grants	13,359	-
Proceeds from Insurance on Capital Assets	109,680	-
Net Cash Provided (Used) By Financing Activities	(237,579)	(348,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other Income	31,071	24,999
Interest	5,117	5,009
Net Cash Provided (Used) From Investing Activities	36,188	30,008
Net Increase (Decrease) In Cash and Cash Equivalents	220,548	41,468
Cash and Cash Equivalents - Beginning of Year	1,812,022	1,770,554
Cash and Cash Equivalents - End of Year	\$ 2,032,570	\$ 1,812,022
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 785,519	\$ 588,951
Restricted Cash and Cash Equivalents	1,247,051	1,223,071
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,032,570	\$ 1,812,022

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2016 and 2015

	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ 122,533	\$ (76,302)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES		
Depreciation and Amortization	313,652	312,106
Change in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	(15,031)	(5,002)
(Increase) Decrease in Inventory	3,647	(5,317)
(Increase) Decrease in Prepaid Expenses	(573)	(1,448)
(Increase) Decrease in Deferred Outflows - Pension	(121,411)	(97,414)
Increase (Decrease) in Accounts Payable	11,793	16,679
Increase (Decrease) in Accrued and Withheld Taxes	2,130	971
Increase (Decrease) in Accrued Payroll	(616)	9,482
Increase (Decrease) in Customer Deposits	(1,039)	4,095
Increase (Decrease) in Net Pension Liability	119,654	214,456
Increase (Decrease) in Deferred Inflows - Pensions	(12,800)	(12,800)
Total Reconciling Adjustments	299,406	435,808
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 421,939	\$ 359,506

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 1: DESCRIPTION OF ENTITY

Reporting Entity - The Green-Taylor Water District Commissioners have financial accountability and control over all activities related to the water district. The district's primary source of income is derived from water sales. The district also receives funding from federal government sources and must comply with the requirements of those funding source entities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accounts of Green-Taylor Water District are accounted for within a single proprietary (enterprise) fund. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The Generally Accepted Accounting Principles applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of net revenues.

During the year ended December 31, 2013, the District adopted the provisions of GASB Statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The proprietary fund financial statements are presented on the accrual basis of accounting. Operating income reported by the District includes revenues and expenses related to the continuing operation of water services for its customers. Operating revenues are charges to customers for services. Operating expenses are costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Cash Equivalents and Investments – The District considers all highly liquid investments with a remaining maturity of 90 days or less when purchased to be cash equivalents. Investments are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Accounts Receivable – Receivables include amounts due from customers for water services. These receivables are due at the time the services are billed. Billing is completed monthly and accounts are considered past due on the twenty first day after the end of each billing period. Accounts receivable are presented net of uncollectable accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2016 and 2015, the allowance for doubtful accounts was \$205,769 and \$214,224.

Inventory – Inventories are generally used for construction, operation and maintenance work rather than for resale. Materials and supplies inventory consists principally of spare parts that are recorded when purchased and expensed when used. Inventory is stated at the lower of cost or market value. Cost is generally determined on a first-in, first-out basis.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Capital Assets and Related Depreciation - The utility plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the plant's estimated useful life of 40 years. The office building is depreciated on a straight-line basis over an estimated useful life of 50 years. Machinery, office equipment and service vehicles are depreciated on a straight-line basis over their estimated useful life ranging from 5 to 10 years.

Long-Term Obligations - Long-term debt and other obligations are reported as district liabilities. Bond Issue Costs are being expensed during the period incurred.

Revenues and Expenses - Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services and producing, and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District 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.

Charges for Services - District billings are rendered and recorded monthly based on metered usage.

Capital Contributions - Cash and capital assets are contributed to the District by external parties. The value of property contributed to the District is reported as revenue on the statement of revenues, expenses and changes in net assets.

Net Position - Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Invested in capital assets, net of related debt—This components of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted—This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets—This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 3: CASH AND CASH EQUIVALENTS

A comparison of the District's cash and investments is shown below:

	<u>2016</u>	<u>2015</u>
Unrestricted:		
Cash	\$ 785,519	\$ 588,951
Total Unrestricted	<u>785,519</u>	<u>588,951</u>
Restricted:		
Cash	589,515	567,445
U. S. Treasury	157,536	155,626
	<u>747,051</u>	<u>723,071</u>
 Certificates of Deposit and Savings	 <u>500,000</u>	 <u>500,000</u>
 Total Restricted	 <u>1,247,051</u>	 <u>1,223,071</u>
 Total Cash and Cash Equivalents	 <u><u>\$2,032,570</u></u>	 <u><u>\$1,812,022</u></u>

There are three categories of credit risk that apply to the government's bank balance:

1. Insured or collateralized with securities held by the government or by the government's agent in the government's name.
2. Collateralized with securities held by the pledging financial institution's trust department or the government's agent in the government's name.
3. Uncollateralized.

