

CORINTH WATER DISTRICT
FINANCIAL STATEMENTS
For Years Ending December 31, 2015 and 2014

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CORINTH WATER DISTRICT

BOARD OF COMMISSIONERS

December 31, 2015 and 2014

Chairman

Dan Field

Treasurer

Donnie Dyer

Secretary

Bob McDaniel

Legal Counsel

Pete Whaley, Attorney at Law



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KYCPA
Licensed in Kentucky & Ohio

Independent Auditor's Report

To the Board of Commissioners
Corinth Water District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Corinth Water District (District), as of and for the years ended December 31, 2015 and 2014, 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 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 Corinth Water District as of December 31, 2015 and 2014 and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-8 and the pension disclosure on page 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2016 on our consideration of the Corinth 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 the Corinth Water District's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
May 19, 2016

**CORINTH WATER DISTRICT
P.O. BOX 218
CORINTH, KY 41010**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2015. The information is presented in conjunction with the audited financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent year by \$1,403,236 (net position). Net position decreased by \$129,356 from the prior year.
- At the end of the current year, unrestricted net position was (\$152,526), which is an increase of \$16,768 from the prior year.

USING THIS ANNUAL REPORT

The financial statements presented herein include all of the activities of the District as prescribed in GASB Statement No. 34. The financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and footnotes to the financial statements. These statements show the condition of the District's finances and the sources of income and the funds expended.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

The Statements of Net Position and Revenues, Expenses, and Changes in Net Position

In the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position, we report the District's activities.

- The District charges rates for water usage based on the water consumption of its customers to cover all or most of the cost of certain services the District provides.

SUMMARY OF NET POSITION

Table 1 provides a summary of the District's net position at December 31, 2015 and 2014.

**Table 1
Net Position**

	2015	(Restated) 2014
Current Assets	\$ 126,678	\$ 109,913
Restricted Assets	60,830	86,614
Capital Assets	3,757,446	3,896,537
Deferred Outflow of Resources	<u>33,456</u>	<u>12,733</u>
Total Assets and Deferred Outflow of Resources	<u>3,978,410</u>	<u>4,105,797</u>
Current Liabilities	50,390	54,891
Liabilities from Restricted Assets	89,514	89,101
Long-Term Liabilities	2,421,464	2,411,644
Deferred Inflow of Resources	<u>13,806</u>	<u>17,569</u>
Total Liabilities and Deferred Inflow of Resources	<u>2,575,174</u>	<u>2,573,205</u>
Net Position:		
Net Investment in Capital Assets	1,542,546	1,630,237
Restricted	13,216	38,113
Unrestricted	<u>(152,526)</u>	<u>(135,758)</u>
Total Net Position	<u>\$ 1,403,236</u>	<u>\$ 1,532,592</u>

The District's net position for 2015 decreased 8.44%, or \$129,356, as compared to a 15.4% or \$278,690 decrease in the previous year. The 2015 decrease is less than the prior year decrease. The 2014 decrease was primarily the result of booking the District's share of unfunded pension liability. The 2015 decrease is due to an increase in the net unfunded pension liability and a decrease in net capital assets.

The largest portion of the District's net position (109.9%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.

An additional portion of the District's net position (0.94%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

The unrestricted portion of net position may be used to meet the District's ongoing obligations to customers and creditors.

SUMMARY OF CHANGES IN NET POSITION

Net Operating (Loss) Income

Operating loss for 2015 was \$7,765, compared to an operating income of \$17,401 in the prior year. Operating revenues increased \$13,378, or 1.9%, and operating expenses increased \$38,544, or 5.6%.

Operating expenses increased due to increases in bad debt expenses, contractual services utilized, and water purchased.

Net Effect of Change in Pension Expense

This expense represents the amount that the District's proportionate share of the total unfunded pension liability changed during the year. During 2015 the District's share of the net liability increased by \$38,035 resulting in an expense. During 2014 the District's share of the net liability decreased by \$7,839 resulting in income. See Note 10 of the financial statements for a more complete explanation of this unfunded liability.

Capital Contributions

Capital contributions increased \$516 from 2014 to 2015.

