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GREEN-TAYLOR WATER DISTRICT

FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2013 and 2012, 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, 2013 and 2012, 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 on pages 3 through 6 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 March 31, 2013 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

March 31, 2014

# 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 fiscal years ending December 31, 2013 and 2012. 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.

### 2013 HIGHLIGHTS

In a world of constant change and turmoil, maintaining steady growth becomes more difficult every day. As our customers strive to deal with the uncertain economy they tend to be more conservative with utilities which result in less revenue for us. Our liabilities decreased, but the value of our assets also decreased, leaving less profit for the year. We did not receive any grant money this year, so our capital contributions for 2013 came entirely from the purchase of new installations. The cost of materials needed to complete these installations continually increases cancelling any potential profit. Personal Services also increased this year, partly due to increased insurance costs. We did however, pay all our financial obligations as required and updated some equipment.

Water loss also plagued Green-Taylor in 2013. Fortunately, we managed to keep our loss under 15%. We repaired several leaks. The cost of lost water and the subsequent flushing affected us financially.

Even though Green-Taylor did not show much profit this year, we are still financially sound and maintaining all financial obligations. In 2014 we will strive to decrease expenditures and diligently pursue the surveillance and maintenance of all transmission lines in order to improve water loss, while providing the best quality product to our customers.

### 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, 2013 and 2012. 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.

**Green-Taylor Water District is an Equal Opportunity Provider and Employer**

Complaints of discrimination should be sent to:

USDA, Director, Office of Civil Rights, Washington, D.C. 20240-9410

Green-Taylor Water District  
 Management's Discussion & Analysis  
 Page 2

**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	2013	2012
Cash and Investments	\$ 1,784,218	\$ 1,702,958
Other Assets	513,808	493,574
Capital Assets	10,963,180	11,232,905
Total Assets	<u>13,261,206</u>	<u>13,429,437</u>
LIABILITIES		
Current Liabilities	301,732	228,414
Other Liabilities	169,500	159,000
Long-term Liabilities	3,938,300	4,217,550
Total Liabilities	<u>4,409,532</u>	<u>4,604,964</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,847,580	6,943,705
Restricted	1,158,478	1,130,427
Unrestricted	845,616	750,341
Total Net Position	<u>\$ 8,851,674</u>	<u>\$ 8,824,473</u>

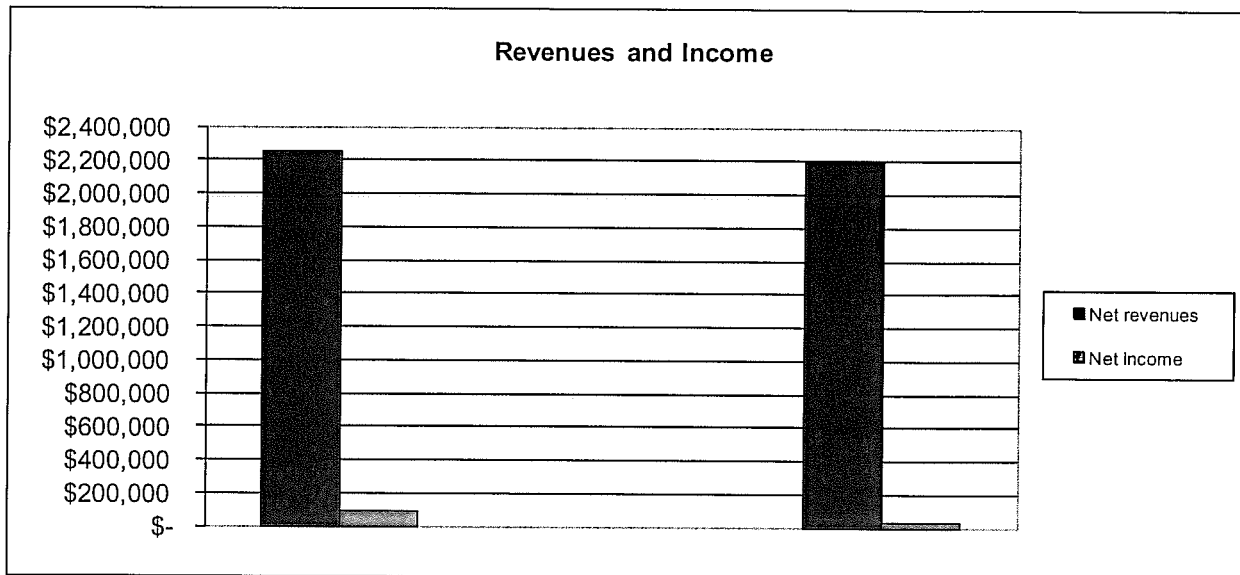
Net Position increased \$27,201 from 2012 to 2013.

