

Western Pulaski County Water District
2128 W. Hwy 80
Somerset, KY 42503
606-679-1569
Fax 606-677-9449

"This institution as an equal opportunity provider and employer."

PSC
P.O. Box 615
Frankfort, KY 40602
ATTN: Talina Matthews

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JUL 18 2017

Public Service
Commission

RE: Case No. 2017-00172

The Commission Staff's Second Request For Information To
Western Pulaski County Water District

1. a. Audit '2016 – 2015', (provided by Campbell, Myers & Rutledge) (1) original and (5) copies.
 - b. Annual Report '2016' (provided by Jack Pigman CPA)
 - c. Our independent auditor has provided a trial balance sheet which is attached. The trial balance reconciles to the annual report.
2. a. The date range was selected due to the Cycle 1 bills went out December 2015. Cycle 1 bills are to be mailed out by the 5th of each month, but because we were going from 1 cycle billing to a 2 cycle billing, we mailed the bills a few days early not realizing The issue with the monthly or year end totals.
 - b. The billing analysis was not chosen because it never matches any of the end totals. I have spoken with our software provider, United Systems concerning this issue. They are unsure why the Billing Analysis does not match any report totals and are supposed to be working on it.
 - c. Enclosed with the paperwork, you will find a flash drive with the billing register for the year 2016.

I, Tammy Vaught, Office Manager for the Western Pulaski County Water District have responded to each line item to the best of my knowledge.



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Western Pulaski County Water District

Financial Statements

December 31, 2016 and 2015

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Ryan A. Mosier, CPA ▪ Jenna B. Pace, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Western Pulaski County Water District
Somerset, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Western Pulaski County Water District, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 of Western Pulaski County Water District as of December 31, 2016 and 2015 and the respective changes in financial position and cash flows 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 management's discussion on pages 4-6 and the Pension Liability Schedules on pages 23-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Statements of Revenues, Expenses and Change in Net Position – Budget and Actual for 2016 and 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statements of Revenue, Expenses, and Change in Net Position – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 Statements of Revenues, Expenses and Change in Net Position – Budget and Actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017 on our consideration of the Western Pulaski County 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 Western Pulaski County Water District's internal control over financial reporting and compliance.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants
Glasgow, Kentucky

May 2, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Western Pulaski County Water District, we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal years ending December 31, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

For the years ended December 31, 2016 and 2015 total operating and non-operating revenues (including capital contributions) were \$3,217,552 and \$3,410,115, respectively. This decrease is related primarily to a decrease in grant revenue in 2016.

Total operating and non-operating expenses amounted to \$2,920,185 and \$2,789,981, for the years ended December 31, 2016 and 2015.

Total assets and deferred outflows increased by \$215,972, and total liabilities and deferred inflows decreased by \$81,395. These changes resulted in an increase in net position of \$297,367.

During 2016, the District received the remaining balance of grant funds from Rural Development in the amount of \$101,378.

Overview of the Financial Statements

This report consists of this Management's Discussion and Analysis report, the Independent Auditor's Report, Financial Statements and Supplementary Information. The financial statements include notes which explain in detail some of the information included in the financial statements.

Required Financial Statements

The financial statements of Western Pulaski County Water District report information of Western Pulaski County Water District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of Western Pulaski County Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Western Pulaski County Water District creditors (liabilities). It also provides the basis for evaluation of the capital structure of Western Pulaski County Water District and assessing the liquidity and financial flexibility of the District.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Western Pulaski County Water District Summary of Net Position December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Total Current Assets	\$ 2,077,473	\$ 1,814,619
Total Restricted Assets	527,420	452,791
Net Capital Assets	<u>12,656,560</u>	<u>12,852,299</u>
Total Assets	<u>15,261,453</u>	<u>15,119,709</u>
Deferred Outflows	<u>120,697</u>	<u>46,469</u>
Liabilities		
Total Current Liabilities	592,496	599,730
Total Long-term Liabilities	<u>5,434,230</u>	<u>5,511,490</u>
Total Liabilities	<u>6,026,726</u>	<u>6,111,220</u>
Deferred Inflows	<u>46,481</u>	<u>43,382</u>
Net Position		
Invested in capital assets, net of related debt	7,551,560	7,564,299
Restricted for equipment replacement	281,450	217,570
Restricted for debt retirement	245,970	235,221
Unrestricted	<u>1,229,963</u>	<u>994,486</u>
Total Net Position	<u>\$ 9,308,943</u>	<u>\$ 9,011,576</u>

The largest portion (81%) of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets still outstanding.

Restricted net position (6%) represent resources that are subject to external restrictions on how they may be used.

The balance (13%) of unrestricted net position may be used to meet the District's ongoing obligations to citizens, consumers and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Western Pulaski County Water District Summary of Changes in Net Position For the Year Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Total operating revenues	\$ 2,985,445	\$ 2,889,724
Total operating expenses	<u>2,762,481</u>	<u>2,627,612</u>
Operating income (loss)	222,964	262,112
Total non-operating revenue (expense)	<u>(89,835)</u>	<u>(111,950)</u>
Income before capital contributions	133,129	150,162
Capital contributions	<u>164,238</u>	<u>472,147</u>
Increase (decrease) in net position	297,367	622,309
Net position, beginning of year	<u>9,011,576</u>	<u>8,389,267</u>
Net position, end of year	<u>\$ 9,308,943</u>	<u>\$ 9,011,576</u>

Net position increased by \$297,367 from the prior year.

Capital Asset Changes

At December 31, 2016, the District had invested \$12,656,560 in capital assets net of accumulated depreciation. This amount represents a net decrease of \$195,739 from the previous year.

Budgetary Highlights

The Western Pulaski County Water District adopts an annual operating budget after careful considerations of prior year and anticipated current year operations. The operating budget includes proposed expenses and the means to finance them. The District's operating budget remains in effect the entire year and is not revised. A budget comparison and analysis is presented on pages 25-26 of this report.

Debt Administration

At December 31, 2016, the District had \$5,105,000 bonds outstanding, a decrease of \$183,000 from the prior year's balance of \$5,288,000. The District incurred \$157,704 in interest expense associated with long term debt, a decrease of \$2,490.

Request for Information

This financial report is designed to provide our customers and creditors with a general overview of Western Pulaski County Water District's finances and to demonstrate Western Pulaski County Water District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact the Western Pulaski County Water District at 1059 West Highway 80, Somerset, KY or by phone (606) 679-1569.

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 1,671,626	\$ 1,362,688
Accounts receivable	373,879	420,881
Prepaid assets	7,968	7,550
Inventory	24,000	23,500
Total Current Assets	2,077,473	1,814,619
Non-current Assets		
Restricted Assets		
Cash - Depreciation fund	281,450	217,570
Cash - Bond and interest	245,970	235,221
Total Restricted Assets	527,420	452,791
Capital Assets		
Land and land rights	494,938	481,988
Utility plant in service	20,630,038	20,357,017
Equipment	581,577	526,564
Accumulated depreciation	(9,049,993)	(8,513,270)
Net Capital Assets	12,656,560	12,852,299
Total Non-current Assets	13,183,980	13,305,090
Total Assets	\$ 15,261,453	\$ 15,119,709
Deferred Outflows		
Outflows relating to net pension liability	120,697	46,469

The accompanying notes are an integral part of the financial statements.