Prior Period Adjustment

During 2015, Government Accounting Standards Board Statement No. 68 required the District to report its portion of the estimated unfunded pension liability associated with its participation in the County Employee Retirement System. The prior period adjustment of \$209,419 reported in the statement of changes in net position accounts for the estimated net pension liability at June 30, 2014. See note 10 to the financial statements for a more complete explanation of this unfunded liability.

The following schedule compares the revenues and expenses for the current year and the previous year.

**Table 2
Changes in Net Position**

	2015	(Restated) 2014
Operating Revenues:		
Water Revenue	\$ 683,110	\$ 668,511
Forfeited Discounts	32,817	34,405
Miscellaneous Service Revenues	4,868	4,501
Total Operating Revenues	<u>720,795</u>	<u>707,417</u>
Total Operating Expenses	<u>728,560</u>	<u>690,016</u>
Net Operating (Loss) Income	<u>(7,765)</u>	<u>17,401</u>
Non-Operating Income (Expense):		
Interest Income	16	31
Gain on disposal of asset	200	-
Net effect of change in pension expense	(38,035)	7,839
Interest on long-term obligations	<u>(95,232)</u>	<u>(105,486)</u>
Net Non-Operating Expense	<u>(133,051)</u>	<u>(97,616)</u>
Net Loss	(140,816)	(80,215)
Capital Contributions	<u>11,460</u>	<u>10,944</u>
Change in Net Position	(129,356)	(69,271)
Net Position, January 1	1,532,592	1,811,282
Prior Period Adjustment	-	(209,419)
Net Position, December 31	<u>\$ 1,403,236</u>	<u>\$ 1,532,592</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2015, the District had \$3,757,446 invested in capital assets including land, water lines, vehicles, and equipment, as reflected in the following schedule. This represents a net decrease (additions less retirements and depreciation) of \$139,091 from the prior year. This decrease is due to the fact that depreciation expense of \$161, 751 exceeded the cost of new assets purchased during 2015.

Table 3 summarizes the District's capital assets at the end of 2015 as compared to 2014.

Table 3
Capital Assets at Year End

	<u>2015</u>	<u>2014</u>
Land	\$ 21,200	\$ 21,200
Buildings and Improvements	105,885	105,885
Lines and Equipment	6,366,064	6,343,807
Office Furniture and Fixtures	25,265	24,862
Transportation Equipment	<u>39,310</u>	<u>55,600</u>
Subtotal	6,557,724	6,551,354
Accumulated Depreciation	<u>(2,800,278)</u>	<u>(2,654,817)</u>
Total Capital Assets	<u>\$ 3,757,446</u>	<u>\$ 3,896,537</u>

The District currently has no construction in progress.

Debt Outstanding

Table 4 illustrates the District's outstanding debt at the end of 2015 compared to 2014.

Table 4
Outstanding Debt at Year End

	<u>2015</u>	<u>2014</u>
Bonds Payable	<u>\$ 2,194,200</u>	<u>\$ 2,234,800</u>
Capital Lease Obligation - City of Corinth	<u>\$ 20,700</u>	<u>\$ 31,500</u>

At year-end, the District had \$2,194,200 in outstanding bonds compared to \$2,234,800 the previous year. This is a decrease of \$40,600, which represents repayment on the bond debt. Additionally, the District entered into a capital lease agreement with the City of Corinth, Kentucky, a related party, for the purchase of land and a building, which is to be leased back by the City. Outstanding balance on this lease obligation is \$20,700 at December 31, 2015.

OTHER INFORMATION

The District uses the accounting firm of Morris & Bressler to oversee its daily accounting operations. The District uses Van Gorder, Walker & Company for its yearly audit.

The District has a month to month accrual of monies expended to maintain the operations of the District. The reports of income & expenses are discussed at each monthly meeting of the District's Board.

FINANCIAL CONTACT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administrative office at Thomas Lane, Corinth, Kentucky 41018.

