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GREEN-TAYLOR WATER DISTRICT
FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

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GREGORY S. WISE, 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, 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 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, 2015 and 2014, 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 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 26, 2016 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

May 26, 2016

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Management's Discussion and Analysis

Green-Taylor Water District is presenting the following discussion and analysis in order to provide an overall review of the utility's financial activities for the years ending December 31, 2015 and 2014. 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.

2015 HIGHLIGHTS

For Green-Taylor Water District, 2015 has been a year of change and struggle. New water testing requirements have caused numerous problems for our system. We have invested a significant amount of funds into updating, and rerouting water in order to get in compliance with these new regulations. The testing required for all of these changes has proven to be very expensive, as we have to do extra sampling to prove the water quality from each supplier. Prices of electricity and supplies continue to increase.

Our operating revenue increased very slightly, while our expenses decreased, so our overall picture is better than last year. We have made some improvements to our infrastructure and maintained all of our financial obligations.

Overall, we have made improvements in both infrastructure and financially, and hope to continue this into the new year.

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, 2015 and 2014. 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.

Financial Analysis of the District

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

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

ASSETS	2015	2014
Cash and Investments	\$ 1,812,022	\$ 1,770,554
Other Assets	473,267	461,500
Capital Assets	10,405,558	10,699,966
Total Assets	<u>12,690,847</u>	<u>12,932,020</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions	173,092	75,678
Discount on Debt Refunding	56,380	59,876
Total Deferred Outflows of Resources	<u>229,472</u>	<u>135,554</u>
LIABILITIES		
Current Liabilities	500,322	464,761
Long-term Liabilities	4,352,956	4,331,000
Total Liabilities	<u>4,853,278</u>	<u>4,795,761</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Contributions	38,400	51,200
Total Deferred Inflows of Resources	<u>38,400</u>	<u>51,200</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,651,558	6,761,666
Restricted	1,223,071	1,196,068
Unrestricted	154,012	262,879
Total Net Position	<u>\$ 8,028,641</u>	<u>\$ 8,220,613</u>

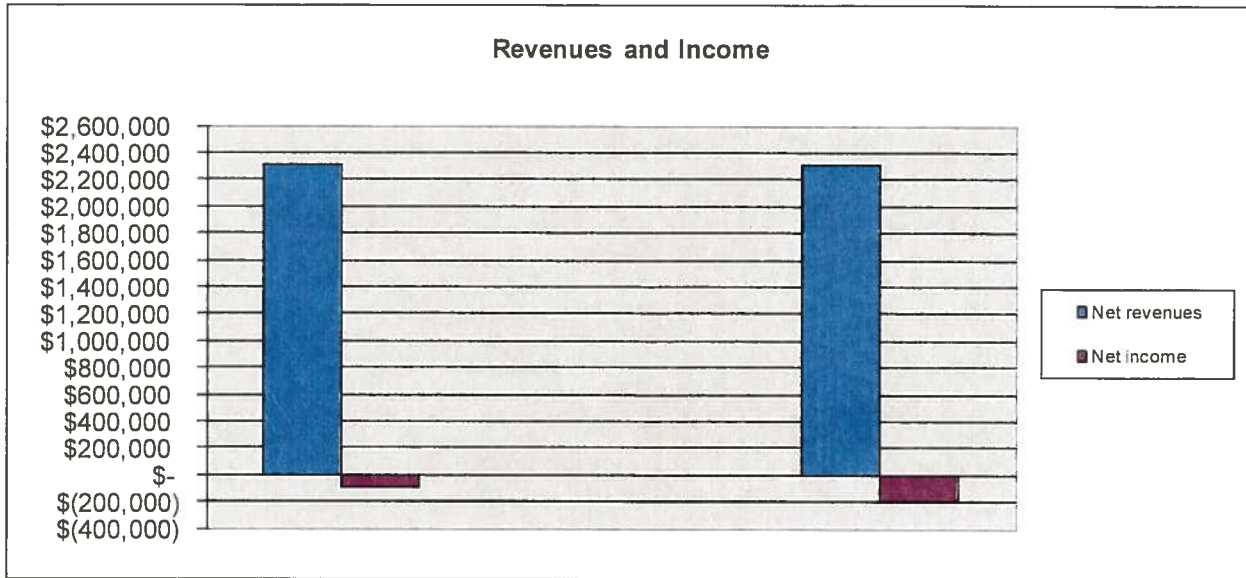
Net Position decreased \$191,972 from 2014 to 2015.

