

**West Shelby Water District**

**Financial Statements**

**December 31, 2016 and 2015**

**West Shelby Water District**

Table of Contents  
December 31, 2016 and 2015

	<u>Page</u>
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis ( <i>Unaudited</i> ).....	3 - 7
<b>Financial Statements</b>	
Statements of Net Position.....	8
Statements of Revenues, Expenses and Changes in Net Position .....	9 - 10
Statements of Cash Flows.....	11 - 12
Notes to Financial Statements.....	13 - 24
<b>Supplementary Information</b>	
Required Supplementary Information - Schedule of Net Pension Liability and Related Ratios Based on Participation in the County Employees' Retirement System of KRS.....	25
Required Supplementary Information - Schedule of Contributions Based on Participation in the County Employees' Retirement System of KRS .....	26
Notes to Schedules Related to the County Employees' Retirement System of KRS Information.....	26
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget.....	27 - 28
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 <i>Government Auditing Standards</i> .....	29 - 30



## **Independent Auditor's Report**

To the Board of Directors  
**West Shelby Water District**

### **Report on the Financial Statement**

We have audited the accompanying financial statements of the business-type activities of West Shelby Water District ("the 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 misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects; the financial position of the business-type activities of the District as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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## **Independent Auditor's Report (Continued)**

### **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 7 and the Schedule of Net Pension Liability and Related Ratios Based on Participation in the County Employees' Retirement System of KRS and the Schedule of Contributions Based on Participation in the County Employees' Retirement System of the KRS on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position - Actual to Budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Lexington, Kentucky  
March 28, 2017

**West Shelby Water District**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2016 and 2015**

As management of the West Shelby Water District ("District"), we offer the readers of the District's financial statements this narrative overview and analysis of the financial performance of the District for the year ended December 31, 2016. We encourage readers to read it in conjunction with the District's financial statements and the accompanying notes.

**Financial Highlights**

- Cash and cash equivalents decreased \$72,112 (4%)
- Restricted cash increased \$127,160 (29%)
- Accounts receivable increased \$29,995 (34%)
- Inventory increased \$15,297 (22%)
- Property, plant and equipment (net) increased \$139,456 (1%)
- Accounts payable decreased \$9,109 (52%)
- Accrued interest decreased \$875 (5%)
- Bonds/notes payable decreased \$65,000 (7%)
- Net position increased \$189,967 (2%)
- Total revenues increased \$34,692 (2%)
- Total expenses increased \$97,815 (6%)
- Operating loss increased \$63,123 (72%)
- Non-operating expenses (net) decreased \$76,890 (74%)
- Investment income decreased \$7,376 (27%)

**Overview of the Financial Statements**

This financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the accompanying notes to the financial statements. The West Shelby Water District is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the District. These statements are presented in a manner similar to those of a private business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows provides relevant information about the cash receipts and cash payments of the District during the fiscal year. The statement should help users assess the District's ability to generate future net cash flows, meet future obligations as they become due, and assess the District's need for future external financing, the reasons for differences in operating and related cash receipts and cash payments, and the effects on financial position of cash and non-cash investing, capital, non-capital, and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 13 - 25.

**West Shelby Water District  
Management's Discussion and Analysis (Unaudited) (Continued)  
December 31, 2016 and 2015**

**Financial Analysis of the District**

**Condensed Financial Information  
Statements of Net Position  
As of December 31, 2016 and 2015**

	<u>2016</u>	Percentage Increase (Decrease)	<u>2015</u>
Current Assets	\$ 1,793,392	-24.57%	\$ 2,377,657
Non-current Assets	<u>11,078,042</u>	6.98%	<u>10,355,388</u>
Total Assets	12,871,434	1.09%	12,733,045
Deferred Out Flows of Resources	<u>73,443</u>	37.66%	<u>53,352</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,944,877</u>		<u>\$ 12,786,397</u>
Current Liabilities	\$ 247,610	4.37%	\$ 237,251
Non-current Liabilities	<u>1,274,196</u>	-2.84%	<u>1,311,485</u>
Total Liabilities	1,521,806	-1.74%	1,548,736
Deferred In Flows of Resources	<u>20,757</u>	-18.00%	<u>25,314</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,542,563</u>		<u>\$ 1,574,050</u>
Restricted	560,906	29.32%	433,746
Net Investment in Capital Assets	9,805,091		9,665,635
Unrestricted	<u>1,036,317</u>	-6.89%	<u>1,112,966</u>
Total Net Position	<u>\$ 11,402,314</u>	1.69%	<u>\$ 11,212,347</u>

Current assets consist primarily of operating cash, cash equivalents, short term certificate of deposits and accounts receivables.

Non-current assets consist primarily of long term certificate of deposits, long term bonds, property, plant and equipment and cash balances restricted for capital construction and debt service.