William H. Hill, Manager
Corinth Water District

CORINTH WATER DISTRICT STATEMENTS OF NET POSITION December 31, 2015 and 2014

	2015	(Restated) 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 40,408	\$ 18,325
Accounts receivable - customers, net of allowance	73,443	70,667
Inventories	9,328	17,083
Prepaid insurance	3,499	3,838
Total Current Assets	<u>126,678</u>	<u>109,913</u>
Restricted Assets		
Reserve funds	3,380	22,179
Sinking funds	57,450	64,435
Total Restricted Assets	<u>60,830</u>	<u>86,614</u>
Capital Assets		
Land	21,200	21,200
Buildings and improvements	105,885	105,885
Lines and equipment	6,366,064	6,343,807
Office furniture and fixtures	25,265	24,862
Transportation equipment	39,310	55,600
Total utility plant in service	<u>6,557,724</u>	<u>6,551,354</u>
Less accumulated depreciation	<u>(2,800,278)</u>	<u>(2,654,817)</u>
Total Capital Assets, net of depreciation	<u>3,757,446</u>	<u>3,896,537</u>
TOTAL ASSETS	3,944,954	4,093,064
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension contributions	<u>33,456</u>	<u>12,733</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>3,978,410</u>	<u>4,105,797</u>

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

(Continued on page 10)

CORINTH WATER DISTRICT STATEMENTS OF NET POSITION December 31, 2015 and 2014

	<u>2015</u>	<u>(Restated) 2014</u>
LIABILITIES		
Current Liabilities		
Accounts payable - general	23,188	27,580
Customer deposits	6,040	5,000
Current portion of capital lease obligation - related party	10,800	10,800
Withheld and accrued liabilities	10,362	11,511
Total Current Liabilities	<u>50,390</u>	<u>54,891</u>
Current Liabilities Payable from Restricted Assets		
Bonds payable	41,900	40,600
Accrued interest on bonds	47,614	48,501
Total Current Liabilities Payable from Restriced Assets	<u>89,514</u>	<u>89,101</u>
Long-Term Liabilities		
Capital lease obligation - related party	9,900	20,700
Bonds payable - USDA - Water Revenue Bonds	2,152,300	2,194,200
Net unfunded pension liability	259,264	196,744
Total Long-Term Liabilities	<u>2,421,464</u>	<u>2,411,644</u>
TOTAL LIABILITIES	2,561,368	2,555,636
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	13,806	17,569
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,575,174</u>	<u>2,573,205</u>
NET POSITION		
Net investment in capital assets	1,542,546	1,630,237
Restricted	13,216	38,113
Unrestricted	(152,526)	(135,758)
TOTAL NET POSITION	<u>\$ 1,403,236</u>	<u>\$ 1,532,592</u>

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

CORINTH WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For Years Ending December 31, 2015 and 2014

	<u>2015</u>	<u>(Restated) 2014</u>
OPERATING REVENUES		
Water revenue	\$ 683,110	\$ 668,511
Forfeited discounts	32,817	34,405
Miscellaneous service revenues	4,868	4,501
TOTAL OPERATING REVENUES	<u>720,795</u>	<u>707,417</u>
OPERATING EXPENSES		
Salaries and wages - employees	138,073	144,963
Salaries and wages - officer and directors	14,023	12,669
Employee benefits	27,404	26,356
Retirement benefits	22,994	25,812
Payroll taxes	11,061	11,653
Advertising	148	202
Bad debt expenses	17,838	4,398
Contractual services	63,233	51,271
Depreciation expenses	161,751	161,553
Education/training	699	2,237
Insurance expenses	10,291	11,187
Materials and supplies	14,204	16,918
Miscellaneous expenses	3,675	2,020
Purchased power	4,234	3,549
Purchased water	224,409	198,186
Taxes other than income taxes	1,345	1,358
Transportation expenses	13,178	15,684
TOTAL OPERATING EXPENSES	<u>728,560</u>	<u>690,016</u>
OPERATING (LOSS) INCOME	<u>(7,765)</u>	<u>17,401</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	16	31
Gain on disposal of asset	200	-
Net effect of change in pension expense	(38,035)	7,839
Interest on long-term obligations	(95,232)	(105,486)
NET NON-OPERATING EXPENSE	<u>(133,051)</u>	<u>(97,616)</u>
NET LOSS	<u>(140,816)</u>	<u>(80,215)</u>
CAPITAL CONTRIBUTIONS	<u>11,460</u>	<u>10,944</u>
CHANGE IN NET POSITION	<u>(129,356)</u>	<u>(69,271)</u>
NET POSITION, JANUARY 1	1,532,592	1,811,282
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(209,419)</u>
NET POSITION, DECEMBER 31	<u>\$ 1,403,236</u>	<u>\$ 1,532,592</u>