**2013 Operating Results**

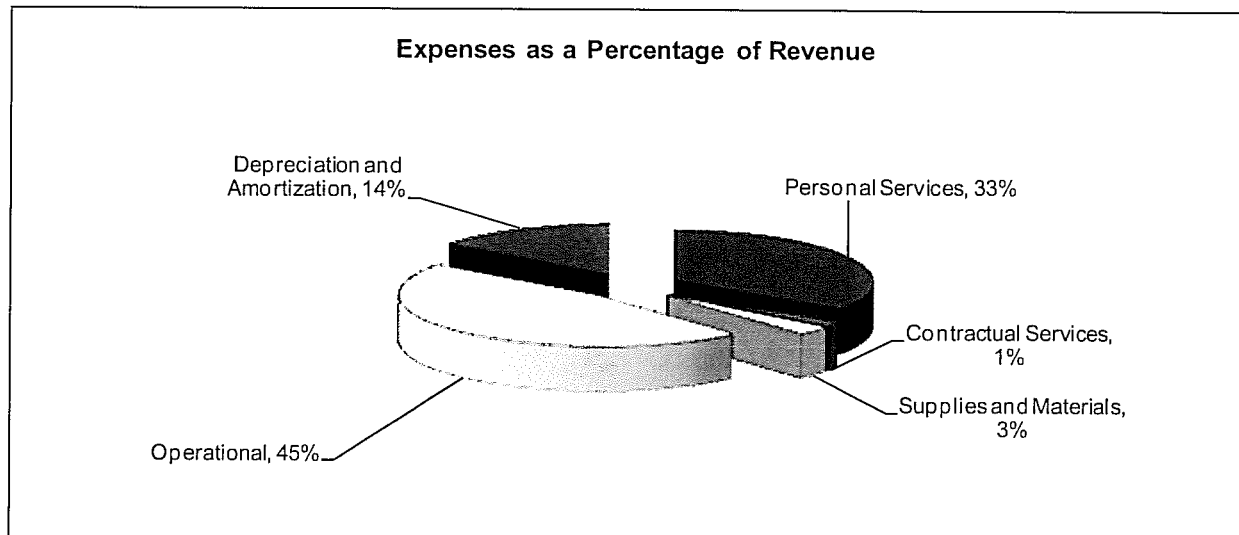
Condensed Statement of Revenues, Expenses and Changes in Net Position:

	2013	2012
Operating Revenues	\$ 2,289,770	\$ 2,343,604
Other Revenues	8,970	10,993
Total Revenues	<u>2,298,740</u>	<u>2,354,597</u>
Operating Expenses	1,781,540	1,866,073
Depreciation and Amortization	310,085	301,016
Non-operating Expenses	203,164	188,439
Total Expenses	<u>2,294,789</u>	<u>2,355,528</u>
Income/(Loss) Before Capital Contributions and Grants	3,951	(931)
Capital Contributions	<u>23,250</u>	<u>91,935</u>
Change in Net Position	27,201	91,004
Beginning Net Positions, Restated	<u>8,824,473</u>	<u>8,733,469</u>
Ending Net Position	<u>\$ 8,851,674</u>	<u>\$ 8,824,473</u>

The following chart shows the difference between net revenues and net income for the years ended December 31, 2013 and 2012.



The following pie chart shows expenses as a percentage of revenue for the year ended December 31, 2013.



**Capital Assets**

At December 31, 2013 and 2012 the District had \$10,963,180 and \$11,232,905 invested in capital assets, consisting primarily of plant and equipment.

	<u>2013</u>	<u>2012</u>
Land	\$ 50,235	\$ 50,235
Construction In Progress	-	-
Buildings	151,733	151,733
Plant & Equipment	<u>15,834,157</u>	<u>15,867,828</u>
Total Capital Assets	16,036,125	16,069,796
Less: Accumulated Depreciation	<u>(5,067,462)</u>	<u>(4,836,934)</u>
Capital Assets, Net	<u>\$ 10,968,663</u>	<u>\$ 11,232,862</u>

**Debt Outstanding**

At year-end, the District had \$4,100,000 in notes outstanding versus \$4,258,000 last year. Long-term debt outstanding decreased \$158,500 from 2012 to 2013.