Current liabilities consist primarily of accounts payable, customer deposits, accrued payroll liabilities and the current-portion of notes payables.

Non-current liabilities represent the non-current portion of bond and notes payables and net pension liability.

**West Shelby Water District  
Management's Discussion and Analysis (Unaudited) (Continued)  
December 31, 2016 and 2015**

**Financial Analysis of the District (Continued)**

**Condensed Financial Information  
Statements of Revenues, Expenses and Change in Net Position  
For the Fiscal Year Ended December 31, 2016 and 2015**

	<u>2016</u>	Percentage Increase (Decrease)	<u>2015</u>
Operating Revenues			
Sale of water	\$1,507,968	2.29%	\$1,474,137
Other revenues	<u>30,002</u>	2.95%	<u>29,141</u>
Total Operating Revenues	1,537,970	2.31%	1,503,278
Operating Expenses			
Operating	866,738	0.99%	858,261
General and administrative	305,588	8.99%	280,386
Depreciation	<u>516,561</u>	14.18%	<u>452,425</u>
Total Operating Expenses	<u>1,688,887</u>	6.15%	<u>1,591,072</u>
Loss from Operations	(150,917)	-71.90%	(87,794)
Non-operating Revenues (Expenses)			
Net increase in fair value of investments	(3,871)	100.00%	(1,918)
Investment income	20,114	-26.83%	27,490
Loss on sale of assets	(990)	100.00%	-
Abandonment of real estate project	-	100.00%	(65,659)
Interest expense	<u>(41,748)</u>	-34.05%	<u>(63,298)</u>
Non-operating Expenses	<u>(26,495)</u>	-74.37%	<u>(103,385)</u>
Expenses Over Revenues	(177,412)	7.20%	(191,179)
Changes in Equity Contribution			
Member tap on	57,759	10.34%	52,346
Member construction contribution	<u>309,620</u>	461.29%	<u>55,162</u>
Total	<u>367,379</u>	241.72%	<u>107,508</u>
Change in Net Position	<u>\$ 189,967</u>	-327.04%	<u>\$ (83,671)</u>

**West Shelby Water District  
Management's Discussion and Analysis (Unaudited) (Continued)  
December 31, 2016 and 2015**

**Financial Analysis of the District (Continued)**

**Condensed Financial Information**

**Statements of Revenues, Expenses and Change in Net Position (Continued)  
For the Fiscal Year Ended December 31, 2016 and 2015**

	<u>2016</u>	Percentage Increase (Decrease)	<u>2015</u>
Net Position, Beginning of Year	<u>\$ 11,212,347</u>	-0.74%	<u>\$ 11,296,018</u>
Net Position, End of Year	<u>\$ 11,402,314</u>	1.69%	<u>\$ 11,212,347</u>

Sale of Water represents revenues from providing water to residential, commercial, industrial, governmental, and multi-family customers.

Other income represents revenues for reconnect fees, forfeited discounts (late fees), and interest earned.

Operating expenses primarily represent the purchasing of water, personnel costs for maintenance staff, utilities, and repairs and maintenance.

General and administrative expenses primarily represent personnel costs for administrative staff, employee benefits, insurance, supplies and payroll taxes.

Depreciation expense is related to the allocation of the usefulness of property, plant and equipment over the life time of the asset.

Non-operating revenues (expenses) consist primarily of interest revenue, interest expense, and gain (loss) on sale of property, plant and equipment.

**Condensed Financial Information**

**Statements of Cash Flows**

**For the Fiscal Year Ended December 31, 2016 and 2015**

	<u>2016</u>	Percentage Increase (Decrease)	<u>2015</u>
Net Cash Provided By (Used In):			
Operating activities	\$ 332,326	-17.75%	\$ 404,053
Capital and related financing activities	(399,628)	33.53%	(601,190)
Investing activities	<u>(4,810)</u>	-103.21%	<u>149,712</u>
Net Change in Cash and Cash Equivalents	(72,112)	-52.05%	(47,425)
Cash and Cash Equivalents, Beginning of Year	<u>1,641,957</u>	-2.81%	<u>1,689,382</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,569,845</u>	-4.39%	<u>\$ 1,641,957</u>



**West Shelby Water District  
Management's Discussion and Analysis (Unaudited) (Continued)  
December 31, 2016 and 2015**

**Financial Analysis of the District (Continued)**

The net decrease in cash and cash equivalents totaled \$72,112 at December 31, 2016, primarily due to capital asset additions.

**Capital Assets Administration**

The following table summarizes the changes in net capital assets between fiscal years 2016 and 2015.

	<u>2016</u>	Percentage Increase (Decrease)	<u>2015</u>
Transmission and distribution plant	\$ 14,220,202	4.59%	\$ 13,596,114
General plant	767,015	1.74%	753,915
Accumulated depreciation	<u>(5,182,126)</u>	10.63%	<u>(4,684,394)</u>
	<u>\$ 9,805,091</u>	1.44%	<u>\$ 9,665,635</u>

**Debt Administration**

The following table summarizes the outstanding obligations under bonds payable as December 31, 2016 and 2015.