	<u>BANK AMOUNT</u>	
	<u>2016</u>	<u>2015</u>
Insured (FDIC) or Collateral Held by Pledging Bank's Securities in District's name	\$ 2,032,570	\$ 1,812,022
Uninsured or Uncollateralized	<u>-</u>	<u>-</u>
Total (Memorandum Only)	<u><u>\$ 2,032,570</u></u>	<u><u>\$ 1,812,022</u></u>

The carrying amounts of the District's deposits at December 31, 2016 and 2015 were \$2,032,570 and \$1,812,022 respectively and the bank balances were \$2,059,784 and \$1,838,265 respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balances for each year, all was insured by federal depository insurance or collateralized by the pledging financial institutions.

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2016 and 2015 was as follows:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in Progress	11,234	27,157	25,032	13,359
Total Capital Assets Not Being Depreciated	61,469	27,157	25,032	63,594
Capital Assets Being Depreciated:				
Buildings	151,733	27,762	-	179,495
Utility Plant	15,437,980	-	-	15,437,980
Service Equipment	272,743	66,128	-	338,871
Office Furniture and Equipment	53,101	-	-	53,101
Total Capital Assets Being Depreciated	<u>\$ 15,915,557</u>	<u>\$ 93,890</u>	<u>\$ -</u>	<u>\$ 16,009,447</u>
Accumulated Depreciation				
Buildings	\$ 83,573	\$ 5,022	\$ -	\$ 88,595
Utility Plant	5,242,106	288,720	-	5,530,826
Service Equipment	202,986	18,170	-	221,156
Office Furniture and Equipment	42,803	1,740	-	44,543
Total Accumulated Depreciation	<u>5,571,468</u>	<u>313,652</u>	<u>-</u>	<u>5,885,120</u>
Total Capital Assets Being Depreciated, Net	<u>10,344,089</u>	<u>(219,762)</u>	<u>-</u>	<u>10,124,327</u>
Total Capital Assets, Net	<u>\$ 10,405,558</u>	<u>\$ (192,605)</u>	<u>\$ 25,032</u>	<u>\$ 10,187,921</u>

The District's depreciation expense for the year ended December 31, 2016 was \$313,652.

	Balance 12/31/14	Additions	Deletions	Balance 12/31/15
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in Progress	-	11,234	-	11,234
Total Capital Assets Not Being Depreciated	50,235	11,234	-	61,469
Capital Assets Being Depreciated:				
Buildings	151,733	-	-	151,733
Utility Plant	15,432,916	5,064	-	15,437,980
Service Equipment	272,743	-	-	272,743
Office Furniture and Equipment	51,701	1,400	-	53,101
Total Capital Assets Being Depreciated	<u>\$ 15,909,093</u>	<u>\$ 6,464</u>	<u>\$ -</u>	<u>\$ 15,915,557</u>
Accumulated Depreciation				
Buildings	\$ 79,138	\$ 4,435	\$ -	\$ 83,573
Utility Plant	4,948,679	293,427	-	5,242,106
Service Equipment	190,990	11,996	-	202,986
Office Furniture and Equipment	40,555	2,248	-	42,803
Total Accumulated Depreciation	<u>5,259,362</u>	<u>312,106</u>	<u>-</u>	<u>5,571,468</u>
Total Capital Assets Being Depreciated, Net	<u>10,649,731</u>	<u>(305,642)</u>	<u>-</u>	<u>10,344,089</u>
Total Capital Assets, Net	<u>\$ 10,699,966</u>	<u>\$ (294,408)</u>	<u>\$ -</u>	<u>\$ 10,405,558</u>

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 5: LONG-TERM OBLIGATIONS

Revenue Bonds with principal payments are detailed as follows:

	2016	2015
1979 Waterworks Revenue Bond, original amount \$663,000 maturing January 1, 2019 with a rate of 5%	\$ 111,000	\$ 145,000
1994 Waterworks Revenue Bond, original amount \$466,000 maturing January 1, 2034, with a rate of 4.50%, principal payments commencing January 1, 1997	323,000	334,000
1995 Waterworks Revenue Bond, original amount \$675,000 maturing January 1, 2035, with a rate of 4.875%, principal payments commencing January 1, 1998	489,000	504,000
2001 Waterworks Revenue Bond, original amount \$252,000 maturing January 1, 2041, with a rate of 4.75%, principal payments commencing January 1, 2004	209,500	214,000
2004 Series A Waterworks Revenue Bond, original amount \$673,000 maturing January 1, 2044, with a rate of 4.75%, principal payments commencing January 1, 2007	579,000	590,000
2004 Series B Waterworks Revenue Bond, original amount \$297,000 maturing January 1, 2044, with a rate of 4.375%, principal payments commencing January 1, 2007	253,000	258,000
2004 Refinancing of 1987, 1989, 1990, and 1993 Waterworks Revenue Bonds, original amount \$2,610,000 maturing January 1, 2027, with a variable rate of 2.28%-4.405%, principal payments commencing January 1, 2005	1,600,000	1,709,000
Total Debt	3,564,500	3,754,000
Payments Due in Less Than One Year	196,500	189,500
Total Long-Term Obligations	\$ 3,368,000	\$ 3,564,500

