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GREEN-TAYLOR WATER DISTRICT

FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

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WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA  
SHIRLEY M. BUCKNER, CPA  
JEFFREY G. SPROWLES, CPA

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INDEPENDENT AUDITORS' REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Green-Taylor Water District, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities Green-Taylor Water District, as of December 31, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express and opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015 on our consideration of Green-Taylor Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Green-Taylor Water District's internal control over financial reporting and compliance.

*Wise, Buckner, Sprowles & Associates, PLLC*

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

March 31, 2015

# GREEN-TAYLOR WATER DISTRICT

P.O. Box 168  
250 Industrial Park Road  
Greensburg, KY 42743-0168  
TTY 1-800-648-6956 or 711

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Phone (270)932-4947 (270)932-7995 1-800-972-9347  
Fax (270)932-7036

## Management's Discussion and Analysis

Green-Taylor Water District is presenting the following discussion and analysis in order to provide an overall review of the utility's financial activities for the years ending December 31, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the utility's financial statements and notes to the basic financial statements in order to enhance their understanding of the utility's financial performance.

### 2014 HIGHLIGHTS

For Green-Taylor Water District, 2014 has been a year of constant struggle. The outrageous cost of fuel and an increase in the cost of utilities have taken a toll on us financially. With aging infrastructure, the cost of depreciation, and repairs and maintenance get more expensive each year. We did, however, manage to perform some necessary repairs and improvements. We did not receive any grant money this year, so our Capital Contributions came entirely from the purchase of new installations. The cost of these installations completely consumed these funds. An increase in insurance costs, water sampling expenses, and purchased water used for flushing have further drained our finances. We repaired several main line leaks this year and have kept our water loss just under 15%. In the previous year we were able to operate using a lot of material from inventory. Due to regulations restricting the use of fittings containing lead, we have been forced to replace several of these fittings we use every day. Replacing these fittings and the lower amount in inventory caused a substantial increase in the cost of materials and supplies for this year.

Although we have struggled this year, we are still financially sound and decreased our liabilities while maintaining all our financial obligations.

In 2015, we hope to decrease expenditures, while maintaining and improving our aging infrastructure.

### Required Financial Statements

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The statements of Net Position include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Districts creditors (liabilities). The Statement of Revenues, Expense and Changes in Net Position identify the District's revenues and expenses for the years ended December 31, 2014 and 2013. This statement normally provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance.

Green-Taylor Water District is an Equal Opportunity Provider and Employer  
Complaints of discrimination should be sent to:  
USDA, Director, Office of Civil Rights, Washington, D.C. 20240-9410

### Financial Analysis of the District

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

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

	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 1,770,554	\$ 1,784,218
Other Assets	461,500	450,437
Capital Assets	10,699,966	10,963,180
Total Assets	<u>12,932,020</u>	<u>13,197,835</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Discount on Debt Refunding	59,876	63,371
Total Deferred Outflows of Resources	<u>59,876</u>	<u>63,371</u>
<b>LIABILITIES</b>		
Current Liabilities	511,807	471,232
Long-term Liabilities	3,757,000	3,938,300
Total Liabilities	<u>4,268,807</u>	<u>4,409,532</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	6,761,666	6,847,580
Restricted	1,196,068	1,158,478
Unrestricted	765,355	845,616
Total Net Position	<u>\$ 8,723,089</u>	<u>\$ 8,851,674</u>