	<u>2016</u>	Percentage Increase (Decrease)	<u>2015</u>
Bonds and Note payable	<u>\$ 938,000</u>	-6.48%	<u>\$ 1,003,000</u>
	<u>\$ 938,000</u>	-6.48%	<u>\$ 1,003,000</u>

**Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances for all of those with an interest. If you have any questions concerning the information provided in this report or need additional financial information, contact the West Shelby Water District, 7101 Shelbyville Road, Simpsonville, Kentucky 40067.

**West Shelby Water District**  
**Statements of Net Position**  
**For the Fiscal Year Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,569,845	\$ 1,641,957
Certificate of deposits - current portion	-	562,145
Accounts receivable	119,477	89,482
Inventory - materials and supplies	83,351	68,054
Prepaid expenses and other	20,719	16,019
	<hr/>	<hr/>
Total Current Assets	1,793,392	2,377,657
Non-current Assets		
Restricted cash and cash equivalents	560,906	433,746
Long term investments	712,045	256,007
Property, plant and equipment net of accumulated depreciation	9,805,091	9,665,635
	<hr/>	<hr/>
Total Non-current Assets	11,078,042	10,355,388
Total Assets	12,871,434	12,733,045
Deferred Outflows of Resources		
Actuarially Determined Outflow	58,184	41,041
Pension contributions	15,259	12,311
	<hr/>	<hr/>
Total Deferred Outflows of Resources	73,443	53,352
Total Assets and Deferred Outflows of Resources	<hr/> <u>\$ 12,944,877</u>	<hr/> <u>\$ 12,786,397</u>
<b>Liabilities and Net Position</b>		
Current Liabilities		
Accounts payable	\$ 8,270	\$ 17,379
Accrued interest	17,200	18,075
Customer deposits	95,146	92,904
Accrued taxes and payroll liabilities	55,994	43,893
Bonds payable, current portion	71,000	65,000
	<hr/>	<hr/>
Total Current Liabilities	247,610	237,251
Non-current Liabilities		
Bonds payable, long-term portion	867,000	938,000
Premium on bonds payable	22,766	26,018
Net pension liability	384,430	347,467
	<hr/>	<hr/>
Total Non-current Liabilities	1,274,196	1,311,485
Total Liabilities	1,521,806	1,548,736
Deferred Inflows of Resources		
Total Deferred Inflows of Resources	<hr/> 20,757	<hr/> 25,314
Total Liabilities and Deferred Inflows of Resources	1,542,563	1,574,050
Net Position		
Restricted for capital construction and debt payments	560,906	433,746
Net investment in capital assets	9,805,091	9,665,635
Unrestricted net position	1,036,317	1,112,966
	<hr/>	<hr/>
Total Net Position	11,402,314	11,212,347
Total Liabilities and Net Position	<hr/> <u>\$ 12,944,877</u>	<hr/> <u>\$ 12,786,397</u>

See accompanying notes.

**West Shelby Water District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Revenue from Sale of Water		
Residential customers	\$ 735,864	\$ 713,475
Industrial customers	383,528	362,343
Commercial customers	205,747	215,825
Public authorities	61,767	71,165
Private fire protection	74,111	65,547
Multi-family dwellings	43,121	45,782
Tax-exempt non-government	3,830	-
Total Revenue from Sale of Water	<u>1,507,968</u>	<u>1,474,137</u>
Other Revenue		
Forfeited discounts	18,314	17,563
Miscellaneous revenue	11,688	11,578
Total Other Revenues	<u>30,002</u>	<u>29,141</u>
Total Revenues	<u>1,537,970</u>	<u>1,503,278</u>
Operating Expenses		
Water purchased	614,194	629,482
Salaries	175,566	169,497
Maintenance materials and supplies	42,919	29,077
Power-pumping equipment	21,266	16,855
Operating supplies and expenses	12,793	13,350
Total Operating Expenses	<u>866,738</u>	<u>858,261</u>
Administrative and General		
Salaries	49,459	46,932
Employee insurance	48,614	38,486
Employee retirement	40,974	30,593
Insurance	28,373	28,106
Legal and accounting	19,904	22,684
Commissioners fees	18,000	18,000
Office supplies	17,475	16,642
Payroll taxes	15,292	14,682
Truck and equipment expenses	14,702	16,217
Utilities	13,085	12,874
Computer/copier support	12,011	9,804
Retirement health insurance	10,496	9,438
Miscellaneous	6,749	6,466
Employee uniforms	4,402	3,271
Employee training	3,656	2,357
Rent	2,275	2,275
Interest on customer deposits	103	250
Uncollectible revenue	18	996
Travel	-	313
Total Administrative and General	<u>305,588</u>	<u>280,386</u>