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

CORINTH WATER DISTRICT STATEMENTS OF CASH FLOWS For Years Ending December 31, 2015 and 2014
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	<u>2015</u>	<u>(Restated) 2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 718,019	\$ 704,695
Paid to suppliers for goods and services	(348,512)	(288,438)
Paid to or on behalf of employees for services	(214,704)	(221,522)
	<u>154,803</u>	<u>194,735</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	16	31
Expenditures for construction and equipment	(22,660)	(78,123)
Decrease in restricted cash	25,784	30,583
Contributions in aid of construction	11,460	10,944
	<u>14,600</u>	<u>(36,565)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on long-term debt	(96,120)	(106,320)
Proceeds on sale of asset	200	-
Payments on long-term debt	(51,400)	(49,000)
	<u>(147,320)</u>	<u>(155,320)</u>
NET CASH USED FOR CAPITAL AND FINANCING ACTIVITIES		
INCREASE IN CASH AND CASH EQUIVALENTS	22,083	2,850
CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>18,325</u>	<u>15,475</u>
CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 40,408</u>	<u>\$ 18,325</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss) income	\$ (7,765)	\$ 17,401
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	161,751	161,553
Change in operating assets and liabilities		
Increase in receivables	(2,776)	(2,722)
Decrease in inventories	7,755	6,391
Decrease in prepaid assets	339	18
(Decrease) increase in accounts payable	(4,392)	12,163
Decrease in withheld and accrued liabilities	(1,149)	(69)
Increase (decrease) in customer deposits	1,040	-
	<u>\$ 154,803</u>	<u>\$ 194,735</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ (96,120)</u>	<u>\$ (106,320)</u>

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

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Corinth Water District (District) is a water utility, which provides service to residential and commercial customers in Grant, Pendleton, and Harrison Counties in Kentucky. The District was created by the Grant County Court on January 11, 1965 under the provisions of chapter 74 of the Kentucky Revised Statutes (“KRS”).

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission (“PSC”) pursuant to KRS 278.040.

Basis of Accounting

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) Opinions of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The District has adopted GASB Statements 66 through 70, and related interpretations issued through December 31, 2015.

Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees – This statement is not currently applicable to Corinth Water District.

Statement No. 69 – Government Combinations and Disposals of Government Operations – This statement is not currently applicable to Corinth Water District.

Statement No. 68 – Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27 – Requires Corinth Water District to report their representative share of the unfunded pension liability of the Kentucky County Employee Retirement System (CERS) on Corinth Water District’s Balance Sheet. This statement will be in effect for fiscal periods beginning after June 15, 2014.

Statement No. 67 – Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25 – This statement is not currently applicable to Corinth Water District.

Statement No. 66 – Technical Corrections – 2012; an amendment of GASB Statements no. 10 and 62 – This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 and No. 62.

All activities of the District are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) is segregated into "invested in capital assets, net of related liabilities"; "restricted"; and "unrestricted" components.

Allowance for Bad Debts

The District uses the allowance method to account for bad debts. The balance of the allowance for bad debts was \$4,300 at December 31, 2015 and 2014.

Cash Equivalents

For purposes of the balance sheets and statement of cash flows, the District considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgets

In accordance with Kentucky Revised Statutes 65A, the District is required to upload a balanced budget on the Kentucky Department of Local Government's website prior to January 15. The budget includes proposed expenditures and the means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year end.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined under the First-In, First-Out (FIFO) method. Market is determined on the basis of estimated realizable market values.