**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, 2013 and 2012

	2013	Restated 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash & Cash Equivalents	\$ 625,740	\$ 572,531
Customer & Other Accounts Receivable, net	347,002	337,715
Inventory	93,266	57,324
Prepaid Expenses	10,169	14,654
Total Unrestricted Current Assets	1,076,177	982,224
Restricted Cash & Investments	1,158,478	1,130,427
Total Current Assets	2,234,655	2,112,651
<b>NON-CURRENT ASSETS</b>		
Capital Assets:		
Land & Construction in Progress	50,235	50,235
Other Capital Assets (net of accumulated depreciation)	10,912,945	11,182,627
Total Non-Current Assets	10,963,180	11,232,862
<b>TOTAL ASSETS</b>	13,197,835	13,345,513
<b>DEFERRED OUTFLOWS</b>		
Discount on Debt Refunding	63,371	83,921
<b>TOTAL DEFERRED OUTFLOWS</b>	63,371	83,921
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable - Trade	99,037	125,730
Accrued & Withheld Taxes	9,618	6,834
Accrued Payroll	2,179	1,059
Customer Deposits	91,952	86,991
Current Portion - Capital Lease	7,800	7,800
Liabilities Payable from Restricted Assets:		
Interest Payable	91,146	95,150
Current Portion - Revenue Bonds	169,500	159,000
Total Current Liabilities	471,232	482,564
<b>NON-CURRENT LIABILITIES</b>		
Long-Term Liabilities (Excluding Current Portion):		
Non-Current Portion - Capital Lease	7,800	23,400
Non-Current Portion - Revenue Bonds	3,930,500	4,099,000
Total Non-Current Liabilities	3,938,300	4,122,400
<b>TOTAL LIABILITIES</b>	4,409,532	4,604,964
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	6,847,580	6,943,705
Restricted	1,158,478	1,130,427
Unrestricted	845,616	750,341
<b>TOTAL NET POSITION</b>	\$ 8,851,674	\$ 8,824,473

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>Restated 2012</u>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 2,201,192	\$ 2,246,947
Service Charges and Other	88,578	96,657
	<u>2,289,770</u>	<u>2,343,604</u>
<b>OPERATING EXPENSES</b>		
Contractual Services	26,927	23,822
Supplies & Materials	56,065	107,431
Depreciation & Amortization	310,085	301,016
Personal Service	715,875	670,110
Operational	982,673	1,064,710
	<u>2,091,625</u>	<u>2,167,089</u>
OPERATING INCOME (LOSS)	198,145	176,515
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	6,660	8,025
Interest Expenses and Fiscal Charges	(186,150)	(188,439)
Bond Issuance Costs	(17,014)	-
Gain (Loss) on Sale of Assets	2,100	1,799
Other income	210	1,169
	<u>(194,194)</u>	<u>(177,446)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	3,951	(931)
Capital Contributions	23,250	91,935
CHANGE IN NET POSITION	27,201	91,004
<b>NET POSITION</b>		
Beginning of Year, Restated	<u>8,824,473</u>	<u>8,733,469</u>
End of Year	<u>\$ 8,851,674</u>	<u>\$ 8,824,473</u>

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2013 and 2012

	2013	Restated 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received From Customers	\$ 2,285,175	\$ 2,359,606
Cash Payments to Employees for Services	(714,755)	(669,051)
Cash Payments to Suppliers for Goods & Services	(1,125,901)	(1,191,064)
Customer Deposits Received	21,200	20,920
Customer Deposits Returned	(16,240)	(15,800)
	449,479	504,611
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>		
Principal Paid on Bonds	(158,000)	(151,500)
Interest Paid on Debt	(192,378)	(196,888)
Acquisition of Capital Assets and Construction in Progress	(34,641)	(199,295)
Payments on Capital Lease	(15,600)	-
Contributed Capital	23,250	91,935
Sale of Capital Assets	2,100	1,799
	(375,269)	(453,949)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Other Income	210	1,169
Interest	6,840	8,025
	7,050	9,194
Net Cash Provided (Used) From Investing Activities	7,050	9,194
Net Increase (Decrease) In Cash and Cash Equivalents	81,260	59,856
Cash and Cash Equivalents - Beginning of Year	1,702,958	1,643,102
Cash and Cash Equivalents - End of Year	\$ 1,784,218	\$ 1,702,958
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents	\$ 625,740	\$ 572,531
Restricted Cash and Cash Equivalents	1,158,478	1,130,427
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,784,218</b>	<b>\$ 1,702,958</b>