**West Shelby Water District**  
**Statements of Revenues, Expenses and Changes in Net Position (Continued)**  
**For the Fiscal Year Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Other Operating Deductions		
Depreciation	\$ 516,561	\$ 452,425
Total Expenses	<u>1,688,887</u>	<u>1,591,072</u>
Total Operating Loss	(150,917)	(87,794)
Non-operating Revenues (Expenses)		
Net (decrease) in fair value of investments	(3,871)	(1,918)
Investment income	20,114	27,490
Loss on sale of assets	(990)	-
Abandonment of real estate project	-	(65,659)
Interest on long-term debt	<u>(41,748)</u>	<u>(63,298)</u>
Total Non-operating Expenses	<u>(26,495)</u>	<u>(103,385)</u>
Expenses Over Revenues	(177,412)	(191,179)
Changes in Equity Contribution		
Member tap on	57,759	52,346
Member construction contribution	<u>309,620</u>	<u>55,162</u>
Total Changes in Equity Contribution	<u>367,379</u>	<u>107,508</u>
Change in Net Position	189,967	(83,671)
Total Net Position, Beginning of Year	<u>11,212,347</u>	<u>11,296,018</u>
Total Net Position, End of Year	<u>\$ 11,402,314</u>	<u>\$ 11,212,347</u>

See accompanying notes.

**West Shelby Water District**  
**Statements of Cash Flows**  
**For the Fiscal Year Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 1,510,217	\$ 1,519,244
Cash payments to suppliers for goods and services	(858,206)	(820,585)
Cash payments for employee salaries and benefits	<u>(319,685)</u>	<u>(294,606)</u>
Net Cash Provided by Operating Activities	332,326	404,053
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(657,007)	(513,489)
Principal payments on bonds and notes payable	(65,000)	(63,000)
Member construction contributions	309,620	55,162
Member tap fees	57,759	52,346
Abandonment of real estate project	-	(65,659)
Interest payments on long-term debt	<u>(45,000)</u>	<u>(66,550)</u>
Net Cash Used in Capital and Related Financing Activities	(399,628)	(601,190)
Cash Flows from Investing Activities		
Interest received	20,114	27,490
Decrease in short term certificate of deposits	562,145	155,943
(Increase) /decrease in long term certificate of deposits	(459,909)	4,967
Increase in restricted cash and cash equivalents	<u>(127,160)</u>	<u>(38,688)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(4,810)</u>	<u>149,712</u>
Net Decrease in Cash & Cash Equivalents	(72,112)	(47,425)
Cash and Cash Equivalents, Beginning of Year	<u>1,641,957</u>	<u>1,689,382</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,569,845</u>	<u>\$ 1,641,957</u>

**West Shelby Water District**  
**Statements of Cash Flows (Continued)**  
**For the Fiscal Year Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Loss	\$ (150,917)	\$ (87,794)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	516,561	452,425
Change in retirement expense due to GASB 68	12,315	7,059
Accounts receivable	(29,995)	2,672
Inventories	(15,297)	8,560
Prepaid expenses and other	(4,700)	(474)
Accounts payable	(9,109)	4,406
Accrued interest	(875)	5,475
Accrued taxes and payroll liabilities	12,101	348
Customer deposits	<u>2,242</u>	<u>11,376</u>
Net Cash Provided by Operating Activities	<u>\$ 332,326</u>	<u>\$ 404,053</u>
Schedule of Non-cash Financing Activity		
Amortization of Bond Premium	\$ 3,252	\$ 3,352
Loss on Sale of Assets	(990)	-
Net Decrease in the Fair Value of Investments	(3,871)	(1,918)

See accompanying notes.

**West Shelby Water District**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note A - Nature of Organization and Operations**

The District was established by order of the Shelby County Fiscal Court on March 10, 1964. The District was established to develop and operate a complete water supply and distribution system, which services parts of Shelby County.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Presentation: The accompanying financial statements have been prepared as an enterprise fund. Enterprise funds are designed to accumulate the total cost of providing a particular service and to indicate the extent user charges are sufficient to cover these costs. Customer meters are read and billed monthly at which time the receivable is recorded and revenue is recognized. No provision has been made for doubtful accounts due to the amount determined to be uncollectible being negligible. The West Shelby Water District (the District) uses the accrual basis of accounting for financial accounting and reporting purposes.
2. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Statement of Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash paid for interest was \$45,000 and \$66,550 for the years ended December 31, 2016 and 2015, respectively.
4. Inventory: Inventories are stated at the lower of cost or market based on first-in first-out method.
5. Property, Plant and Equipment: Property, plant and equipment are capitalized and recorded at cost. The District does not have a formal capitalization policy. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following is a summary of the estimated useful lives used in computing depreciation:

Buildings and improvements	5 - 50 years
Machinery, equipment and leasehold improvements	5 - 25 years
Furniture and fixtures	5 - 25 years

Depreciation expense for the years ended December 31, 2016 and 2015 was \$516,561 and \$452,425, respectively.
6. Customer Deposits: Interest is accrued at a rate no greater than the District receives on cash investments and at no time greater than 6% annually.
7. New Customers: New service connection fees and construction contributions are recorded as an addition to equity. The cost of installation of the new service is recorded as an addition to plant assets and is subject to depreciation.