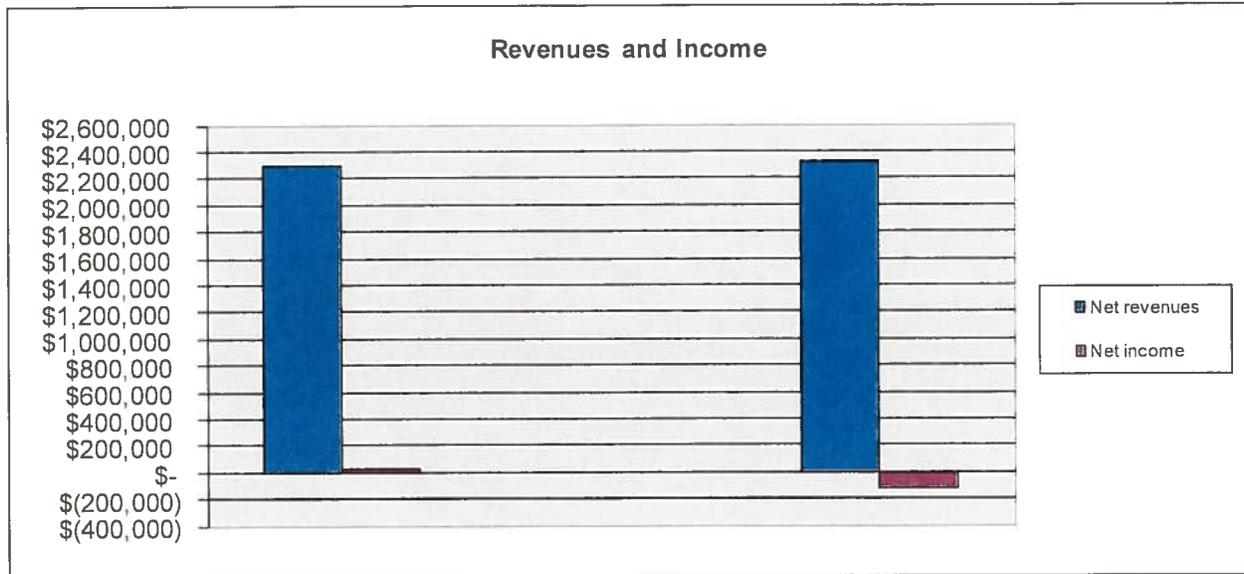
Net Position decreased \$128,585 from 2013 to 2014.

### 2014 Operating Results

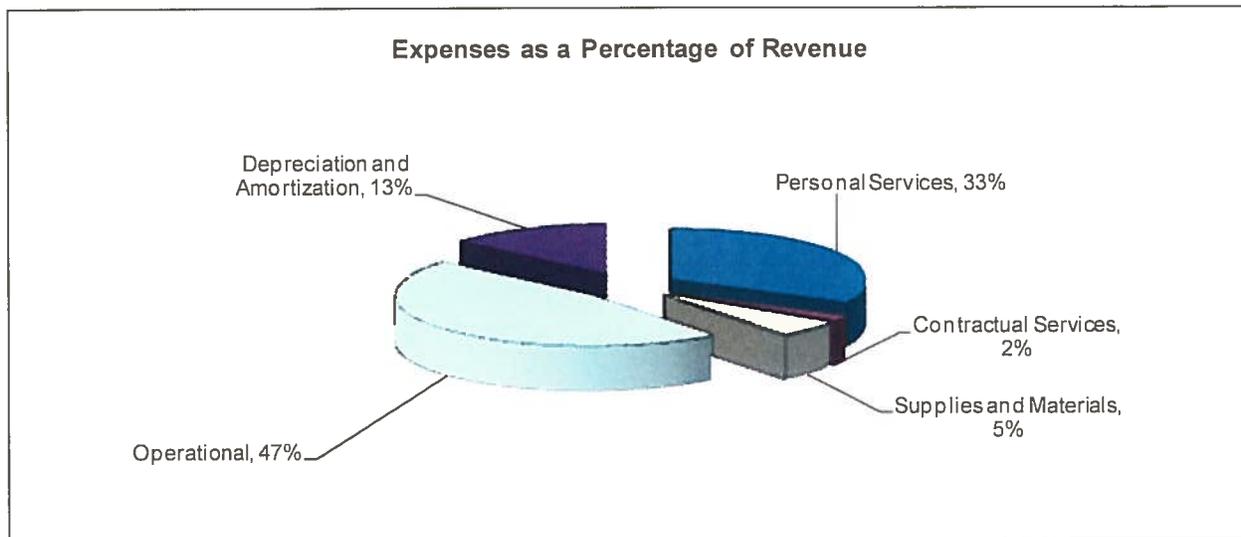
Condensed Statement of Revenues, Expenses and Changes in Net Position:

	2014	2013
Operating Revenues	\$ 2,307,186	\$ 2,289,770
Other Revenues	28,601	8,970
Total Revenues	<u>2,335,787</u>	<u>2,298,740</u>
Operating Expenses	2,004,328	1,781,540
Depreciation and Amortization	311,321	310,085
Non-operating Expenses	180,173	203,164
Total Expenses	<u>2,495,822</u>	<u>2,294,789</u>
Income/(Loss) Before Capital Contributions and Grants	(160,035)	3,951
Capital Contributions	<u>31,450</u>	<u>23,250</u>
Change in Net Position	(128,585)	27,201
Beginning Net Positions	<u>8,851,674</u>	<u>8,824,473</u>
Ending Net Position	<u>\$ 8,723,089</u>	<u>\$ 8,851,674</u>

The following chart shows the difference between net revenues and net income for the years ended December 31, 2014 and 2013.