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Net Position, Concluded
December 31, 2016 and 2015

Liabilities	<u>2016</u>	<u>2015</u>
Current Liabilities		
Accounts payable	\$ 118,495	\$ 122,910
Construction accounts payable	-	25,854
Customer deposits	191,119	169,073
Accrued liabilities	18,346	17,373
Accrued interest	78,536	81,520
Current maturities of long-term debt	<u>186,000</u>	<u>183,000</u>
Total Current Liabilities	<u>592,496</u>	<u>599,730</u>
Long-term Liabilities		
Accrued compensated absences	19,828	17,851
Long-term debt, less current maturities	4,919,000	5,105,000
Net pension liability	<u>495,402</u>	<u>388,639</u>
Total Long-term Liabilities	<u>5,434,230</u>	<u>5,511,490</u>
Total Liabilities	<u>6,026,726</u>	<u>6,111,220</u>
Deferred Inflows		
Inflows relating to net pension liability	<u>46,481</u>	<u>43,382</u>
Net Position		
Net Position		
Invested in capital assets, net of related debt	7,551,560	7,564,299
Restricted for equipment replacement	281,450	217,570
Restricted for debt retirement	245,970	235,221
Unrestricted	<u>1,229,963</u>	<u>994,486</u>
Total Net Position	<u>\$ 9,308,943</u>	<u>\$ 9,011,576</u>

The accompanying notes are an integral part of the financial statements.

WESTERN PULASKI COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Residential water sales	\$ 2,690,859	\$ 2,625,388
Commercial water sales	189,892	154,754
Miscellaneous service revenues	104,694	109,582
Total operating revenues	<u>2,985,445</u>	<u>2,889,724</u>
Operating expenses:		
Water purchases	1,223,194	1,201,526
Utilities	83,081	83,407
Transmission and distribution expense	64,041	76,550
Meter readers	97,926	91,597
Office expense	51,711	60,497
Transportation expenses	30,103	24,704
Insurance	53,726	47,067
Directors' fees	12,600	12,400
Employees' salaries and wages	310,065	281,577
Employees' pensions and benefits	162,390	88,618
Payroll taxes	27,882	25,542
Depreciation and amortization	563,573	547,482
PSC tax assessment	5,541	5,319
Professional fees	45,522	53,140
Bad debts	11,169	12,590
Miscellaneous	19,957	15,596
Total operating expenses	<u>2,762,481</u>	<u>2,627,612</u>
Operating income (loss)	<u>222,964</u>	<u>262,112</u>
Non-operating revenue (expenses):		
Rents from water property	63,749	47,119
Interest income	4,120	1,125
Interest expense on long-term debt	(157,704)	(160,194)
Total non-operating revenue (expenses)	<u>(89,835)</u>	<u>(111,950)</u>
Income/(loss) before capital contributions	<u>133,129</u>	<u>150,162</u>
Capital contributions		
Grant revenue	101,378	420,627
Tap fees	62,860	51,520
Total capital contributions	<u>164,238</u>	<u>472,147</u>
Increase (decrease) in net position	297,367	622,309
Net position:		
Beginning of year	9,011,576	8,389,267
End of year	<u>\$ 9,308,943</u>	<u>\$ 9,011,576</u>

The accompanying notes are an integral part of the financial statements.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 3,054,493	\$ 2,912,218
Cash payments to suppliers for goods and services	(1,718,213)	(1,681,457)
Cash payments to employees for services	<u>(447,444)</u>	<u>(398,027)</u>
Net cash provided (used) by operating activities	<u>888,836</u>	<u>832,734</u>
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(183,000)	(153,000)
Proceeds from bond issuance	-	1,400,000
Payoff interim financing	-	(1,305,512)
Interest paid on long-term debt	(160,688)	(147,710)
Additions to capital assets	(367,834)	(799,602)
Decrease in construction payable	(25,854)	(170,955)
Grant revenue	101,378	420,627
Tap fees	62,860	51,520
Net cash provided (used) in financing activities	<u>(573,138)</u>	<u>(704,632)</u>
Cash flows from investing activities:		
Rental income	63,749	47,119
Interest income	<u>4,120</u>	<u>1,125</u>
Net cash provided by (used) in investing activities	<u>67,869</u>	<u>48,244</u>
Net increase (decrease) in cash and cash equivalents	383,567	176,346
Cash and cash equivalents, beginning of year	<u>1,815,479</u>	<u>1,639,133</u>
Cash and cash equivalents, end of year	<u>\$ 2,199,046</u>	<u>\$ 1,815,479</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 222,964	\$ 262,112
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	563,573	547,482
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	47,002	(13,432)
(Increase) decrease in prepaid assets	(418)	(294)
(Increase) decrease in inventory	(500)	-
Increase (decrease) in pension related assets/liabilities	35,634	-
Increase (decrease) in accounts payable	(4,415)	1,615
Increase (decrease) in customer deposits	22,046	33,751
Increase (decrease) in accrued liabilities	<u>2,950</u>	<u>1,500</u>
Net cash provided (used) by operating activities	<u>\$ 888,836</u>	<u>\$ 832,734</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 1 – Description of Entity and Summary of Significant Accounting Policies

Organization

The Western Pulaski County Water District was organized under KRS 74.010 to provide water service to the residents of Western Pulaski County. The District's commissioners are appointed by the Pulaski County Judge-Executive.

The District grants credit to customers, substantially all of whom are local residents and commercial businesses in Western Pulaski County.

Measurement Focus and Basis of Accounting

The term *measurement focus* is used to denote what is being measured and reported in the District's financial statements. The District is accounted for on the flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operations are included in the Statement of Net Position.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Financial Statement Presentation

The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities; (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues, or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The District adopted the provisions of Governmental Accounting Standards Board (GASB) No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" GASB 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components: (i) invested in capital position, net of related debt, (ii) restricted, and (iii) unrestricted.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Continued

These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component 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 position 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 position - This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables

The District uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided, as no material write-offs are expected for receivables as of December 31, 2016 and 2015. The direct write-off method does not significantly depart from generally accepted accounting principles.

Capital Assets

The utility plant in service is stated at cost. The cost of current repairs, maintenance, and minor replacements is charged to expense as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ending December 31, 2016 and 2015 was \$563,573 and \$547,482, respectively.

The estimated useful lives of capital assets are as follows:

Utility plant	40 - 50 years
Equipment	5 - 7 years

Cash and Investments

The District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are reported at fair market value. The District has adopted no formal investment policy.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities on the Statement of Net Position.

Inventory

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capital addition as inventory items are consumed.

Reclassification

Certain amounts in the 2015 financial statements were reclassified to conform to the 2016 presentation.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 1 – Description of Entity and Summary of Significant Accounting Policies, Concluded

Operating Revenues and Expenses

Operating revenues and expenses consists of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions.

Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers' costs and recorded as capital contributions when received. Also included in capital contributions are various grants received for infrastructure and payments received from customers for tap fees.

Income Taxes

The District is exempt from federal and state income taxes.

Extraordinary and Special Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. If such items exist during the reporting period, they are reported separately in the statement of revenues, expenses and changes in net position.

Bond and Interest Redemption Fund

The ordinances authorizing the bond issues require monthly deposits of one-twelfth of the annual bond principal requirement and one-sixth of the semi-annual interest requirement. For the years ended December 31, 2016 and 2015, the District had complied with this requirement.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation Fund

The ordinances authorizing the various bond issues of the District require annual transfers of \$29,700 into a depreciation fund until the maximum requirement of \$305,940 is reached. These funds can be used for capital improvements, expansions and extraordinary repairs. For the years ended December 31, 2016 and 2015, the District had complied with this requirement.