Income Tax Status

The District is exempt from federal and state income taxes since it is a political subdivision of the Grant County Court. Accordingly, the financial statements include no provision for income taxes.

Purchased Water Costs

The District is dependent on the City of Williamstown as its sole supplier of water. On September 1, 2004, the District signed an agreement with the City of Williamstown to extend this water service agreement for the next 42 years.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Non-Operating Revenues

Revenues have been classified as operating and non-operating. Operating revenues are those revenues that are directly generated from the sale of water to customers. Non-operating revenues are those revenues that arise from the overall function of the entity. Examples of non-operating revenues are grant revenues, sales of fixed assets and interest income.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2015 and 2014
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NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits consist of checking and savings accounts. They are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the Statement of Net Position as "Cash and Cash Equivalents" and "Restricted Assets". The bank balances for "Cash and Cash, Equivalents" were \$40,408 and \$18,325 at December 31, 2015 and 2014, respectively; which were the same as the carrying amount. The bank balances for "Restricted Assets" were \$60,830 and \$86,614 at December 31, 2015 and 2014, respectively; which were the same as the carrying amount.

The District's investment policy allows investments only in the form of savings accounts and certificates of deposit at local banks in Grant County, Kentucky. The District holds funds at Forcht Bank. The FDIC insures bank deposits for amounts under \$250,000 per banking institution. Thus, all of the \$101,238 in District funds is insured. In accordance with GASB 40, there is no market risk on these savings account investments.

NOTE 3 – RESTRICTED ASSETS

Included in restricted portion of net position at December 31,

	<u>2015</u>	<u>2014</u>
Reserve fund	\$ 3,380	\$ 22,179
Sinking fund	57,450	64,435
Accrued interest on bonds	<u>(47,614)</u>	<u>(48,501)</u>
Total Restricted Assets	<u>\$ 13,216</u>	<u>\$ 38,113</u>

NOTE 4 – UTILITY PLANT IN SERVICE

All property, plant and equipment including infrastructure assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the results of operations. Repair and maintenance charges, which do not increase the useful lives of the assets, are charged to income as incurred. Interest incurred on construction funding during the period of construction is capitalized and is added to the item under construction rather than charged to expense as incurred.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

Asset Type	Balance at December 31, 2014	Additions	Retirements	Balance at December 31, 2015
Land	\$ 21,200	\$ -	\$ -	\$ 21,200
Buildings and improvements	105,885	-	-	105,885
Distribution reservoirs and pipes	409,285	-	-	409,285
Furniture and fixtures	24,862	403	-	25,265
Hydrants	122,814	-	-	122,814
Meter system and installation	909,775	19,517	-	929,292
Supply mains	13,191	-	-	13,191
Tools and equipment	12,022	-	-	12,022
Transmission mains	4,876,720	2,740	-	4,879,460
Transportation equipment	55,600	-	(16,290)	39,310
Subtotal	6,551,354	22,660	(16,290)	6,557,724
Accumulated depreciation	(2,654,817)	(161,751)	16,290	(2,800,278)
Capital assets, net	<u>\$ 3,896,537</u>	<u>\$ (139,091)</u>	<u>\$ -</u>	<u>\$ 3,757,446</u>

NOTE 5 – CAPITAL CONTRIBUTIONS

In conformity with the provisions of Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Non-Exchange Transactions*, amounts related to customer contributions in aid of construction have been reported as other income in the District's income statement. These contributions represent customer tap-in fees and other contributions to recover the costs of extensions of the distribution system. During 2015 and 2014 these contributions consisted of the following:

Source	2015	2014
Tap in fees and construction costs paid by new customers	\$ 11,460	\$ 10,944
Total capital contributions received in aid of construction	<u>\$ 11,460</u>	<u>\$ 10,944</u>