The following pie chart shows expenses as a percentage of revenue for the year ended December 31, 2014.



**Capital Assets**

The net book value of the District's capital assets as of December 31, 2014 and 2013 are \$10,699,966 and \$10,963,180.

CAPITAL ASSETS AT YEAR END		
	2014	2013
Land	\$ 50,235	\$ 50,235
Buildings	151,733	151,733
Plant & Equipment	<u>15,757,360</u>	<u>15,828,672</u>
Total Capital Assets	15,959,328	16,030,640
Less: Accumulated Depreciation	<u>(5,259,362)</u>	<u>(5,067,460)</u>
Capital Assets, Net	<u>\$ 10,699,966</u>	<u>\$ 10,963,180</u>

**Debt Outstanding**

At year-end, the District had \$3,930,500 in notes outstanding versus \$4,100,000 last year. Long-term debt outstanding decreased \$168,500, from 2013 to 2014.

**Financial Contact**

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

GREEN-TAYLOR WATER DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 574,486	\$ 625,740
Customer & Other Accounts Receivable, net	360,809	347,002
Inventory	89,825	93,266
Prepaid Expenses	10,866	10,169
Total Unrestricted Current Assets	1,035,986	1,076,177
Restricted Cash & Investments	1,196,068	1,158,478
Total Current Assets	2,232,054	2,234,655
NON-CURRENT ASSETS		
Capital Assets:		
Land & Construction in Progress	50,235	50,235
Other Capital Assets (net of accumulated depreciation)	10,649,731	10,912,945
Total Non-Current Assets	10,699,966	10,963,180
TOTAL ASSETS	12,932,020	13,197,835
DEFERRED OUTFLOWS OF RESOURCES		
Discount on Debt Refunding	59,876	63,371
TOTAL DEFERRED OUTFLOWS OF RESOURCES	59,876	63,371
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable - Trade	113,032	99,037
Accrued & Withheld Taxes	16,057	9,618
Accrued Payroll	6,946	2,179
Customer Deposits	96,927	91,952
Deferred Revenue	10,064	-
Current Portion - Capital Lease	7,800	7,800
Liabilities Payable from Restricted Assets:		
Interest Payable	87,481	91,146
Current Portion - Revenue Bonds	173,500	169,500
Total Current Liabilities	511,807	471,232
NON-CURRENT LIABILITIES		
Long-Term Liabilities (Excluding Current Portion):		
Non-Current Portion - Capital Lease	-	7,800
Non-Current Portion - Revenue Bonds	3,757,000	3,930,500
Total Non-Current Liabilities	3,757,000	3,938,300
TOTAL LIABILITIES	4,268,807	4,409,532
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,761,666	6,847,580
Restricted	1,196,068	1,158,478
Unrestricted	765,355	845,616
TOTAL NET POSITION	\$ 8,723,089	\$ 8,851,674

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for Services	\$ 2,229,483	\$ 2,201,192
Service Charges and Other	77,704	77,377
Total Operating Revenues	<u>2,307,187</u>	<u>2,278,569</u>
OPERATING EXPENSES		
Contractual Services	38,688	26,927
Supplies & Materials	122,163	56,065
Depreciation & Amortization	311,321	310,085
Personal Service	756,222	715,875
Operational	1,087,255	982,673
Total Operating Expenses	<u>2,315,649</u>	<u>2,091,625</u>
OPERATING INCOME (LOSS)	<u>(8,462)</u>	<u>186,944</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	5,706	6,660
Interest Expenses and Fiscal Charges	(176,677)	(186,150)
Bond Issuance Costs	(3,496)	(17,014)
Gain (Loss) on Sale of Assets	3,501	2,100
Other income	19,393	11,411
Total Non-operating Revenues (Expenses)	<u>(151,573)</u>	<u>(182,993)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(160,035)	3,951
Capital Contributions	31,450	23,250
CHANGE IN NET POSITION	(128,585)	27,201
NET POSITION		
Beginning of Year	<u>8,851,674</u>	<u>8,824,473</u>
End of Year	<u>\$ 8,723,089</u>	<u>\$ 8,851,674</u>