The annual requirements to amortize all bonded debt outstanding as of December 31, 2016 are as follows:

	Principal	Interest	Total
2017	\$ 196,500	\$ 157,752	\$ 354,252
2018	207,000	148,980	355,980
2019	217,500	139,697	357,197
2020	189,000	130,836	319,836
2021	199,500	122,433	321,933
2022-2026	1,162,500	466,784	1,629,284
2027-2031	565,500	257,184	822,684
2032-2036	445,000	146,325	591,325
2037-2041	282,000	70,433	352,433
2042-2046	100,000	13,823	113,823
	\$ 3,564,500	\$ 1,654,247	\$5,218,747

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 5: LONG-TERM OBLIGATIONS - (CONTINUED)

The District entered into a loan from a local bank in December 2016 for the purpose of making capital purchases of a new truck and trailer for the District's use. The terms of the loan are \$66,220 maturing December 21, 2021, with a rate of 2.60%, with principle and interest payments due monthly, beginning January 21, 2017. Debt service on the loan is as follows:

	Principal	Interest	Total
2017	\$ 12,601	\$ 1,600	\$ 14,201
2018	12,890	1,264	14,154
2019	13,235	919	14,154
2020	13,588	566	14,154
2021	13,906	201	14,107
	<u>\$ 66,220</u>	<u>\$ 4,549</u>	<u>\$ 70,769</u>

Long-Term liability activity for the year ended December 31, 2016, was as follows:

	12/31/2015 Balance	Additions	Reductions	12/31/2016 Balance
Revenue Bonds	\$3,754,000	\$ -	\$ 189,500	\$3,564,500
Notes Payable	-	66,220	-	66,220
	<u>\$3,754,000</u>	<u>\$ 66,220</u>	<u>\$ 189,500</u>	<u>\$3,630,720</u>

NOTE 6: RISK MANAGEMENT

The Green-Taylor Water District is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. The District purchases commercial insurance to cover these instances.

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

NOTE 7: PENSION PLAN

General information about the County Employees retirement system Hazardous & Non-Hazardous ("CERS")

Plan description – Employees of the Green-Taylor Water District are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

GREEN-TAYLOR WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 7: PENSION PLAN – (CONTINUED)

Benefits provided – CERS provides retirement, health insurance, death, and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years of service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available

Cost of living adjustments are provided at the discretion of the General assembly. Retirement is based on a factor of the number of years' service and the hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for non-service related disability benefits.

Contributions – Required contributions by the employee are based on the tier:

	Required contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The District's contribution requirement for CERS for the years ended December 31, 2016, 2015, and 2014 was \$55,093, \$54,410, and \$54,907 from the District and \$21,139, \$21,554, and \$20,606 from employees. The total covered payroll for CERS during the years ended December 31, 2016, 2015, and 2014 was \$422,789, \$431,084, and \$412,119.

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

At December 31, 2016, the District reported a liability of \$908,107 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At December 31, 2016, the District's proportion was 0.01844% percent.

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 7: PENSION PLAN – (CONTINUED)

For the year ended December 31, 2016, the District recognized pension expense of \$40,533. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,810	\$ -
Changes of assumptions	106,902	-
Net difference between projected and actual earnings on pension plan investments	72,537	25,600
Changes in proportion and differences between District contributions and proportionate share of contributions	28,545	-
District contributions subsequent to the measurement date	<u>77,709</u>	<u>-</u>
Total	<u>\$ 294,503</u>	<u>\$ 25,600</u>

\$77,709 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	<u>22,857</u>
2018	22,857
2019	35,657
2020	34,244
2021	17,170
Thereafter	58,409

Actuarial assumptions—the total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	<u>CERS</u> 3.25%
Projected salary increases	4.00%
Investment rate of return, net of investment expense & inflation	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of December 31, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

GREEN-TAYLOR WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2016 and 2015

NOTE 7: PENSION PLAN – (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Discount rate—for CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earning were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table present the net pension liability of the Adair County Water District, calculated using the discount rates selected by CERS, as well as what the Adair County Water District’s 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	Current Discount Rate	1% Increase
CERS	6.50%	7.50%	8.50%
District’s proportionate share of net pension liability	1,131,409	908,107	716,336

Pension plan fiduciary net positions—detailed information about the pension plan’s fiduciary net position is available in the financial report of CERS.