NOTE 6 – WATER REVENUE BONDS; SERIES 1998

On November 5, 1998, the District issued a water revenue bond in the amount of \$526,000. The interest rate is 4.75% per year. Interest is payable semi-annually on the first day of January and July of each year. Collateral includes water lines, meters and pumping equipment of the District. The first payments were due January 1, 2001 and mature through 2038.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2015 and 2014
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The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2016	4.75%	\$ 10,000	\$ 19,950	\$ 29,950
2017	4.75%	11,000	19,475	30,475
2018	4.75%	11,000	18,953	29,953
2019	4.75%	12,000	18,430	30,430
2020	4.75%	12,000	17,860	29,860
2021-2025	4.75%	72,000	79,943	151,943
2026-2030	4.75%	91,000	61,133	152,133
2031-2035	4.75%	116,000	37,239	153,239
2036-2038	4.75%	85,000	8,217	93,217
Totals		<u>\$ 420,000</u>	<u>\$ 281,200</u>	<u>\$ 701,200</u>

NOTE 7 – WATER REVENUE BONDS; SERIES 2002

On October 25, 2002, the District issued water revenue bonds in the amount of \$485,000. The interest rate is 4.625% per year. Interest is payable semi-annually on the first day of January and July of each year. Principal installments mature in 2005 through 2042. The first payments were due January 2005. Collateral includes water lines, meters and pumping equipment of the District.

The future minimum cash requirements are as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2016	4.625%	\$ 7,900	\$ 19,342	\$ 27,242
2017	4.625%	8,300	18,976	27,276
2018	4.625%	8,700	18,592	27,292
2019	4.625%	9,100	18,190	27,290
2020	4.625%	9,600	17,769	27,369
2021-2025	4.625%	55,100	81,770	136,870
2026-2030	4.625%	69,400	67,766	137,166
2031-2035	4.625%	87,600	50,112	137,712
2036-2040	4.625%	110,600	27,820	138,420
2041-2042	4.625%	51,900	3,630	55,530
Totals		<u>\$ 418,200</u>	<u>\$ 323,967</u>	<u>\$ 742,167</u>

– WATER REVENUE BONDS; SERIES 2005

NOTE 8

On September 9, 2005, the District issued water revenue bonds in the amount of \$1,532,000. These bonds were issued to finance the construction of a waterline extension and to pay off the capital lease balance of \$890,000 previously held by the District. The interest rate is 4.125% per year. Interest is payable semi-annually on the first day of January and July of each year. Principal installments mature in 2007 through 2044. Collateral includes water lines, meters and pumping equipment of the District.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2015 and 2014
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The future minimum cash requirements are as follows:

<u>Year</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2016	4.125%	\$ 24,000	\$ 55,935	\$ 79,935
2017	4.125%	25,000	54,945	79,945
2018	4.125%	26,000	53,914	79,914
2019	4.125%	27,500	52,841	80,341
2020	4.125%	28,500	51,707	80,207
2021-2025	4.125%	163,000	239,786	402,786
2026-2030	4.125%	202,000	203,095	405,095
2031-2035	4.125%	250,500	157,576	408,076
2036-2040	4.125%	310,000	101,227	411,227
2041-2044	4.125%	299,500	31,473	330,973
Totals		<u>\$ 1,356,000</u>	<u>\$ 1,002,499</u>	<u>\$ 2,358,499</u>

NOTE 9 – CAPITAL LEASE

In November 2012, the District entered into a capital lease agreement with the City of Corinth, Kentucky, a related party, for the purchase of land and a building, which is being leased back by the City. The leased property of \$69,000 is included in land and buildings and improvements on the fixed asset summary in Note 5. Amortization of the lease is included in depreciation expense. For both years ending December 31, 2015 and 2014, the accumulated amortization amounted to \$1,375. The leased property represents security on this lease, and no interest is being charged.

The future minimum lease payments are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Lease Payment</u>
2016	\$ 10,800	\$ -	\$ 10,800
2017	9,900	-	9,900
Totals	<u>\$ 20,700</u>	<u>\$ -</u>	<u>\$ 20,700</u>

NOTE 10 – RETIREMENT PLAN

The District participates in the County Employees' Retirement System of Kentucky ("Plan"). The Plan is a cost-sharing, multi-employer public retirement plan created by and operating under Kentucky law. It is a defined benefit plan that covers substantially all regular employees of the District. The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The Plan provides for retirement, disability and death benefits.

Participating non-hazardous employees contribute 5% of their creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus 1% of un-funded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium.