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received From Customers	\$ 2,296,124	\$ 2,273,974
Cash Payments to Employees for Services	(745,016)	(714,755)
Cash Payments to Suppliers for Goods & Services	(1,234,111)	(1,125,901)
Customer Deposits Received	21,650	21,200
Customer Deposits Returned	(16,675)	(16,240)
	321,972	438,278
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>		
Principal Paid on Bonds	(169,500)	(158,000)
Interest Paid on Debt	(185,778)	(192,378)
Acquisition of Capital Assets and Construction in Progress	(32,625)	(34,641)
Payments on Capital Lease	(7,800)	(15,600)
Contributed Capital	31,450	23,250
Sale of Capital Assets	3,501	2,100
	(360,752)	(375,269)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Other Income	19,393	11,411
Interest	5,723	6,840
	25,116	18,251
Net Increase (Decrease) In Cash and Cash Equivalents	(13,664)	81,260
Cash and Cash Equivalents - Beginning of Year	1,784,218	1,702,958
Cash and Cash Equivalents - End of Year	\$ 1,770,554	\$ 1,784,218
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents	\$ 574,486	\$ 625,740
Restricted Cash and Cash Equivalents	1,196,068	1,158,478
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,770,554</b>	<b>\$ 1,784,218</b>

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 Years Ended December 31, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ (8,462)	\$ 186,944
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES		
Depreciation and Amortization	311,321	310,085
Change in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	(13,807)	(9,287)
(Increase) Decrease in Inventory	3,441	(35,941)
(Increase) Decrease in Prepaid Expenses	(697)	4,305
Increase (Decrease) in Accounts Payable	13,995	(26,692)
Increase (Decrease) in Accrued and Withheld Taxes	6,439	2,784
Increase (Decrease) in Accrued Payroll	4,767	1,120
Increase (Decrease) in Customer Deposits	4,975	4,960
Total Reconciling Adjustments	330,434	251,334
NAT CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 321,972	\$ 438,278

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2014 and 2013

NOTE 1: DESCRIPTION OF ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Accounts Receivable - Receivables include amounts due from customers for water services. These receivables are due at the time the services are billed. Billing is completed monthly and accounts are considered past due on the twenty first day after the end of each billing period. Accounts receivable are presented net of uncollectable accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2014 and 2013, the allowance for doubtful accounts was \$202,955 and \$195,188.

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

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

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2014 and 2013

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

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

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

Revenues and Expenses - Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services and producing, and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

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

GREEN-TAYLOR WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2014 and 2013

NOTE 3: CASH AND CASH EQUIVALENTS

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

	2014	2013
Unrestricted:		
Cash	\$ 574,486	\$ 625,740
Total Unrestricted	574,486	625,740
Restricted:		
Cash	546,510	510,077
U. S. Treasury	149,558	148,401
	696,068	658,478
Certificates of Deposit and Savings	500,000	500,000
Total Restricted	1,196,068	1,158,478
Total Cash and Cash Equivalents	\$ 1,770,554	\$ 1,784,218

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

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

	BANK AMOUNT	
	2014	2013
Insured (FDIC) or Collateral Held by Pledging Bank's Securities in District's name	\$ 1,770,554	\$ 1,784,218
Uninsured or Uncollateralized	-	-
Total (Memorandum Only)	\$ 1,770,554	\$ 1,784,218

The carrying amounts of the District's deposits at December 31, 2014 and 2013 were \$1,770,554 and \$1,784,218 respectively and the bank balances were \$1,789,141 and \$1,795,319 respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balances for each year, all was insured by federal depository insurance or collateralized by the pledging financial institutions.