Compensated Absences

Full time employees with 1-3 years of service receive 1 week of paid vacation, 4-6 years, 2 weeks of vacation, 7-10 years, 3 weeks of vacation and 11 years or more, 4 weeks. Unused vacation time may be carried over from one calendar year to another with a maximum of 4 weeks accrued. Upon retirement or termination, employees are compensated for any currently accrued vacation pay.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 2 – Capital Assets

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

<u>2016</u>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and rights	\$ 481,988	\$ 12,950	\$ -	\$ 494,938
Total Non-Depreciable Capital Assets	481,988	12,950	-	494,938
<i>Capital Assets being depreciated</i>				
Transmission and distribution lines	6,799,768	-	-	6,799,768
Line extensions	9,797,605	115,806	-	9,913,411
Meter installations	2,203,334	105,990	(26,850)	2,282,474
Services	568,482	-	-	568,482
Communication radios	9,106	-	-	9,106
Office equipment	200,118	7,681	-	207,799
Equipment and tools	57,543	5,200	-	62,743
Office building	250,137	5,435	-	255,572
Buildings	137,934	72,641	-	210,575
Distribution reservoir	46,477	-	-	46,477
Hydrants	20,147	-	-	20,147
Electric pumping equipment	533,133	-	-	533,133
Trucks	259,797	42,131	-	301,928
Total Depreciable Capital Assets	20,883,581	354,884	(26,850)	21,211,615
Less: Accumulated depreciation	(8,513,270)	(563,573)	26,850	(9,049,993)
Total Net Capital Assets	\$ 12,852,299			\$ 12,656,560
<u>2015</u>	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital Assets not being depreciated</i>				
Land and rights	\$ 481,988	\$ -	\$ -	\$ 481,988
Total Non-Depreciable Capital Assets	481,988	-	-	481,988
<i>Capital Assets being depreciated</i>				
Transmission and distribution lines	6,799,768	-	-	6,799,768
Line extensions	9,221,187	576,418	-	9,797,605
Meter installations	2,129,524	73,810	-	2,203,334
Services	568,482	-	-	568,482
Communication radios	9,106	-	-	9,106
Office equipment	189,758	10,360	-	200,118
Equipment and tools	57,543	-	-	57,543
Office building	249,057	1,080	-	250,137
Buildings	-	137,934	-	137,934
Distribution reservoir	46,477	-	-	46,477
Hydrants	20,147	-	-	20,147
Electric pumping equipment	533,133	-	-	533,133
Trucks	259,797	-	-	259,797
Total Depreciable Capital Assets	20,083,979	799,602	-	20,883,581
Less: Accumulated depreciation	(7,965,788)	(547,482)	-	(8,513,270)
Total Net Capital Assets	\$ 12,600,179			\$ 12,852,299

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 2 – Capital Assets, Concluded

Capitalization of Interest:

Interest costs incurred during construction are capitalized. Interest capitalized for the year ended December 31, 2016 and 2015 was \$0 and \$30,871, respectively.

Note 3 – Long-Term Debt

Long-term debt consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Series 2002A Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$900,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	\$ 756,000	\$ 771,000
Series 2002B Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$550,000; due in annual installments on January 1, through 2042; interest rate of 4.5% due semi-annually on January 1 and July 1.	460,000	469,000
Series 2010 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$911,000; due in annual installments on January 1, through 2049; interest rate of 2.25% due semi-annually on January 1 and July 1.	837,500	853,000
Series 2012E Water Revenue Bonds issued through Kentucky Rural Water Finance Corporation in the amount of \$2,080,000; (to refund Series 2001A and 2001B revenue bonds) due in annual installments on July 1, through 2035; interest rate of 2.2 - 3.7% due semi-annually on January 1 and July 1.	1,675,000	1,795,000
Series 2013 Water Revenue Bonds issued through Rural Development of the USDA in the amount of \$1,400,000; due in annual installments on January 1, through 2053; interest rate of 2.25% due semi-annually on January 1 and July 1.	<u>1,376,500</u>	<u>1,400,000</u>
Total Debt	<u>\$ 5,105,000</u>	<u>\$ 5,288,000</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 3 – Long-Term Debt, Concluded

Principal and interest maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 186,000	\$ 156,035	\$ 342,035
2018	192,500	151,308	343,808
2019	196,500	146,063	342,563
2020	202,500	139,791	342,291
2021	210,500	133,291	343,791
2022-2026	1,033,000	561,088	1,594,088
2027-2031	702,000	421,578	1,123,578
2032-2036	781,500	294,326	1,075,826
2037-2041	677,000	171,135	848,135
2042-2046	462,500	75,707	538,207
2047-2051	354,000	29,745	383,745
Thereafter	107,000	2,419	109,419
	<u>\$ 5,105,000</u>	<u>\$ 2,282,486</u>	<u>\$ 7,387,484</u>

Long-term debt activities for the year ended December 31, 2016 and 2015 are as follows:

Debt	Balance January 1, 2016	Additions	Debt Payments and Reductions	Balance December 31, 2016	Amount Due within One Year
RD 2002A	\$ 771,000	\$ -	\$ (15,000)	\$ 756,000	\$ (16,000)
RD 2002B	469,000	-	(9,000)	460,000	(10,000)
RD 2010	853,000	-	(15,500)	837,500	(16,000)
KRWFC 2012E	1,795,000	-	(120,000)	1,675,000	(120,000)
RD 2013	1,400,000	-	(23,500)	1,376,500	(24,000)
	<u>\$ 5,288,000</u>	<u>\$ -</u>	<u>\$ (183,000)</u>	<u>\$ 5,105,000</u>	<u>\$ (186,000)</u>

Debt	Balance January 1, 2015	Additions	Debt Payments and Reductions	Balance December 31, 2015	Amount Due within One Year
RD 2002A	\$ 785,000	\$ -	\$ (14,000)	\$ 771,000	\$ (15,000)
RD 2002B	478,000	-	(9,000)	469,000	(9,000)
RD 2010	868,000	-	(15,000)	853,000	(15,500)
KRWFC 2012E	1,910,000	-	(115,000)	1,795,000	(120,000)
RD 2013	-	1,400,000	-	1,400,000	(23,500)
	<u>\$ 4,041,000</u>	<u>\$ 1,400,000</u>	<u>\$ (153,000)</u>	<u>\$ 5,288,000</u>	<u>\$ (183,000)</u>

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The District performed calculations of excess investment earnings on various bonds and at December 31, 2016 and 2015 does not expect to incur a liability.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 4 – Cash and Investments

The carrying amount of the District's cash deposits was \$2,199,046 and \$1,815,479 for the years ending December 31, 2016 and 2015, respectively and the bank balances were \$2,225,044 and \$1,849,112. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank. All of the District's deposits were either insured by FDIC or by collateral pledged by Citizens National Bank.

Note 5 – Pension Plan

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The District participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer retirement system administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). CERS is a defined benefit plan created by the Kentucky General Assembly. The Plan covers substantially all full-time employees. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments are provided at the discretion of the State legislature. Benefits fully vest upon reaching five years of service and are established by the state statute. Benefits of CERS members are calculated on the basis of age, final average salary, and service credit.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 5 – Pension Plan, Continued

For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.com

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 5 – Pension Plan, Continued

At December 31, 2016, the District reported a liability for its proportionate share of the net pension liability for CERS.

District's proportionate share of the CERS net pension liability \$ 495,402

The net pension liability for each plan was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's proportion was .01152%.

For the year ended December 31, 2016, the District recognized pension expense of \$97,817. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience in the measurement of the total pension liability	\$ 4,117	\$ -
Net difference between projected and actual earnings on pension plan investments	4,441	34,705
Changes in assumptions	49,956	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	11,776
District contributions subsequent to the measurement date	<u>62,183</u>	<u>-</u>
	<u>\$ 120,697</u>	<u>\$ 46,481</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 5 – Pension Plan, Continued

The fiscal year 2016 CERS employer contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows related to pensions will be amortized and recognized in pension expense as follows:

<u>Year Ended</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
12/31/2017	\$ 16,293	\$ 11,032
12/31/2018	16,293	11,031
12/31/2019	16,293	11,031
12/31/2020	8,747	11,031
12/31/2021	888	2,356
	<u>\$ 58,514</u>	<u>\$ 46,481</u>

Actuarial assumptions—The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	4.00%
Investment rate of return, net of investment expense and inflation	7.50%

Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 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. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 5 – Pension Plan, Concluded

The following table presents the allocation and long-term expected return on plan assets:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44.0%	5.4%
Combined Fixed Income	19.0%	1.5%
Real Return	10.0%	3.5%
Real Estate	5.0%	4.5%
Absolute Return	10.0%	4.3%
Private Equity	10.0%	8.5%
Cash Equivalent	<u>2.0%</u>	-0.25%
Total	<u>100.0%</u>	

Discount rate—The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the District, calculated using the discount rates selected by CERS, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$632,319	\$495,402	\$377,965

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CERS.