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 Years Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ 198,145	\$ 176,515
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES		
Depreciation and Amortization	310,085	301,016
Change in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	(9,287)	10,698
(Increase) Decrease in Inventory	(35,941)	23,701
(Increase) Decrease in Prepaid Expenses	4,305	(8,968)
Increase (Decrease) in Accounts Payable	(26,692)	4,898
Increase (Decrease) in Accrued and Withheld Taxes	2,784	(7,759)
Increase (Decrease) in Accrued Payroll	1,120	(671)
Increase (Decrease) in Customer Deposits	4,960	5,181
Total Reconciling Adjustments	251,334	328,096
NAT CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 449,479	\$ 504,611

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2013 and 2012

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 exchanges 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, 2013 and 2012, the allowance for doubtful accounts was \$195,188 and \$190,497.

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, 2013 and 2012

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 amortized and charged to expense over the term of the outstanding revenue bonds by use of the straight-line method.

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, 2013 and 2012

NOTE 3: CASH AND CASH EQUIVALENTS

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

	2013	2012
Unrestricted:		
Cash	\$ 625,740	\$ 559,216
Total Unrestricted	625,740	559,216
Restricted:		
Cash	510,077	486,225
U. S. Treasury	148,401	144,202
	658,478	630,427
Certificates of Deposit and Savings	500,000	500,000
Total Restricted	1,158,478	1,130,427
Total Cash and Cash Equivalents	\$ 1,784,218	\$ 1,689,643

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.

	BANK AMOUNT	
	2013	2012
Insured (FDIC) or Collateral Held by Pledging Bank's Securities in District's name	\$ 1,784,218	\$ 1,689,643
Uninsured or Uncollateralized	-	-
Total (Memorandum Only)	\$ 1,784,218	\$ 1,689,643

The carrying amounts of the District's deposits at December 31, 2013 and 2012 were \$1,784,218 and \$1,689,643 respectively and the bank balances were \$1,795,319 and \$1,759,976 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, 2013 and 2012

NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2013 and 2012 was as follows:

	Balance 12/31/12	Additions	Deletions	Balance 12/31/13
<b>Capital Assets Not Being Depreciated:</b>				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	50,235	-	-	50,235
<b>Capital Assets Being Depreciated:</b>				
Buildings	151,733	-	-	151,733
Utility Plant	15,505,215	7,163	-	15,512,378
Service Equipment	307,580	33,240	69,077	271,743
Office Furniture and Equipment	55,033	-	10,482	44,551
Total Capital Assets Being Depreciated	\$ 16,019,561	\$ 40,403	\$ 79,559	\$ 15,980,405
<b>Accumulated Depreciation</b>				
Buildings	\$ 70,268	\$ 4,435	\$ -	\$ 74,703
Utility Plant	4,487,077	288,379	-	4,775,456
Service Equipment	233,047	15,023	69,076	178,994
Office Furniture and Equipment	46,542	2,248	10,483	38,307
Total Accumulated Depreciation	4,836,934	310,085	79,559	5,067,460
Total Capital Assets Being Depreciated, Net	11,182,627	(269,682)	-	10,912,945
Total Capital Assets, Net	\$ 11,232,862	\$ (269,682)	\$ -	\$ 10,963,180
<b>Capital Assets Not Being Depreciated:</b>				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in Progress	39,554	52,208	91,762	-
Total Capital Assets Not Being Depreciated	89,789	52,208	91,762	50,235
<b>Capital Assets Being Depreciated:</b>				
Buildings	151,733	-	-	151,733
Utility Plant	15,297,759	222,924	15,468	15,505,215
Service Equipment	285,734	21,846	-	307,580
Office Furniture and Equipment	55,033	-	-	55,033
Total Capital Assets Being Depreciated	\$ 15,790,259	\$ 244,770	\$ 15,468	\$ 16,019,561
<b>Accumulated Depreciation</b>				
Buildings	\$ 65,833	\$ 4,435	\$ -	\$ 70,268
Utility Plant	4,193,314	293,763	-	4,487,077
Service Equipment	247,945	570	15,468	233,047
Office Furniture and Equipment	44,294	2,248	-	46,542
Total Accumulated Depreciation	4,551,386	301,016	15,468	4,836,934
Total Capital Assets Being Depreciated, Net	11,238,873	(56,246)	-	11,182,627
Total Capital Assets, Net	\$ 11,328,662	\$ (4,038)	\$ 91,762	\$ 11,232,862