**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note B - Summary of Significant Accounting Policies (Continued)**

8. Accumulated Vacation and Sick Leave: On January 13, 1995, the Commissioners adopted a formal policy related to vacation and sick leave. Vacation is earned at rates varying from one to ten days per year depending on length of service. Sick leave accrues at the rate of 1/2 day for every month employed or six days per year and shall accumulate to a maximum of 20 days. After ten years of service, employees are given three weeks of vacation and four weeks of vacation are given to employees with twenty years of service. No accrual is necessary as a limited number of personnel are employed, and the amount of the accrual would be immaterial.
9. Retirement System: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the District's participation in the County Employees Retirement System (CERS) of the Kentucky Retirement Systems (KRS) have been determined on the same basis as they are reported by the KRS for the CERS plan. For this purpose, benefits including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2016.
10. Subsequent Events: Subsequent events for the District have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.

**Note C - Concentration of Credit Risk**

At December 31, 2016 and 2015 the carrying amount of the District's cash and cash investments were \$2,692,140 and \$2,739,328 respectively. All cash investments and bank balances were fully collateralized by federal depository insurance up to \$250,000 and other securities pledged by the financial institutions.

**Note D - Investments**

The District reports investments utilizing a fair value hierarchy that prioritizes the inputs (from the most objective to the most subjective) to the valuation techniques used to measure fair value into the three broad levels described as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date, or observable inputs.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.



**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note D - Investments (Continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
December 31, 2016				
Certificate of Deposits	\$ 561,389	\$ -	\$ -	\$ 561,389
Bonds	<u>150,656</u>	<u>-</u>	<u>-</u>	<u>150,656</u>
	<u>\$ 712,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 712,045</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
December 31, 2015				
Certificate of Deposits	\$ 663,625	\$ -	\$ -	\$ 663,625
Bonds	<u>154,527</u>	<u>-</u>	<u>-</u>	<u>154,527</u>
	<u>\$ 818,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,152</u>

Investments securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the values of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and statement of activities. During the year ended December 31, 2016, the bonds had an unrealized loss of \$3,871. This unrealized loss was recorded as a net decrease in the fair values of investments on the Statement of Revenues, Expenses and Change in Net Position.

**Note E - Restricted Cash and Cash Equivalents**

	<u>2016</u>	<u>2015</u>
Depreciation fund	\$ 217,051	\$ 211,520
Sinking fund	215,123	183,387
Horizon Group rebate fund	39,207	28,434
Construction fund	<u>89,525</u>	<u>10,405</u>
	<u>\$ 560,906</u>	<u>\$ 433,746</u>

Restricted cash and cash equivalents include the construction fund account, Horizon Group rebate fund and two debt service reserve funds (depreciation and sinking).

The construction fund is being used for current and future construction projects. Customer contributions and unexpended bond proceeds are carried in this fund. The depreciation and sinking funds are debt reserve funds for the notes and bond payable. The Horizon Group rebate fund is used to reimburse the Horizon Group as more businesses tap-on to water meters that the Horizon Group purchased during the construction of the outlet mall.

**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note F - Property, Plant and Equipment**

Property, plant and equipment consist of the following components:

	Balance 2015	Additions	Deletions	Balance 2016
Business - Type Activities				
Transmission and Distribution Plant				
Land and land right	\$ 127,248	\$ -	\$ -	\$ 127,248
Pumping equipment	1,948,162	3,271	-	1,951,433
Water treatment equipment	7,548	-	-	7,548
Standpipes	2,224,206	391,999	-	2,616,205
Transmission and distribution mains	8,016,103	185,800	-	8,201,903
Services and meters	900,089	43,018	-	943,107
Hydrants	352,871	-	-	352,871
Other plant equipment	19,887	-	-	19,887
	<u>13,596,114</u>	<u>624,088</u>	<u>-</u>	<u>14,220,202</u>
	<u>(4,252,216)</u>	<u>(489,193)</u>	<u>-</u>	<u>(4,741,409)</u>
	<u>9,343,898</u>	<u>134,895</u>	<u>-</u>	<u>9,478,793</u>
General Plant				
Office furniture and equipment	107,594	-	-	107,594
Buildings	387,830	-	-	387,830
Transportation equipment	170,610	25,168	(19,819)	175,959
Tools, shop and garage equipment	81,265	7,751	-	89,016
Laboratory equipment	373	-	-	373
Communication equipment	6,243	-	-	6,243
	<u>753,915</u>	<u>32,919</u>	<u>(19,819)</u>	<u>767,015</u>
	<u>(432,178)</u>	<u>(27,368)</u>	<u>18,829</u>	<u>(440,717)</u>
	<u>321,737</u>	<u>5,551</u>	<u>(990)</u>	<u>326,298</u>
	<u>\$ 9,665,635</u>	<u>\$ 140,446</u>	<u>\$ (990)</u>	<u>\$ 9,805,091</u>