Non-hazardous plan members are required to contribute 5% of their annual creditable compensation. The Western Pulaski County Water District is required to contribute at actuarially determined rates. The rates for the years ended June 30, 2016 and 2015 were 17.06% and 17.67%, respectively, for non-hazardous employees' annual creditable compensation. The compensation requirements of the plan members of the Western Pulaski County Water District, are established and may be amended by the Board of Trustees of KRS.

For the year ended December 31, 2016, the District's total covered payroll was approximately \$340,000. The District contributed approximately \$62,000 and employees contributed approximately \$17,000.

WESTERN PULASKI COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2016 and 2015

Note 6 - Subsequent Events

Management has evaluated subsequent events through May 2, 2017, the date which the financial statements were available to be issued. In March 2017, the District submitted a filing application with the Public Service Commission (PSC) to request a rate increase of \$2.00 on all minimum water bills.

Note 7 – Deferred Inflows/Deferred Outflows of Resources

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 periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2016 and 2015 the District reported deferred outflows related to the pension liability in the amount of \$120,697 and \$46,469 respectively.

In addition to liabilities, the statement of financial 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. At December 31, 2016 and 2015 the District reported deferred inflows related to the pension liability in the amount of \$46,481 and \$43,382, respectively.

Note 8 – Commitments

The District has plans to begin a Water System Improvements and Replacements Project in 2017 that includes the construction of the Big Clifty Creek Area Water Main Transmission as well as Hickory Nut Tank. The Kentucky Infrastructure Authority granted preliminary approval of loan funds not to exceed \$3,304,000. The USDA Rural Development approved loan funds in the amount of \$2,255,000 and grant funds in the amount of \$854,000. Bids for the Hickory Nut Tank were advertised in December 2016.

Required Supplementary Information

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees Retirement System
December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
District's portion of the net pension liability	0.01152%	0.01198%
District's proportionate share of net pension liability	\$ 495,402	\$ 388,639
District's covered-employee payroll	\$ 340,000	\$ 260,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	145.71%	149.48%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

** Schedule is intended to show information for ten years.
 Additional years will be displayed as they become available.

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of the District's Contributions
County Employees Retirement System
December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Contractually required contribution	\$ 62,000	\$ 46,000
Contributions in relation to the contractually required contribution	<u>(62,000)</u>	<u>(46,000)</u>
	<u>\$ -</u>	<u>\$ -</u>
Company's covered-employee payroll	\$ 340,000	\$ 260,000
Contributions as a percentage of covered-employee payroll	18.24%	17.69%

**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

Supplementary Information

WESTERN PULASKI COUNTY WATER DISTRICT
Statement of Revenues, Expenses and
Change in Net Position – Budget and Actual
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Water sales-residential	\$ 2,780,000	\$ 2,690,859	\$ (89,141)
Water sales-commercial	180,000	189,892	9,892
Miscellaneous service revenues	<u>123,500</u>	<u>104,694</u>	<u>(18,806)</u>
Total operating revenues	<u>3,083,500</u>	<u>2,985,445</u>	<u>(98,055)</u>
Operating expenses:			
Salaries and wages-employees	310,000	322,665	(12,665)
Purchased water	1,168,000	1,223,194	(55,194)
Materials and supplies	428,200	185,570	242,630
Contractual services	151,500	143,448	8,052
Other expenses	312,500	324,031	(11,531)
Depreciation	<u>520,000</u>	<u>563,573</u>	<u>(43,573)</u>
Total operating expenses	<u>2,890,200</u>	<u>2,762,481</u>	<u>127,719</u>
Operating income	<u>193,300</u>	<u>222,964</u>	<u>29,664</u>
Non-operating revenue (expenses):			
Rents from water property	73,800	63,749	(10,051)
Interest income and other	-	4,120	4,120
Interest expense on long-term debt	<u>(199,000)</u>	<u>(157,704)</u>	<u>41,296</u>
Total non-operating revenue (expenses)	<u>(125,200)</u>	<u>(89,835)</u>	<u>35,365</u>
Income before capital contributions	<u>68,100</u>	<u>133,129</u>	<u>65,029</u>
Capital contributions			
Grant proceeds	50,000	101,378	51,378
Customer contributions	<u>50,000</u>	<u>62,860</u>	<u>12,860</u>
Total capital contributions	<u>100,000</u>	<u>164,238</u>	<u>64,238</u>
Increase/(Decrease) in net position	<u>\$ 168,100</u>	<u>\$ 297,367</u>	<u>\$ 129,267</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Statement of Revenues, Expenses and
Change in Net Position – Budget and Actual
For the Year Ended December 31, 2015

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Water sales-residential	\$ 2,640,000	\$ 2,625,388	\$ (14,612)
Water sales-commercial	130,000	154,754	24,754
Miscellaneous service revenues	<u>120,000</u>	<u>109,582</u>	<u>(10,418)</u>
Total operating revenues	<u>2,890,000</u>	<u>2,889,724</u>	<u>(276)</u>
Operating expenses:			
Salaries and wages-employees	313,400	281,577	31,823
Salaries and wages-commissioners	12,600	12,400	200
Employee pensions and benefits	110,000	88,618	21,382
Purchased water	1,200,000	1,201,526	(1,526)
Purchased power	68,000	68,379	(379)
Materials and supplies	290,000	135,335	154,665
Contractual services-engineering	150,000	144,737	5,263
Other expenses	220,000	147,558	72,442
Depreciation	<u>515,000</u>	<u>547,482</u>	<u>(32,482)</u>
Total operating expenses	<u>2,879,000</u>	<u>2,627,612</u>	<u>251,388</u>
Operating income	<u>11,000</u>	<u>262,112</u>	<u>251,112</u>
Non-operating revenue (expenses):			
Rents from water property	59,000	47,119	(11,881)
Interest income and other	1,200	1,125	(75)
Interest expense on long-term debt	<u>(74,993)</u>	<u>(160,194)</u>	<u>(85,201)</u>
Total non-operating revenue (expenses)	<u>(14,793)</u>	<u>(111,950)</u>	<u>(97,157)</u>
Income before capital contributions	<u>(3,793)</u>	<u>150,162</u>	<u>153,955</u>
Capital contributions			
Grant proceeds	50,000	420,627	370,627
Customer contributions	<u>50,000</u>	<u>51,520</u>	<u>1,520</u>
Total capital contributions	<u>100,000</u>	<u>472,147</u>	<u>372,147</u>
Increase/(Decrease) in net position	<u>\$ 96,207</u>	<u>\$ 622,309</u>	<u>\$ 526,102</u>

WESTERN PULASKI COUNTY WATER DISTRICT
Schedule of Findings and Responses
For the Year Ended December 31, 2016

2016-1

Criteria: Management should communicate regularly with the bookkeeper, review financial statements periodically and ensure that accounts are properly reconciled.

Condition: During the year ended December 31, 2016, it was noted that adjusting journal entries from prior year had not been made and certain receipts and disbursements were misclassified.

Cause: The District had not thoroughly reviewed the financial statements from the bookkeeper nor communicated proper classification of receipts and disbursements in a timely manner.

Effect: Management had to reclassify and reconcile accounts at year end to ensure balances were properly stated.

Recommendation: We recommend that the District review and reconcile financial statements with the bookkeeper on a monthly basis to ensure accounts are properly recorded.

Response: Management understands the importance and will communicate more thoroughly with the bookkeeper, ensuring that all adjusting journal entries are posted.



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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

Board of Directors
Western Pulaski County Water District
Somerset, 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 Comptroller General of the United States, the financial statements of the business-type activities of Western Pulaski County Water District, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Pulaski County 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 Western Pulaski County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Pulaski County 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. We did identify a certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. 2016-1.