GREEN-TAYLOR WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2014 and 2013

NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2014 and 2013 was as follows:

	Balance 12/31/13	Additions	Deletions	Balance 12/31/14
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Total Capital Assets Not Being Depreciated	50,235	-	-	50,235
Capital Assets Being Depreciated:				
Buildings	151,733	-	-	151,733
Utility Plant	15,512,378	24,475	103,937	15,432,916
Service Equipment	271,743	1,000	-	272,743
Office Furniture and Equipment	44,551	7,150	-	51,701
Total Capital Assets Being Depreciated	<u>\$ 15,980,405</u>	<u>\$ 32,625</u>	<u>\$ 103,937</u>	<u>\$ 15,909,093</u>
Accumulated Depreciation				
Buildings	\$ 74,703	\$ 4,435	\$ -	\$ 79,138
Utility Plant	4,775,456	292,642	119,419	4,948,679
Service Equipment	178,994	11,996	-	190,990
Office Furniture and Equipment	38,307	2,248	-	40,555
Total Accumulated Depreciation	<u>5,067,460</u>	<u>311,321</u>	<u>119,419</u>	<u>5,259,362</u>
Total Capital Assets Being Depreciated, Net	<u>10,912,945</u>	<u>(278,696)</u>	<u>(15,483)</u>	<u>10,649,731</u>
Total Capital Assets, Net	<u>\$ 10,963,180</u>	<u>\$ (278,696)</u>	<u>\$ (15,483)</u>	<u>\$ 10,699,966</u>
	12/31/12	Additions	Deletions	12/31/13
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Total Capital Assets Not Being Depreciated	50,235	-	-	50,235
Capital Assets Being Depreciated:				
Buildings	151,733	-	-	151,733
Utility Plant	15,505,215	7,163	-	15,512,378
Service Equipment	307,580	33,240	69,077	271,743
Office Furniture and Equipment	55,033	-	10,482	44,551
Total Capital Assets Being Depreciated	<u>\$ 16,019,561</u>	<u>\$ 40,403</u>	<u>\$ 79,559</u>	<u>\$ 15,980,405</u>
Accumulated Depreciation				
Buildings	\$ 70,268	\$ 4,435	\$ -	\$ 74,703
Utility Plant	4,487,077	288,379	-	4,775,456
Service Equipment	233,047	15,023	69,076	178,994
Office Furniture and Equipment	46,542	2,248	10,483	38,307
Total Accumulated Depreciation	<u>4,836,934</u>	<u>310,085</u>	<u>79,559</u>	<u>5,067,460</u>
Total Capital Assets Being Depreciated, Net	<u>11,182,627</u>	<u>(269,682)</u>	<u>-</u>	<u>10,912,945</u>
Total Capital Assets, Net	<u>\$ 11,232,862</u>	<u>\$ (269,682)</u>	<u>\$ -</u>	<u>\$ 10,963,180</u>

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2014 and 2013

NOTE 5: LONG-TERM OBLIGATIONS

Revenue Bonds with principal payments are detailed as follows:

	<u>2014</u>	<u>2013</u>
1979 Waterworks Revenue Bond, original amount \$663,000 maturing January 1, 2019 with a rate of 5%	\$ 177,000	\$ 207,000
1994 Waterworks Revenue Bond, original amount \$466,000 maturing January 1, 2034, with a rate of 4.50%, principal payments commencing January 1, 1997	344,000	354,000
1995 Waterworks Revenue Bond, original amount \$675,000 maturing January 1, 2035, with a rate of 4.875%, principal payments commencing January 1, 1998	518,000	531,000
2001 Waterworks Revenue Bond, original amount \$252,000 maturing January 1, 2041, with a rate of 4.75%, principal payments commencing January 1, 2004	218,000	222,000
2004 Series A Waterworks Revenue Bond, original amount \$673,000 maturing January 1, 2044, with a rate of 4.75%, principal payments commencing January 1, 2007	600,000	610,000
2004 Series B Waterworks Revenue Bond, original amount \$297,000 maturing January 1, 2044, with a rate of 4.375%, principal payments commencing January 1, 2007	263,500	268,000
2004 Refinancing of 1987, 1989, 1990, and 1993 Waterworks Revenue Bonds, original amount \$2,610,000 maturing January 1, 2027, with a variable rate of 2.28%-4.405%, principal payments commencing January 1, 2005	<u>1,810,000</u>	<u>1,908,000</u>
Total Debt	3,930,500	4,100,000
Payments Due in Less Than One Year	<u>173,500</u>	<u>169,500</u>
Total Long-Term Obligations	<u>\$ 3,757,000</u>	<u>\$ 3,930,500</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2014 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$ 173,500	\$ 174,057	\$ 347,557
2016	189,500	166,113	355,613
2017	196,500	157,752	354,252
2018	207,000	148,980	355,980
2019	217,500	139,697	357,197
2020-2024	1,050,000	564,607	1,614,607
2025-2029	883,000	323,779	1,206,779
2030-2034	494,000	190,524	684,524
2035-2039	297,000	95,415	392,415
2040-2044	222,500	34,410	256,910
	<u>\$ 3,930,500</u>	<u>\$ 1,995,334</u>	<u>\$ 5,925,834</u>