**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note G - Retirement Plan**

**General Information about the Pension Plan**

*Plan description.* Employees of the District are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the KRS. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publically available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

*Benefits provided.* KRS Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age + earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a members accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

*Contributions.* Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. Employees that entered the plan after September 1, 2008, are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended December 31, 2016, employer contributions for the District were \$39,155 (\$28,659 pension and \$10,496 insurance) based on a rate of 17.06% (12.14% pension and 4.92% insurance) (January 2016-June 2016) and 18.68% (13.95% pension and 4.73% insurance) (July 2016-December 2016) of covered payroll. By law, employer contributions are required to be paid. The KRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**West Shelby Water District  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note G - Retirement Plan (Continued)**

**Net Pension Liability**

The District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.00 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active and healthy retired members, and beneficiaries is RP-2000 Combined Mortality Table projected with Scale BB to 2013. For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2013. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. 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 (See chart below.). 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 assumptions 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.

**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note G - Retirement Plan (Continued)**

**Net Pension Liability (Continued)**

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
Combined Equity	5.40%	44.00%
Combined Fixed Income	1.50%	19.00%
Real Return (Diversified Inflation Strategies)	3.50%	10.00%
Real Estate	4.50%	5.00%
Absolute Return (Diversified Hedge Funds)	4.25%	10.00%
Private Equity	8.50%	10.00%
Cash	-0.25%	2.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.50 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of the District calculated using the discount rate of 7.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
West Shelby Water District's Net pension liability	\$ 479,062	\$ 384,430	\$ 303,311

**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note G - Retirement Plan (Continued)**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension expense.* For the year ended June 30, 2016, the District recognized pension expense of \$27,574.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The amount shown below for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments 2015, net	\$ -	\$ 16,933
Net difference between projected and actual earnings on pension plan investments 2016	-	3,824
Difference between expected and actual experience	1,679	-
Difference between projected and actual investment earnings on plan investments	36,140	-
Change of assumptions	20,365	-
Contributions subsequent to the measurement date of June 30, 2016	<u>15,259</u>	<u>-</u>
Total	<u>\$ 73,443</u>	<u>\$ 20,757</u>

**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note G - Retirement Plan (Continued)**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Deferred Inflows of Resources**

Original Deferral Year	Original Deferral Amount	2015	2016	2017	2018	2019	2020	Total
2014	\$ 32,822	\$ 8,206	\$ 8,206	\$ 8,206	\$ 8,204	\$ -	\$ -	\$ 32,822
2015	698	-	175	175	175	173	-	698
2016	3,824	-	-	956	956	956	956	3,824
	<u>\$ 37,344</u>	<u>\$ 8,206</u>	<u>\$ 8,381</u>	<u>\$ 9,337</u>	<u>\$ 9,335</u>	<u>\$ 1,129</u>	<u>\$ 956</u>	<u>\$ 37,344</u>
Amortization - 2015								\$ 8,206
Amortization - 2016								<u>8,381</u>
Unamortized Amount 2016								<u>\$ 20,757</u>

**Deferred Outflows of Resources**

Original Deferral Original Deferral Year	Original Deferral Amount	2016	2017	2018	2019	2020	Total
2015	\$ 41,041	\$ 10,260	\$ 10,260	\$ 10,260	\$ 10,261	\$ -	\$ 41,041
2016	27,403	-	6,851	6,851	6,851	6,850	27,403
	<u>\$ 68,444</u>	<u>\$ 10,260</u>	<u>\$ 17,111</u>	<u>\$ 17,111</u>	<u>\$ 17,112</u>	<u>\$ 6,850</u>	<u>\$ 68,444</u>
Amortization - 2016							<u>10,260</u>
Unamortized Amount 2016							<u>\$ 58,184</u>

In the table shown above, deferred inflows of resources amounts will decrease pension expense while deferred outflows of resources amounts will increase pension expense.

**Payable to the Pension Plan**

At June 30, 2016, the District reported a payable of \$4,625 for the outstanding amount of contributions payable to the pension plan at June 30, 2016.