Compliance and Other Matters

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

Western Pulaski County Water District's Response to Findings

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

Purpose of this Report

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

Campbell, Myers & Ratledge, PLLC

Certified Public Accountants
Glasgow, Kentucky

May 2, 2017

WESTERN PULASKI COUNTY WATER

Prepared by _____

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
1	Adjusting	12/31/15					
		21500	UNAPP. RETAINED EARNINGS	387,842.00			
		18000	DEFERRED OUTFLOWS	46,469.00			
		24000	NET PENSION LIABILITY		388,639.00		
		24100	DEFERRED INFLOWS		43,382.00		
		21500	UNAPP. RETAINED EARNINGS		2,290.00		
						0.00	
			2015 pension liability entries				
2	Adjusting	12/31/15					
		21500	UNAPP. RETAINED EARNINGS	17,851.17			
		24200	ACCCRUED VACATION		11,596.21		
		24300	ACCCRUED COMP TIME		6,254.96		
						0.00	
			2015 restatement for accrued comp absenses				
3	Adjusting	12/31/15					
		10136	STEEL BUILDING	86,000.00			
		10137	CONCRETE FLOOR-GARAGE		38,000.00		
		10138	BUILDING #3		48,000.00		
						0.00	
			2015 reclassification entry				
4	Adjusting	12/31/15					
		10134	METERS & INSTALLATION	73,810.00			
		21500	UNAPP. RETAINED EARNINGS		73,810.00		
						0.00	
			2015 entry for meter installs				
5	Adjusting	12/31/15					
		21500	UNAPP. RETAINED EARNINGS	79,520.00			
		13712	DEBT SERVICE ACCT-REGION:		28,852.50		
		22200	ACCCRUED INTEREST - BONDS		50,667.50		
						0.00	
			2015 entry for accrued interest				
6	Adjusting	12/31 15					
		27111	FUNDS RECEIVED - RURAL DE	420,623.19			
		21500	UNAPP. RETAINED EARNINGS		420,623.19		
						0.00	
			2015 entry to reclass grant income				

Prepared by _____

WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
7	Adjusting	12/31/15					
		27100	TAP-ON-FEES -CUSTOMERS	51,520.00			
		27105	COMM OF KY - HIGHWAY PRO	41,312.80			
		25200	CUST. ADVANCES FOR CONST		1,790.83		
		21500	UNAPP. RETAINED EARNINGS		91,041.97		
						0.00	
			2015 entry to adjust equity accounts				
8	Adjusting	12/31/15					
		17000	INVENTORY	18,500.00			
		21500	UNAPP. RETAINED EARNINGS		18,500.00		
						0.00	
			2015 entry to adjust invy to actual				
9	Adjusting	12/31/15					
		10818	ACCUM DEPR - LINE EXTENSIO	11,198.00			
		10830	ACCUM DEPR - METERS/INSTL		1,476.00		
		21500	UNAPP. RETAINED EARNINGS		9,722.00		
						0.00	
			2015 entry to adjust accum depr				
10	Adjusting	12/31/16					
		10130	LINE EXTENSION 2015		1,305,511.97		
		27111	FUNDS RECEIVED - RURAL DE	1,400,000.00			
		22200	ACCRUED INTEREST - BONDS		94,488.03		
						0.00	
			to adjust equity accounts for interim financing in prior year				
11	Adjusting	12/31/16					
		13712	DEBT SERVICE ACCT-REGION:		62,134.43		
		22200	ACCRUED INTEREST - BONDS	62,134.43			
						0.00	
			to adjust for nonexistent bank account and interest				
12	Adjusting	12/31/16					
		21500	UNAPP. RETAINED EARNINGS	4,410.00			
		61505	ELECTRICITY FOR PUMPING		2,394.00		
		67506	ADMIN & GENERAL - MISC		2,016.00		
						4,410.00	

Prepared by _____

WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
			to adjust for prior year AP				
13	Adjusting	12/31/16					
		82703	INTEREST - LONG TERM DEBT		2,985.00		
		22200	ACCRUED INTEREST - BONDS	4,485.00			
		22004	BONDS PAYABLE - RD - 2002B		1,000.00		
		22020	WATER REVENUE BONDS - 201		500.00		
						2,985.00	
			to adjust interest and bonds to actual				
14	Adjusting	12/31/16					
		67000	BAD DEBTS	11,168.59			
		14100	ACCOUNTS RECEIVABLE		11,168.59		
						(11,168.59)	
			to record bad debt				
15	Adjusting	12/31/16					
		14100	ACCOUNTS RECEIVABLE		119,851.30		
		14101	ACCTS REC - UNBILLED	119,851.30			
						0.00	
			to reclass accounts receivable and unbilled revenue				
16	Adjusting	12/31/16					
		46150	PENALTIES - LATE PAYMENTS	38,640.00			
		14100	ACCOUNTS RECEIVABLE		38,640.00		
						(38,640.00)	
			to reclass penalties and revenue				
17	Adjusting	12/31/16					
		24200	ACCRUED VACATION		1,289.04		
		24300	ACCRUED COMP TIME		687.54		
		60101	WAGES - TRANS & DIST	658.86			
		60102	WAGES - CUSTOMER ACCTS	1,317.72			
						(1,976.58)	
			to adjust accrued compensated absences				
18	Adjusting	12/31/16					
		27111	FUNDS RECEIVED - RURAL DE	101,378.01			
		92000	RD Grant Revenue		101,378.01		
		89100				101,378.01	
			to adjust for RD grant revenue				

Prepared by _____

WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
19	Adjusting	12/31/16					
		25200	CUST. ADVANCES FOR CONST		7,813.88		
		67508	REFUNDS	7,813.88			
			to adjust for customer paybacks of construction			(7,813.88)	
20	Adjusting	12/31/16					
		67515	DIRECTORS' FEES	1,050.00			
		67510	TRAVEL EXPENSES		1,050.00		
			to reclass directors fees			0.00	
21	Adjusting	12/31/16					
		10818	ACCUM DEPR - LINE EXTENSIO	33,638.00			
		82600	DEPRECIATION EXPENSE		33,638.00		
			To remove depr on lines he had mistakenly capitalized see adj# 10			33,638.00	
22	Adjusting	12/31/16					
		82600	DEPRECIATION EXPENSE	1,472.00			
		10830	ACCUM DEPR - METERS/INSTL		1,472.00		
			To record depr on 2016 meters capitalized			(1,472.00)	
23	Adjusting	12/31/16					
		10134	METERS & INSTALLATION	71,085.00			
		62006	TRANS & DIST - OPER EXP & S'		50,025.00		
		60101	WAGES - TRANS & DIST		21,060.00		
			To capitalize new meters installed 2016			71,085.00	
24	Adjusting	12/31/16					
		24000	NET PENSION LIABILITY		106,763.00		
		18000	DEFERRED OUTFLOWS	74,228.00			
		24100	DEFERRED INFLOWS		3,099.00		
		60401	RETIREMENT EXPENSE	35,634.00			
			to record 2016 pension liability entry			(35,634.00)	

Prepared by _____

WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
			CERS				
25	Adjusting	12/31/16					
		27100	TAP-ON-FEES -CUSTOMERS	62,860.00			
		90000	Tap Fees		62,860.00		
						62,860.00	
			to reclass 2016 tap fees				
26	Adjusting	12/31/16					
		27109	FUNDS RECEIVED - REIMB INT	3,076.43			
		72000	IRS - REIMB BOND INTEREST		3,076.43		
						3,076.43	
			to reclass 2016 IRS bond interest reimbursement				
27	Adjusting	12/31/16					
		10145	EQUIPMENT & TOOLS	5,200.00			
		10143	TRAILER FOR BACKHOE		5,200.00		
						0.00	
			to reclass equipment				
28	Adjusting	12/31/16					
		10830	ACCUM DEPR - METERS INSTL	26,850.00			
		10134	METERS & INSTALLATION		26,850.00		
		10134	METERS & INSTALLATION	34,905.00			
		62006	TRANS & DIST - OPER EXP & S		24,165.00		
		60101	WAGES - TRANS & DIST		10,740.00		
						34,905.00	
			to record 537 meter change outs				
29	Adjusting	12/31/16					
		82600	DEPRECIATION EXPENSE	2,952.00			
		10830	ACCUM DEPR - METERS INSTL		2,952.00		
						2,952	
			to adjust depreciation for meters				
		TOTAL		3,339,454.38	3,339,454.38	214,680.39	