The County Employee’s Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

NOTE 10: SUBSEQUENT EVENT

The District’s management has evaluated subsequent events through May 30, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GREEN-TAYLOR WATER DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL

For the Year Ended December 31, 2016

	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
OPERATING REVENUES			
Charges for Services	\$ 2,251,000	\$ 2,264,622	\$ 13,622
Service Charges and Other	96,000	85,354	(10,646)
Total Operating Revenues	<u>2,347,000</u>	<u>2,349,976</u>	<u>2,976</u>
OPERATING EXPENSES			
Contractual Services	54,800	63,716	(8,916)
Supplies & Materials	162,000	95,777	66,223
Depreciation & Amortization	312,000	313,652	(1,652)
Personal Service	742,664	776,371	(33,707)
Operational	<u>1,010,417</u>	<u>977,927</u>	<u>32,490</u>
Total Operating Expenses	<u>2,281,881</u>	<u>2,227,443</u>	<u>54,438</u>
OPERATING INCOME (LOSS)	<u>65,119</u>	<u>122,533</u>	<u>57,414</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	5,200	5,117	(83)
Interest Expenses and Fiscal Charges	(166,400)	(159,139)	7,261
Miscellaneous Non-Utility Expense	(400)	(3,496)	(3,096)
Miscellaneous Non-Utility Income	<u>-</u>	<u>213,871</u>	<u>213,871</u>
Total Non-operating Revenues (Expenses)	<u>(161,600)</u>	<u>56,353</u>	<u>217,953</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(96,481)</u>	<u>178,886</u>	<u>275,367</u>
Grants	-	13,359	13,359
Capital Contributions	<u>30,000</u>	<u>22,000</u>	<u>(8,000)</u>
CHANGE IN NET POSITION	<u>(66,481)</u>	<u>214,245</u>	<u>280,726</u>
NET POSITION			
Beginning of Year	<u>66,481</u>	<u>8,028,641</u>	<u>7,962,160</u>
End of Year	<u>\$ -</u>	<u>\$ 8,242,886</u>	<u>\$ 8,242,886</u>

GREEN-TAYLOR WATER DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY
 December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.01844%	0.01798%	0.017693%
District's proportionate share of the net pension liability (asset)	908,107	788,456	574,000
District's covered-employee payroll	422,789	431,084	412,119
District's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll	214.79%	182.90%	139.28%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

GREEN-TAYLOR WATER DISTRICT
 SCHEDULE OF CONTRIBUTIONS TO CERS
 December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 55,093	\$ 54,410	\$ 54,907
Contributions in relation to the contractually required contribution	<u>(55,093)</u>	<u>(54,410)</u>	<u>(54,907)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 422,789	\$ 431,084	\$ 412,119
Contributions as a percentage of covered-employee payroll	13.03%	12.62%	13.32%

GREEN-TAYLOR WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CERS
For the Year Ended December 31, 2016

NOTE 1 – CHANGES OF BENEFIT TERMS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member whose participation date in on or after January 1, 2014.

NOTE B – CHANGES OF ASSUMPTION

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 year period.

2015:

1. The assumed investment rate of return was decreased from 7.75% to 7.50%.
2. The assumed rate of inflation was reduced from 3.50% to 3.25%.
3. The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
4. Payroll growth assumption was reduced from 4.50% to 4.00%.
5. The mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
6. For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
7. The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENTAL AUDITING STANDARDS

To the Board of Commissioners of
Green-Taylor Water District
Greensburg, KY

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 Green-Taylor Water District, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Green-Taylor Water District's basic financial statements, and have issued our report thereon dated May 30, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. (2016-1)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green-Taylor Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Green-Taylor Water District's Response to Findings

Green-Taylor Water District's Response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Green-Taylor Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Campbellsville, KY

May 30, 2017

GREEN-TAYLOR WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2016

Internal Control Over Financial Reporting

2016-1 - Preparation and Presentation of Financial Statements

Criteria:	The District's management is responsible for establishing and maintaining internal controls over the application of transactions and the preparation and presentation of financial statements
Condition:	The District does not have sufficient controls in selecting and applying accounting principles to prepare and present financial statements in accordance with generally accepted accounting principles.
Cause:	The District has financial personnel with limited financial reporting experience.
Effect:	The design of the internal controls over financial reporting limits the ability of the District to provide accurate financial information.
Recommendation:	We recommend District management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in preparing financial statements.
Management's Response:	It is not economically feasible for the District to invest resources for a member of the financial staff to obtain the necessary training to prepare the financial statements.