**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note H - Bonds Payable**

**Rural Economic & Community Development**

The bond payable is the amount due Rural Economic & Community Development for long term financing as follows at December 31, 2016:

Bonds dated October 18, 1978 for \$300,000 with interest at 5%	\$ 20,000
Bonds dated January 11, 2001 for \$845,000 with interest at 5%	<u>668,000</u>
Total Bonds Outstanding	<u><u>\$ 688,000</u></u>

The balance at December 31, 2015 was \$723,000. During 2016, \$35,000 of principal payments were made, which leaves an outstanding balance of \$688,000 at December 31, 2016. Future maturities of bonds are as follows:

	<u>Principal 1978 Issue</u>	<u>Interest 1978 Issue</u>	<u>Principal 2001 Issue</u>	<u>Interest 2001 Issue</u>	<u>Total</u>
2017	20,000	250	16,000	33,400	69,650
2018	-	-	17,000	32,600	49,600
2019	-	-	18,000	31,750	49,750
2020	-	-	19,000	30,850	49,850
2021	-	-	19,000	29,900	48,900
2021-2025	-	-	114,000	133,900	247,900
2026-2030	-	-	145,000	102,450	247,450
2031-2035	-	-	185,000	62,500	247,500
2036-2039	-	-	135,000	13,700	148,700
	<u>\$ 20,000</u>	<u>\$ 250</u>	<u>\$ 668,000</u>	<u>\$ 471,050</u>	<u>\$ 1,159,300</u>

All properties and assets, both real and personnel, and revenues are pledged to secure these loans.

**Kentucky Rural Water Financing Corporation**

On July 15, 2013, the Kentucky Rural Water Financing Corporation loan noted was refinanced. The Kentucky Rural Water Financing Corporation Flexible Term Series 2013B bonds will have variable interest rates ranging from 2.00% - 4.50%. The bonds mature on February 1, 2023. The outstanding principal amount of the bonds at December 31, 2016 and 2015 was \$250,000 and \$280,000, respectively. The bonds were sold at a premium in the amount of \$35,744. The premium is being amortized over the term of the bonds. The unamortized bond premium is recorded as a noncurrent liability on the Statement of Net Position. The premium amortization, which is a decrease in interest expense, was \$3,252 and \$3,252 for the years ended December 31, 2016 and 2015, respectively. The unamortized bond premium as of December 31, 2016 and 2015 was \$22,766 and \$26,018, respectively.



**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note H - Bonds Payable (Continued)**

**Kentucky Rural Water Financing Corporation (Continued)**

Future maturities of bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	35,000	9,450	44,450
2018	35,000	8,050	43,050
2019	35,000	6,650	41,650
2020	35,000	5,250	40,250
2021	40,000	3,750	43,750
2021-2023	<u>70,000</u>	<u>2,825</u>	<u>72,825</u>
	<u>\$ 250,000</u>	<u>\$ 35,975</u>	<u>\$ 285,975</u>

**Note I - Long-term Debt**

Long-term debt activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Enterprise Activities:				
General Obligation Bonds	\$ 723,000	\$ (35,000)	\$ 688,000	\$ 36,000
Kentucky Rural Water Note	<u>280,000</u>	<u>(30,000)</u>	<u>250,000</u>	<u>35,000</u>
Enterprise Activities				
Long-term Liabilities	<u>\$ 1,003,000</u>	<u>\$ (65,000)</u>	<u>\$ 938,000</u>	<u>\$ 71,000</u>

**Note J - Revenue from Sale of Water**

The following is a statistical analysis of water purchased, sold, and unbilled.

	<u>Water Purchased</u>		<u>Water Sold</u>		<u>Water Unbilled</u>	
	<u>Gallons</u>	<u>Cost/1000</u>	<u>Gallons Sold/1000</u>	<u>Cost/1000</u>	<u>Gallons</u>	<u>Percentage</u>
2016	288,964,100	\$ 2.150	261,573,000	\$ 5.750	27,391,100	9.48%
2015	296,796,100	\$ 2.119	265,699,300	\$ 5.550	31,096,800	5.00%
2014	304,158,960	\$ 2.072	280,432,100	\$ 5.427	23,726,860	7.80%
2013	265,456,100	\$ 2.025	242,633,310	\$ 5.545	22,822,790	8.60%
2012	283,049,100	\$ 1.937	257,873,100	\$ 5.403	25,176,000	8.89%

**West Shelby Water District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note K - Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no impact on total net position or change in net position.

**Note L - Future Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Other Than Pensions*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

This statement establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The District is currently evaluating the impact that will result from adopting GASB No. 75 and is therefore unable to disclose the impact that adopting this Standard will have on the District's financial position and the results of its operations when the Statement is adopted.