**WESTERN PULASKI COUNTY WATER
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Dec 31, 2016	Adjustments	Dec 31, 2016
			Unadjusted		Adjusted
10103	A	LAND AND LAND RIGHTS	494,937.90		494,937.90
10105	A	DISTRIBUTION RESERVOIRS	46,476.60		46,476.60
10110	A	WEST 80 PUMP STATION	137,852.74		137,852.74
10111	A	ELECTRIC PUMPING PLANT	30,801.63		30,801.63
10112	A	CLIFTY ROAD PUMP STATION	90,625.00		90,625.00
10113	A	NELSON KNOB PUM STATION	13,000.00		13,000.00
10114	A	NANCY WATER TANK	240,602.96		240,602.96
10115	A	HWY 80 PUMP STATION	20,250.00		20,250.00
10116	A	NEW OFFICE BUILDING	250,137.51		250,137.51
10119	A	LINE EXTENSION - 2016	28,550.00		28,550.00
10120	A	LINE EXTENSION - 2002-2005	4,478,691.75		4,478,691.75
10121	A	LINE EXTENSION - 2006	123,288.81		123,288.81
10122	A	LINE EXTENSION - 2007	385,549.89		385,549.89
10123	A	LINE CONSTRUCTION - 2008	264,994.90		264,994.90
10124	A	LINE CONSTRUCTION - 2009	138,566.52		138,566.52
10125	A	LINE EXTENSION - 2010	2,103,789.77		2,103,789.77
10126	A	LINE EXTENSION - 2011	325,679.90		325,679.90
10127	A	LINE EXTENSION - 2012	43,567.08		43,567.08
10128	A	LINE EXTENSION - 2013	367,465.78		367,465.78
10129	A	LINE EXTENSION - 2014	961,039.71		961,039.71
10130	A	LINE EXTENSION 2015	1,881,929.79		576,417.82
		10		(1,305,511.97)	
10131	A	TRANSMISSION & DIST MAINS	6,799,767.88		6,799,767.88
10133	A	SERVICES	568,482.42		568,482.42
10134	A	METERS & INSTALLATON	2,129,524.15		2,282,474.15
		4		73,810.00	
		23		71,085.00	
		28		(26,850.00)	
		28		34,905.00	
10135	A	HYDRANTS	20,147.47		20,147.47
10136	A	STEEL BUILDING	26,080.00		112,080.00
		3		86,000.00	
10137	A	CONCRETE FLOOR-GARAGE	38,000.00		0.00
		3		(38,000.00)	
10138	A	BUILDING #3	108,614.16		60,614.16
		3		(48,000.00)	
10139	A	HEAT PUMP - BACK LOT	5,435.41		5,435.41
10140	A	OFFICE EQUIPMENT	207,799.64		207,799.64
10141	A	TRUCKS	292,028.06		292,028.06
10142	A	RADIOS	9,106.00		9,106.00
10143	A	TRAILER FOR BACKHOE	15,100.00		9,900.00
		27		(5,200.00)	
10145	A	EQUIPMENT & TOOLS	52,049.60		57,249.60
		27		5,200.00	
10146	A	FENCE	5,492.88		5,492.88
10151	A	LINE EXTENSION - 2016	115,805.85		115,805.85
10152	A	ASPHALT PARKING LOT	37,880.00		37,880.00
10810	A	ACCUM DEPR-DIST RESERVOIR	(45,845.00)		(45,845.00)
10815	A	ACCUM DEPR-PUMPING PLANT	(166,915.24)		(166,915.24)
10816	A	ACCUM DEP - CLIFTY P/S	(47,387.24)		(47,387.24)
10818	A	ACCUM DEPR - LINE EXTENSION	(2,395,610.20)		(2,350,774.20)
		9		11,198.00	
		21		33,638.00	
10820	A	ACCUM DEPR-TRN/DIST MAINS	(3,978,785.00)		(3,978,785.00)
10825	A	ACCUM DEPR - SERVICES	(476,796.16)		(476,796.16)
10830	A	ACCUM DEPR - METERS/INSTLN	(1,480,198.20)		(1,459,248.20)
		9		(1,476.00)	
		22		(1,472.00)	
		28		26,850.00	
		29		(2,952.00)	
10835	A	ACCUM DEPR - HYDRANTS	(20,146.64)		(20,146.64)
10840	A	ACCUM DEPR - OFFICE EQUIP	(180,536.08)		(180,536.08)
10841	A	ACCUM DERP- OFFICE BLDG	(21,290.12)		(21,290.12)
10842	A	ACCUM DEPR - EQUIPMENT	(44,492.08)		(44,492.08)
10845	A	ACCUM DEPR - TRUCKS	(240,274.68)		(240,274.68)
10846	A	ACCUM DEPR - TRAILERS	(8,397.00)		(8,397.00)
10850	A	ACCUM DEPR - RADIOS	(9,106.00)		(9,106.00)
13110	A	PETTY CASH	200.00		200.00
13111	A	CASH ON HAND - DRAWER	842.50		842.50

**WESTERN PULASKI COUNTY WATER
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Dec 31, 2016	
			Unadjusted	Adjusted
13123	A	CNB - #75085467 BOND & INT	118,677.61	118,677.61
13126	A	DEPOSIT ACCT - CNB - #75117465	191,042.26	191,042.26
13127	A	CNB #75120891 OPERATING	1,447,258.76	1,447,258.76
13128	A	CNB #75120904 REVENUE FD	29,286.80	29,286.80
13201	A	MBC - LINE EXTEN #422975	2,994.71	2,994.71
13708	A	CNB - #75117908 DEBT RESERVE	35,685.03	35,685.03
13709	A	CNB - SH.LIVED ASSET #75117916	281,449.55	281,449.55
13711	A	SINKING ACC REGIONS BANK	91,607.35	91,607.35
13712	A	DEBT SERVICE ACCT-REGIONS	90,986.93	0.00
		5		(28,852.50)
		11		(62,134.43)
14100	A	ACCOUNTS RECEIVABLE	202,583.77	32,923.88
		14		(11,168.59)
		15		(119,851.30)
		16		(38,640.00)
14101	A	ACCTS REC - UNBILLED	219,868.31	339,719.61
		15		119,851.30
14102	A	ACC REC RETURN CHECKS	1,235.14	1,235.14
16200	A	PREPAID INSURANCE	7,968.30	7,968.30
17000	A	INVENTORY	5,500.00	24,000.00
		8		18,500.00
18000	A	DEFERRED OUTFLOWS	0.00	120,697.00
		1		46,469.00
		24		74,228.00
21400	L	APPROPD RETAINED EARNINGS	(136,729.91)	(136,729.91)
21500	L	UNAPP. RETAINED EARNINGS	2,043,358.95	1,916,994.96
		1		387,842.00
		1		(2,290.00)
		2		17,851.17
		4		(73,810.00)
		5		79,520.00
		6		(420,623.19)
		7		(91,041.97)
		8		(18,500.00)
		9		(9,722.00)
		12		4,410.00
22003	L	LOAN PAYABLE - RD - 2002A	(756,000.00)	(756,000.00)
22004	L	BONDS PAYABLE - RD - 2002B	(459,000.00)	(460,000.00)
		13		(1,000.00)
22020	L	WATER REVENUE BONDS - 2010	(837,000.00)	(837,500.00)
		13		(500.00)
22021	L	LOAN PAY KRWFC	(1,675,000.00)	(1,675,000.00)
22024	L	NOTE PAYABLE RD 2013	(1,376,500.00)	(1,376,500.00)
22200	L	ACCRUED INTEREST - BONDS	0.00	(78,536.10)
		5		(50,667.50)
		10		(94,488.03)
		11		62,134.43
		13		4,485.00
23100	L	ACCOUNTS PAYABLE	(113,912.72)	(113,912.72)
23500	L	CUSTOMER DEPOSITS	(191,119.02)	(191,119.02)
23600	L	RETIREMENT WITHHOLDING	(8,110.89)	(8,110.89)
23604	L	KY TAX W/H	(1,470.54)	(1,470.54)
23605	L	PULASKI CO TAX W/H	(877.91)	(877.91)
23606	L	SCHOOL TAX PAY - PULASKI	(7,033.11)	(7,033.11)
23709	L	SALES TAX PAYABLE	(853.16)	(853.16)
23710	L	PAYBACKS - CURRENT	(4,581.94)	(4,581.94)
24000	L	NET PENSION LIABILITY	0.00	(495,402.00)
		1		(388,639.00)
		24		(106,763.00)
24100	L	DEFERRED INFLOWS	0.00	(46,481.00)
		1		(43,382.00)
		24		(3,099.00)
24200	L	ACCCRUED VACATION	0.00	(12,885.25)
		2		(11,596.21)
		17		(1,289.04)
24300	L	ACCRUED COMP TIME	0.00	(6,942.50)
		2		(6,254.96)
		17		(687.54)
25200	L	CUST. ADVANCES FOR CONST	(583,175.83)	(592,780.54)