CORINTH WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS December 31, 2015 and 2014
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Contributions

The District contributed 17.67% (from January – June of 2015) and 17.06% (from July – December of 2015) of the non-hazardous duty employee's compensation during the year ended December 31, 2015. The District made all required contributions for the Plan pension obligation for the fiscal year ended December 31, 2015 in the amount of \$22,994.

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

At December 31, 2015, the District reported a liability of \$259,264 as its proportionate share of the net pension liability. The net pension liability 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 was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District's employer allocation proportion was 0.00603% of the total CERS non-hazardous duty employees. For the year ended December 31, 2015, the District recognized pension expense related to this unfunded liability of \$38,035. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 1,541	\$ -
Net difference between projected and actual earnings on plan investments	1,859	13,806
Changes of assumptions	18,696	-
Changes in proportion and differences between District contributions and proportionate share of contributions		-
District contributions subsequent to the measurement date	11,360	-
Total	<u>\$ 33,456</u>	<u>\$ 13,806</u>

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

In 2015, \$41,982 was recognized as a deferred outflow of resources resulting from a) actuarial losses, b) difference between projected and actual earnings, c) changes in assumptions, d) changes in proportion share, e) contributions made subsequent to the measurement date.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

These amounts are being amortized as follows:

Deferred Outflows of Resources			
5.0 Years Amortization Period	Amount Deferred	Amount Amortized	Net Deferral Balance
Recognized in previous years	\$ -	\$ -	\$ -
Recognized in current year			
Difference in earnings	2,324	465	1,859
Subtotal	<u>2,324</u>	<u>465</u>	<u>1,859</u>
3.51 Years Amortization Period			
Recognized in previous years	-	-	-
Recognized in current year			
Actuarial losses	2,155	614	1,541
Changes in assumptions	26,144	7,448	18,696
Changes in proportion share	-	-	-
Subtotal	<u>28,299</u>	<u>8,062</u>	<u>20,237</u>
0 Years Amortization Period			
Recognized in current year			
Contributions since measurement date	11,360	-	11,360
Subtotal	<u>11,360</u>	<u>-</u>	<u>11,360</u>
	<u>\$ 41,983</u>	<u>\$ 8,527</u>	<u>\$ 33,456</u>

Future amortization of will be recognized as an offset to pension expense as follows:

Actuarial Losses 3.51 Year Amortization Period		Difference in Earnings 5 Year Amortization Period	
Fiscal Year Ending June 30,	Net Deferral Amortization	Fiscal Year Ending June 30,	Net Deferral Amortization
2016	\$ 614	2016	\$ 465
2017	614	2017	465
2018	313	2018	465
	<u>\$ 1,541</u>	2019	464
			<u>\$ 1,859</u>
Changes in Assumptions 3.51 Year Amortization Period		Changes in Proportion 3.51 Year Amortization Period	
Fiscal Year Ending June 30,	Net Deferral Amortization	Fiscal Year Ending June 30,	Net Deferral Amortization
2016	\$ 7,448	2016	\$ -
2017	7,448	2017	-
2018	3,800	2018	-
	<u>\$ 18,696</u>		<u>\$ -</u>

The District's contributions subsequent to the measurement date of \$11,360 will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

In 2014, \$21,961 was recognized as a deferred inflow of resources, and was amortized over a closed five year period at an amortization amount of \$4,392. An additional deferred inflow of resources of \$879 and an amortization amount of \$250 were recognized in 2015. The annual amortization of \$4,642 was recognized in 2015 as a reduction in pension expense as follows:

Deferred Inflows of Resources			
5.0 Years Amortization Period	Amount Deferred	Amount Amortized	Net Deferral Balance
Recognized in previous years	\$ 21,961	\$ 8,784	\$ 13,177
Recognized in current year	879	250	629
None	-	-	-
Totals	\$ 22,840	\$ 9,034	\$ 13,806

Future amortization of will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2016	\$ 4,642
2017	4,642
2018	4,522
	\$ 13,806

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:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1 year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