## **Supplementary Information**

**West Shelby Water District  
Required Supplementary Information - Schedule of Net Pension  
Liability and Related Ratios Based on Participation in the  
County Employees' Retirement Systems of KRS  
Fiscal Year Ending June 30,**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Net Pension Liability for County Employees Retirement Systems	\$ 3,244,377,000	\$ 4,299,525,000	\$ 4,923,618,000
Employer's Proportion (Percentage) of Net Pension Liability	0.009063055%	0.008081509%	0.007807870%
Employer's Proportion (Amount) of Net Pension Liability	294,040	347,467	384,430
Employer's Covered-Employer payroll	\$ 198,461	\$ 191,839	\$ 219,117
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll	148.16%	181.12%	175.44%
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146,000	\$ 6,440,800,000	\$ 6,141,395,000
Total Pension's Plan Pension Liability	\$ 9,772,523,000	\$ 10,740,325,000	\$ 11,065,013,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	59.97%	55.50%

**West Shelby Water District**  
**Required Supplementary Information - Schedule of Contributions**  
**Based on Participation In the County Employees' Retirement**  
**System of KRS**  
**Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 27,618	\$ 23,841	\$ 28,659
Contributions in relation to the actuarially determined contribution	<u>27,618</u>	<u>23,841</u>	<u>28,659</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	198,461	191,839	219,117
Contributions as a percentage covered-employee payroll	13.92%	12.43%	13.08%

**Not**

**es to Schedules Related to the County Employees' Retirement System of KRS Information**

*Valuation date:* Actuarially determined contribution rates for 2016 were calculated based on the June 30, 2016 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation	5-year smoothed market
Inflation	3.25 percent
Salary increases	4.00 percent average, including inflation
Investment Rate of Return	7.50 percent, net of investment expense, including inflation
Retirement age	65 years or 27 years of service regardless of age

**West Shelby Water District**  
**Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget**  
**For the Fiscal Year Ended December 31, 2016**

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue from Sale of Water			
Residential customers	\$ 735,864	\$ 725,000	\$ 10,864
Industrial customers	383,528	350,000	33,528
Commercial customers	205,747	300,000	(94,253)
Public authorities	61,767	70,000	(8,233)
Private fire protection	74,111	58,000	16,111
Multi-family dwellings	43,121	45,000	(1,879)
Tax-exempt non-government	3,830	-	3,830
Total Revenue from Sale of Water	1,507,968	1,548,000	(40,032)
Other Revenue			
Forfeited discounts	18,314	16,000	2,314
Miscellaneous revenue	11,688	12,000	(312)
Total Other Revenues	30,002	28,000	2,002
Total Revenues	1,537,970	1,576,000	(38,030)
Operating and Maintenance Expenses			
Water purchased	614,194	600,000	(14,194)
Salaries	225,025	220,000	(5,025)
Employee insurance	48,614	46,000	(2,614)
Maintenance materials and supplies	42,919	29,000	(13,919)
Employee retirement	40,974	40,000	(974)
Insurance	28,373	30,200	1,827
Power-pumping equipment	21,266	17,000	(4,266)
Legal and accounting	19,904	24,500	4,596
Commissioners fees	18,000	18,000	-
Office supplies	17,475	18,000	525
Payroll taxes	15,292	18,000	2,708
Truck and equipment expenses	14,702	18,000	3,298
Utilities	13,085	15,000	1,915
Operating supplies and expenses	12,793	12,000	(793)
Computer/copier support	12,011	10,000	(2,011)
Retirement health insurance	10,496	-	(10,496)
Miscellaneous	6,749	5,600	(1,149)
Employee uniforms	4,402	4,500	98
Employee training	3,656	2,500	(1,156)
Rent	2,275	2,300	25
Uncollectible revenue	103	500.00	397
Travel	18	-	(18)
Interest on customer deposits	-	-	-
Total Operating and Maintenance Expenses	1,172,326	1,131,100	(41,226)

**West Shelby Water District**  
**Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget (Continued)**  
**For the Fiscal Year Ended December 31, 2016**

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Other Operating Deductions			
Depreciation	516,561	420,000	(96,561)
Total Other Operating Deductions	<u>516,561</u>	<u>420,000</u>	<u>(96,561)</u>
Total Expenses	<u>1,688,887</u>	<u>1,551,100</u>	<u>(137,787)</u>
Total Operating Loss	(150,917)	24,900	(175,817)
Non-operating Revenues (Expenses)			
Net increase in fair value of investments	(3,871)	-	(3,871)
Investment income	20,114	10,000	10,114
Loss on sale of assets	(990)	-	(990)
Interest on long-term debt	(41,748)	(41,000)	(748)
Total Non-operating (Expenses)	<u>(26,495)</u>	<u>(31,000)</u>	<u>4,505</u>
Excess Revenue (Under) Over Expenses	<u>\$ (177,412)</u>	<u>\$ (6,100)</u>	<u>\$ (171,312)</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

**West Shelby Water District**  
Simpsonville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States, the financial statements of the business-type activities of the West Shelby Water District "District", as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2017.

**Internal Control Over Financial Reporting**

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

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

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



**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards* (Continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Muenby Chilton Madley, LLC". The signature is written in a cursive, flowing style.

Lexington, Kentucky  
March 28, 2017