**WESTERN PULASKI COUNTY WATER
Trial Balance Worksheet**

Basis: Adjusted

Account	T	Description	Dec 31, 2016 Unadjusted	Adjustments	Dec 31, 2016 Adjusted
		7		(1,790.83)	
		19		(7,813.88)	
27100	L	TAP-ON-FEES -CUSTOMERS	(3,204,096.49)		(3,089,716.49)
		7		51,520.00	
		25		62,860.00	
27101	L	FEDERAL GRANTS IN AID OF CONST.	(2,591,181.17)		(2,591,181.17)
27103	L	FEDERAL GRANTS IN AID OF CONST. -	(115,463.98)		(115,463.98)
27104	L	FUNDS RECEIVED - NEW LINE	(3,430,950.96)		(3,430,950.96)
27105	L	COMM OF KY - HIGHWAY PROJTS	(126,925.72)		(85,612.92)
		7		41,312.80	
27106	L	FUNDS RECEIVED - PUMP STA	(166,721.28)		(166,721.28)
27107	L	FUNDS RECEIVED - KY FINANCE	(571,826.92)		(571,826.92)
27109	L	FUNDS RECEIVED - REIMB INTEREST I	(6,663.49)		(3,587.06)
		26		3,076.43	
27111	L	FUNDS RECEIVED - RURAL DELP	(2,065,999.05)		(143,997.85)
		6		420,623.19	
		10		1,400,000.00	
		18		101,378.01	
46101	R	SALES - RESIDENTIAL	(2,690,859.27)		(2,690,859.27)
46102	R	SALES - COMMERCIAL	(189,891.66)		(189,891.66)
46150	R	PENALTIES - LATE PAYMENTS	(85,155.91)		(46,515.91)
		16		38,640.00	
47100	R	SERVICE CHARGES	(28,375.00)		(28,375.00)
47101	R	MISC REV - REPAIR CHARGES	(2,846.03)		(2,846.03)
47102	R	MISC REV - RECONNECTS	(21,524.19)		(21,524.19)
47104	R	MISC INCOME	(2,456.19)		(2,456.19)
60101	E	WAGES - TRANS & DIST	226,543.86		195,402.72
		17		658.86	
		23		(21,060.00)	
		28		(10,740.00)	
60102	E	WAGES - CUSTOMER ACCTS	113,344.28		114,662.00
		17		1,317.72	
60401	E	RETIREMENT EXPENSE	62,183.09		97,817.09
		24		35,634.00	
61001	E	PURCHASED WATER	1,223,194.00		1,223,194.00
61505	E	ELECTRICITY FOR PUMPING	73,638.36		71,244.36
		12		(2,394.00)	
62002	E	OFFICE SUPPLIES & EXPENSE	20,160.47		20,160.47
62003	E	POSTAGE	30,124.62		30,124.62
62005	E	TRANS & DIST - MAINTENANCE	10,523.83		10,523.83
62006	E	TRANS & DIST - OPER EXP & SUPPLIES	127,707.46		53,517.46
		23		(50,025.00)	
		28		(24,165.00)	
63201	E	CONTRACT SERV - ACCOUNTING	13,000.00		13,000.00
63202	E	CONTRACT SERV - AUDIT	16,500.00		16,500.00
63300	E	CONTRACT SERV - LEGAL	3,179.74		3,179.74
63501	E	CONTRACT SERV - ANALYSIS	12,179.00		12,179.00
63502	E	METER READING SERVICE	97,925.95		97,925.95
63504	E	CONTRACT SERVICES-OTHER	662.50		662.50
65000	E	VEHICLE EXPENSE	26,383.79		26,383.79
65001	E	BACKHOE/DUMP TRK EXPENSES	1,518.83		1,518.83
65700	E	GENERAL LIAB INSURANCE	42,386.17		42,386.17
65801	E	INSURANCE - WORKERS COMP	6,044.56		6,044.56
65900	E	FIDELITY BONDS	5,294.72		5,294.72
65901	E	EMPLOYEE HEALTH INSURANCE	64,572.92		64,572.92
66000	E	ADVERTISING - NEWSPAPERS	1,426.20		1,426.20
67000	E	BAD DEBTS	0.00		11,168.59
		14		11,168.59	
67503	E	UTILITIES	642.27		642.27
67504	E	TELEPHONE	11,195.36		11,195.36
67505	E	OTHER EXPENSES	5,409.34		5,409.34
67506	E	ADMIN & GENERAL - MISC	8,472.22		6,456.22
		12		(2,016.00)	
67508	E	REFUNDS	768.26		8,582.14
		19		7,813.88	
67510	E	TRAVEL EXPENSES	4,768.96		3,718.96
		20		(1,050.00)	
67515	E	DIRECTORS' FEES	11,550.00		12,600.00
		20		1,050.00	

**WESTERN PULASKI COUNTY WATER
Trial Balance Worksheet**

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Basis: Adjusted

Account	T	Description	Dec 31, 2016	
			Unadjusted	Adjustments
67530	E	RENTAL UNIFORMS	3,425.36	
67531	E	MEMBERSHIP DUES	1,700.00	
71500	R	CELL TOWER RENTAL - TANK	(63,748.63)	
71900	R	INTEREST INCOME	(1,043.63)	
72000	R	IRS - REIMB BOND INTEREST	0.00	
		26		(3,076.43)
72100	R	BAD DEBT RECOVERY	(8,469.92)	
75000	R	SERVICE CHGS- RETURNED CKS	(3,025.00)	
75500	R	MISC INCOME	(64.41)	
80812	E	PAYROLL TAXES	27,882.23	
80813	E	TAXES & LICENSES	1,000.00	
80814	E	PSC ASSESSMENT	5,541.49	
82600	E	DEPRECIATION EXPENSE	592,787.00	
		21		(33,638.00)
		22		1,472.00
		29		2,952.00
82703	E	INTEREST - LONG TERM DEBT	160,689.00	
		13		(2,985.00)
85900	E	TRUSTEE FEES REGIONS BK	450.00	
90000	R	Tap Fees	0.00	
		25		(62,860.00)
92000	R	RD Grant Revenue	0.00	
		18		(101,378.01)
		Total	<u>0.00</u>	<u>0.00</u>
		Profit/(Loss)	<u>82,684.00</u>	<u>214,680.39</u>
				<u>297,364.39</u>

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WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