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. The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return	10%	3.50%
Real estate	5%	4.50%
Absolute return	10%	4.25%
Private equity	10%	8.50%
Cash	2%	-0.25%
Total	<u>100%</u>	

Discount Rate

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

Sensitivity of the District's Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Discount Rate	Proportionate Share of Net Pension Liability
1% decrease	6.50%	\$ 330,979
Current discount rate	7.50%	259,264
1% increase	8.50%	197,841

Plan Fiduciary Net Position

The Plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan's fiduciary net position. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

**CORINTH WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014**

NOTE 11 – RELATED PARTY TRANSACTIONS

Billy Hill, the General Manager of the Water District, acts as both the General Manager of the Water District and the Mayor of the City of Corinth. The District has normal business relations with the City of Corinth. Some minor reimbursable expenses have been paid by one entity and reimbursed by/to the other.

Tara Wright is the City Clerk of the City of Corinth. She also does some work for the Water District, but because the City and the Water District exchange services and employees on an as needed basis to cover what needs done, most of her work is not paid by the District. There are few if any actual charges by the city or the District for these services.

The District paid \$480 and \$0 during 2015 and 2014, respectively, to the brother of a District commissioner for meter testing services.

As noted in Note 9, the District entered into a capital lease agreement with the City of Corinth, Kentucky for the purchase of land and a building, which is being leased back by the City and no interest is being charged.

NOTE 12 – RISKS/COMMITMENTS/CONTINGENCIES

Corinth Water District depends upon the credit given to a large group of individual customers. The revenue from individuals is significantly larger than the revenue from corporations. Therefore there is considerably less cash flow risk from the failure of a single customer to pay.

NOTE 13 – RESTATEMENT OF PRIOR YEAR STATEMENTS

The District has recorded an adjustment to the Beginning Net Position of (\$209,419) at December 31, 2014. This adjustment accounts for the estimated net pension liability at June 30, 2014, and is being recorded in accordance with Government Accounting Standards Board Statement No. 68

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated events through May 19, 2016, the date on which the financial statements were available for issue. The District did not have any events subsequent to report from December 31, 2015 through May 19, 2016 to disclose.

CORINTH WATER DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

(New disclosure in 2015, will display additional years as time progresses)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Proportion of net pension liability	0.006030%									
Proportionate share of the net pension liability (asset)	\$ 259,264									
Covered employee payroll in year of measurement	132,429									
Share of the net pension liability (asset) as a percentage of its covered employee payroll	195.78%									
Plan fiduciary net position as a percentage of total pension liability	65.96%									

Schedule of the District's Contributions
County Employees' Retirement System (CERS)

(New disclosure in 2015, will display additional years as time progresses)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 22,994	\$ 25,812								
Actual contribution	22,994	25,812								
Contribution deficiency (excess)	-	-								
Covered employee payroll	132,429	146,730								
Contributions as a percentage of covered employee payroll	17.36%	17.59%								

Notes to Required Supplementary Information
for the Year Ended June 30, 2015

Changes of Assumptions

The net pension liability as of June 30, 2015, is based on the June 30, 2015, actuarial valuation for the first year of implementation. There are differences between expected and actual experience and changes in assumptions subject to amortization as detailed in Note 10, in the Notes to the Financial Statements.



Van Gorder, Walker & Co., Inc.
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Licensed in Kentucky & Ohio

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

**To the Board of Commissioners
Corinth Water District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Corinth Water District, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Corinth Water District's basic financial statements and have issued our report thereon dated May 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Corinth 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 Corinth Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Corinth Water District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. During our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described below, that we consider significant deficiencies.

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.



Lack of Segregation of Duties

Condition: We noted that, due to the size of the District and financial considerations, the executing and recording of transactions are performed by the same person.

Criteria: The process of executing a transaction should be segregated from the process of recording the transaction.

Effect: Segregation of duties is a necessary part of any system of internal control. Lack of segregation of duties could allow for receipts to be diverted away from the District and expenses not attributed to the District could be paid for from the District's cash account.

Recommendation: Internal controls should continue to be implemented to segregate the duties of the personnel. Controls should be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corinth 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 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.

Van Gorder, Walker + Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
May 19, 2016