GREEN-TAYLOR WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2014 and 2013

NOTE 5: LONG-TERM OBLIGATIONS - (CONTINUED)

	12/31/2013	Additions	Reductions	12/31/2014
	Balance			Balance
Revenue Bonds	\$ 4,100,000	\$ -	\$ 169,500	\$ 3,930,500
	<u>\$ 4,100,000</u>	<u>\$ -</u>	<u>\$ 169,500</u>	<u>\$ 3,930,500</u>

NOTE 6: CAPITAL LEASE

The District has entered into an agreement to lease equipment. This agreement is, in substance, a purchase and is reported as a capital lease obligation. The following schedule presents future minimum lease payments as of December 31, 2014. The agreement was a zero percent lease.

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

NOTE 7: RISK MANAGEMENT

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

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

NOTE 8: PENSION PLAN

Substantially all employees are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended December 31, 2014, 2013, and 2012 of 17.67%, 18.89%, and 19.55% for Non Hazardous Employee's. The contribution rate is actuarially determined. The District's contribution requirement for CERS for the years ended December 31, 2014, 2013, and 2012 was \$75,678, \$76,116, and \$81,063 from the District and \$20,606, \$19,757, and \$21,075 from employees. The total covered payroll for CERS during the years ended December 31, 2014, 2013, and 2012 was \$412,119, \$424,412, and \$421,502.

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

NOTE 9: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District adopted GASB No. 63 in 2013, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus will not be recognized as an outflow of resources (expense/expenditures) until then. The District has only one type of item that qualifies for reporting in this category. It is the deferred discount on refunding reported in the statement of net position. A deferred discount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2014 and 2013

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

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

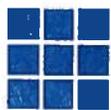
NOTE 10: SUBSEQUENT EVENT

The District's management has evaluated subsequent events through March 31, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GREEN-TAYLOR WATER DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION -  
BUDGET TO ACTUAL  
For the Year Ended December 31, 2014

	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 2,281,800	\$ 2,229,483	\$ (52,317)
Service Charges and Other	92,000	77,704	(14,296)
Total Operating Revenues	<u>2,373,800</u>	<u>2,307,187</u>	<u>(66,613)</u>
<b>OPERATING EXPENSES</b>			
Contractual Services	43,600	38,688	(4,912)
Supplies & Materials	110,000	122,163	12,163
Depreciation & Amortization	311,000	311,321	321
Personal Service	713,200	756,222	43,022
Operational	1,019,800	1,087,255	67,455
Total Operating Expenses	<u>2,197,600</u>	<u>2,315,649</u>	<u>118,049</u>
<b>OPERATING INCOME (LOSS)</b>	<u>176,200</u>	<u>(8,462)</u>	<u>(184,662)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	5,600	5,706	106
Interest Expenses and Fiscal Charges	(174,500)	(176,677)	(2,177)
Miscellaneous Non-Utility Expense	(1,000)	(3,496)	(2,496)
Miscellaneous Non-Utility Income	20,000	22,894	2,894
Total Non-operating Revenues (Expenses)	<u>(149,900)</u>	<u>(151,573)</u>	<u>(1,673)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	26,300	(160,035)	(186,335)
Capital Contributions	35,000	31,450	(3,550)
<b>CHANGE IN NET POSITION</b>	61,300	(128,585)	(67,285)
<b>NET POSITION</b>			
Beginning of Year	<u>(61,300)</u>	<u>8,851,674</u>	<u>8,790,374</u>
End of Year	<u>\$ -</u>	<u>\$ 8,723,089</u>	<u>\$ 8,723,089</u>



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA  
SHIRLEY M. BUCKNER, CPA  
JEFFREY G. SPROWLES, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Green-Taylor Water District, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Green-Taylor Water District's basic financial statements, and have issued our report thereon dated March 31, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. (2014-1).

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Wise, Buckner, Sprowles & Associates, PLLC*

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

March 31, 2015

GREEN-TAYLOR WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
December 31, 2014

**Internal Control Over Financial Reporting**

**2014-1 - Preparation and Presentation of Financial Statements**

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