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Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
1	Adjusting	12/31/15					
		21500	UNAPP. RETAINED EARNINGS	387,842.00			
		18000	DEFERRED OUTFLOWS	46,469.00			
		24000	NET PENSION LIABILITY		388,639.00		
		24100	DEFERRED INFLOWS		43,382.00		
		21500	UNAPP. RETAINED EARNINGS		2,290.00		
			2015 pension liability entries			0.00	
2	Adjusting	12/31/15					
		21500	UNAPP. RETAINED EARNINGS	17,851.17			
		24200	ACCRUED VACATION		11,596.21		
		24300	ACCRUED COMP TIME		6,254.96		
			2015 restatement for accrued comp absences			0.00	
3	Adjusting	12/31/15					
		10136	STEEL BUILDING	86,000.00			
		10137	CONCRETE FLOOR-GARAGE		38,000.00		
		10138	BUILDING #3		48,000.00		
			2015 reclassification entry			0.00	
4	Adjusting	12/31/15					
		10134	METERS & INSTALLATION	73,810.00			
		21500	UNAPP. RETAINED EARNINGS		73,810.00		
			2015 entry for meter installs			0.00	
5	Adjusting	12/31/15					
		21500	UNAPP. RETAINED EARNINGS	79,520.00			
		13712	DEBT SERVICE ACCT-REGION		28,852.50		
		22200	ACCRUED INTEREST - BONDS		50,667.50		
			2015 entry for accrued interest			0.00	
6	Adjusting	12/31/15					
		27111	FUNDS RECEIVED - RURAL DE	420,623.19			
		21500	UNAPP. RETAINED EARNINGS		420,623.19		
			2015 entry to reclass grant income			0.00	

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WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
7	Adjusting	12/31/15					
		27100	TAP-ON-FEES -CUSTOMERS	51,520.00			
		27105	COMM OF KY - HIGHWAY PRC	41,312.80			
		25200	CUST. ADVANCES FOR CONST		1,790.83		
		21500	UNAPP. RETAINED EARNINGS		91,041.97		
			2015 entry to adjust equity accounts			0.00	
8	Adjusting	12/31/15					
		17000	INVENTORY	18,500.00			
		21500	UNAPP. RETAINED EARNINGS		18,500.00		
			2015 entry to adjust invy to actual			0.00	
9	Adjusting	12/31/15					
		10818	ACCUM DEPR - LINE EXTENSI	11,198.00			
		10830	ACCUM DEPR - METERS/INSTI		1,476.00		
		21500	UNAPP. RETAINED EARNINGS		9,722.00		
			2015 entry to adjust accum depr			0.00	
10	Adjusting	12/31/16					
		10130	LINE EXTENSION 2015		1,305,511.97		
		27111	FUNDS RECEIVED - RURAL DI	1,400,000.00			
		22200	ACCRUED INTEREST - BONDS		94,488.03		
			to adjust equity accounts for interim financing in prior year			0.00	
11	Adjusting	12/31/16					
		13712	DEBT SERVICE ACCT-REGION		62,134.43		
		22200	ACCRUED INTEREST - BONDS	62,134.43			
			to adjust for nonexistent bank account and interest			0.00	
12	Adjusting	12/31/16					
		21500	UNAPP. RETAINED EARNINGS	4,410.00			
		61505	ELECTRICITY FOR PUMPING		2,394.00		
		67506	ADMIN & GENERAL - MISC		2,016.00		
						4,410.00	

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WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
			to adjust for prior year AP				
13	Adjusting	12/31/16					
		82703	INTEREST - LONG TERM DEBT		2,985.00		
		22200	ACCRUED INTEREST - BONDS	4,485.00			
		22004	BONDS PAYABLE - RD - 2002B		1,000.00		
		22020	WATER REVENUE BONDS - 20		500.00		
						2,985.00	
			to adjust interest and bonds to actual				
14	Adjusting	12/31/16					
		67000	BAD DEBTS	11,168.59			
		14100	ACCOUNTS RECEIVABLE		11,168.59		
						(11,168.59)	
			to record bad debt				
15	Adjusting	12/31/16					
		14100	ACCOUNTS RECEIVABLE		119,851.30		
		14101	ACCTS REC - UNBILLED	119,851.30			
						0.00	
			to reclass accounts receivable and unbilled revenue				
16	Adjusting	12/31/16					
		46150	PENALTIES - LATE PAYMENT	38,640.00			
		14100	ACCOUNTS RECEIVABLE		38,640.00		
						(38,640.00)	
			to reclass penalties and revenue				
17	Adjusting	12/31/16					
		24200	ACCRUED VACATION		1,289.04		
		24300	ACCRUED COMP TIME		687.54		
		60101	WAGES - TRANS & DIST	658.86			
		60102	WAGES - CUSTOMER ACCTS	1,317.72			
						(1,976.58)	
			to adjust accrued compensated absences				
18	Adjusting	12/31/16					
		27111	FUNDS RECEIVED - RURAL DE	101,378.01			
		92000	RD Grant Revenue		101,378.01		
						101,378.01	
			to adjust for RD grant revenue				

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WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
19	Adjusting	12/31/16					
		25200	CUST. ADVANCES FOR CONST		7,813.88		
		67508	REFUNDS	7,813.88			
			to adjust for customer paybacks of construction			(7,813.88)	
20	Adjusting	12/31/16					
		67515	DIRECTORS' FEES	1,050.00			
		67510	TRAVEL EXPENSES		1,050.00		
			to reclass directors fees			0.00	
21	Adjusting	12/31/16					
		10818	ACCUM DEPR - LINE EXTENSI	33,638.00			
		82600	DEPRECIATION EXPENSE		33,638.00		
			To remove depr on lines he had mistakenly capitalized see adj# 10			33,638.00	
22	Adjusting	12/31/16					
		82600	DEPRECIATION EXPENSE	1,472.00			
		10830	ACCUM DEPR - METERS/INSTI		1,472.00		
			To record depr on 2016 meters capitalized			(1,472.00)	
23	Adjusting	12/31/16					
		10134	METERS & INSTALLATION	71,085.00			
		62006	TRANS & DIST - OPER EXP & S		50,025.00		
		60101	WAGES - TRANS & DIST		21,060.00		
			To capitalize new meters installed 2016			71,085.00	
24	Adjusting	12/31/16					
		24000	NET PENSION LIABILITY		106,763.00		
		18000	DEFERRED OUTFLOWS	74,228.00			
		24100	DEFERRED INFLOWS		3,099.00		
		60401	RETIREMENT EXPENSE	35,634.00			
			to record 2016 pension liability entry			(35,634.00)	

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WESTERN PULASKI COUNTY WATER
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
			CERS				
25	Adjusting	12/31/16					
		27100	TAP-ON-FEES -CUSTOMERS	62,860.00			
		90000	Tap Fees		62,860.00		
			to reclass 2016 tap fees			62,860.00	
26	Adjusting	12/31/16					
		27109	FUNDS RECEIVED - REIMB IN'	3,076.43			
		72000	IRS - REIMB BOND INTEREST		3,076.43		
			to reclass 2016 IRS bond interest reimbursement			3,076.43	
27	Adjusting	12/31/16					
		10145	EQUIPMENT & TOOLS	5,200.00			
		10143	TRAILER FOR BACKHOE		5,200.00		
			to reclass equipment			0.00	
28	Adjusting	12/31/16					
		10830	ACCUM DEPR - METERS/INSTI	26,850.00			
		10134	METERS & INSTALLATION		26,850.00		
		10134	METERS & INSTALLATION	34,905.00			
		62006	TRANS & DIST - OPER EXP & S		24,165.00		
		60101	WAGES - TRANS & DIST		10,740.00		
			to record 537 meter change outs			34,905.00	
29	Adjusting	12/31/16					
		82600	DEPRECIATION EXPENSE	2,952.00			
		10830	ACCUM DEPR - METERS/INSTI		2,952.00		
			to adjust depreciation for meters			(2,952.00)	
		TOTAL		3,339,454.38	3,339,454.38	214,680.39	