GREEN-TAYLOR WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2013 and 2012

NOTE 5: LONG-TERM OBLIGATIONS

Revenue Bonds with principal payments are detailed as follows:

	<u>2013</u>	<u>2012</u>
1979 Waterworks Revenue Bond, original amount \$663,000 maturing January 1, 2019 with a rate of 5%	\$ 207,000	\$ 237,000
1994 Waterworks Revenue Bond, original amount \$466,000 maturing January 1, 2034, with a rate of 4.50%, principal payments commencing January 1, 1997	354,000	361,000
1995 Waterworks Revenue Bond, original amount \$675,000 maturing January 1, 2035, with a rate of 4.875%, principal payments commencing January 1, 1998	531,000	544,000
2001 Waterworks Revenue Bond, original amount \$252,000 maturing January 1, 2041, with a rate of 4.75%, principal payments commencing January 1, 2004	222,000	225,500
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	610,000	619,000
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	268,000	271,500
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	<u>1,908,000</u>	<u>2,000,000</u>
Total Debt	4,100,000	4,258,000
Payments Due in Less Than One	<u>169,500</u>	<u>158,000</u>
Total Long-Term Obligations	<u>\$ 3,930,500</u>	<u>\$ 4,100,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2013 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2014	\$ 169,500	\$ 188,777	\$ 358,277
2015	175,500	181,896	357,396
2016	189,500	174,354	363,854
2017	196,500	166,456	362,956
2018	207,000	158,148	365,148
2019-2023	1,035,500	610,381	1,645,881
2024-2028	1,029,500	365,808	1,395,308
2029-2033	471,000	212,736	683,736
2034-2038	349,000	110,020	459,020
2039-2043	277,000	46,267	323,267
2044-2048	-	2,320	2,320
	<u>\$ 4,100,000</u>	<u>\$ 2,217,163</u>	<u>\$ 6,317,163</u>

GREEN-TAYLOR WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2013 and 2012

NOTE 5: LONG-TERM OBLIGATIONS - (CONTINUED)

	12/31/2012	Additions	Reductions	12/31/2013
	Balance			Balance
Revenue Bonds	\$ 4,280,000	\$ -	\$ 158,000	\$ 4,100,000
	<u>\$ 4,280,000</u>	<u>\$ -</u>	<u>\$ 158,000</u>	<u>\$ 4,100,000</u>

NOTE 6: CAPITAL LEASE

The District has entered into an agreement to lease equipment. This agreement is, in substance, a purchase and is reported as a capital lease obligation. The following schedule presents future minimum lease payments as of December 31, 2013. The agreement was a zero percent lease.

<u>Year Ending December 31,</u>	
2014	\$ 7,800
2015	<u>7,800</u>
	<u>\$ 15,600</u>

NOTE 7: 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 8: PENSION PLAN

Substantially all employees are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended December 31, 2013, 2012, and 2011 of 18.89%, 19.55%, and 18.96% for Non Hazardous Employee's. The contribution rate is actuarially determined. The District's contribution requirement for CERS for the years ended December 31, 2013, 2012, and 2011 was \$79,065, \$81,063, and \$66,986 from the District and \$19,832, \$21,075, and \$18,562 from employees. The total covered payroll for CERS during the years ended December 31, 2013, 2012, and 2011 was \$424,412, \$421,502, and \$401,798.

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 9: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District adopted GASB No. 63 during the year, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus will not be recognized as an outflow of resources (expense/expenditures) until then. The District has only one type of item that qualifies for reporting in this category. It is the deferred discount on refunding reported in the statement of net position. A deferred discount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2013 and 2012

NOTE 9: DEFERRED OUTFLOWS/INFLOWS OF REOURCES – (CONTINUED)

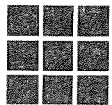
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The District has no items that qualify for reporting in this category.

NOTE 10: RESTATED

The District voided prior period checks of approximately \$13,000. Prior year cash and net position was restated. There were no effects to the income statement of the prior period due to these voided checks.

NOTE 11: SUBSEQUENT EVENT

The District's management has evaluated subsequent events through March 31, 2014, the date the financial statements were available to be issued.



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA  
SHIRLEY M. BUCKNER, CPA  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH 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 year ended December 31, 2013 and 2012, 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 March 31, 2014.

**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 on 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. (2013-1).

**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

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MEMBERS: AICPA • KYCPA

**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

March 31, 2014

GREEN-TAYLOR WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
December 31, 2013

**Internal Control Over Financial Reporting**

**2013-1 - 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.