2015 Operating Results

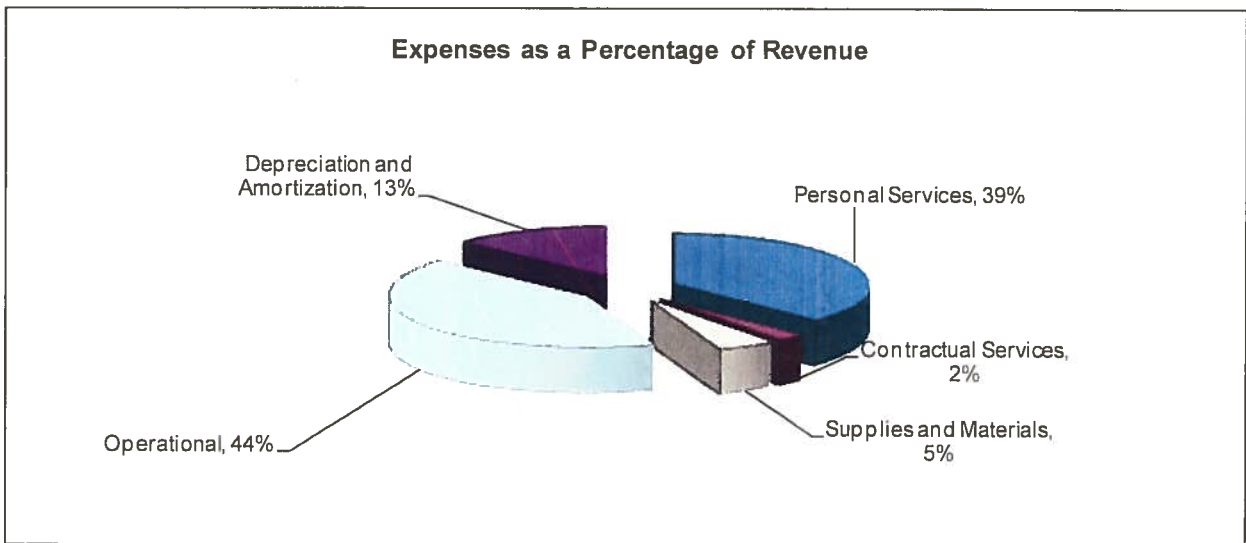
Condensed Statement of Revenues, Expenses and Changes in Net Position:

CONDENSED STMT. OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	2015	2014
Operating Revenues	\$ 2,313,573	\$ 2,307,187
Other Revenues	30,008	28,593
Total Revenues	<u>2,343,581</u>	<u>2,335,780</u>
Operating Expenses	2,077,769	1,973,269
Depreciation and Amortization	312,106	311,321
Non-operating Expenses	171,628	180,173
Total Expenses	<u>2,561,503</u>	<u>2,464,763</u>
Income/(Loss) Before Capital Contributions and Grants	(217,922)	(128,983)
Capital Contributions	25,950	31,450
Change in Net Position	(191,972)	(97,533)
Beginning Net Positions	<u>8,220,613</u>	<u>8,318,146</u>
Ending Net Position	<u>\$ 8,028,641</u>	<u>\$ 8,220,613</u>

The following chart shows the difference between net revenues and net income for the years ended December 31, 2015 and 2014.



The following pie chart shows expenses as a percentage of revenue for the year ended December 31, 2015.



Capital Assets

The net book value of the District's capital assets as of December 31, 2015 and 2014 are \$10,405,558 and \$10,699,966.

	2015	2014
Land	\$ 50,235	\$ 50,235
Construction in Progress	11,234	-
Buildings	151,733	151,733
Plant & Equipment	15,763,824	15,757,360
Total Capital Assets	<u>15,977,026</u>	<u>15,959,328</u>
Less: Accumulated Depreciation	<u>(5,571,468)</u>	<u>(5,259,362)</u>
Capital Assets, Net	<u>\$ 10,405,558</u>	<u>\$ 10,699,966</u>

Debt Outstanding

At year-end, the District had \$3,754,000 in notes outstanding versus \$3,930,500 last year. Long-term debt outstanding decreased \$192,500, from 2014 to 2015.

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, 2015 and 2014

	2015	Restated 2014
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 588,951	\$ 574,486
Customer & Other Accounts Receivable, net	365,811	360,809
Inventory	95,142	89,825
Prepaid Expenses	12,314	10,866
Restricted Cash & Investments	1,223,071	1,196,068
Total Current Assets	2,285,289	2,232,054
NON-CURRENT ASSETS		
Capital Assets:		
Land & Construction in Progress	61,469	50,235
Other Capital Assets (net of accumulated depreciation)	10,344,089	10,649,731
Total Non-Current Assets	10,405,558	10,699,966
TOTAL ASSETS		
	12,690,847	12,932,020
DEFERRED OUTFLOWS OF RESOURCES		
Pension Contributions	173,092	75,678
Discount on Debt Refunding	56,380	59,876
Total DEFERRED OUTFLOWS OF RESOURCES	229,472	135,554
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable - Trade	82,665	65,986
Accrued & Withheld Taxes	17,028	16,057
Accrued Payroll	16,428	6,946
Customer Deposits	101,021	96,927
Deferred Revenue	10,064	10,064
Current Portion - Capital Lease	-	7,800
Liabilities Payable from Restricted Assets:		
Interest Payable	83,616	87,481
Current Portion - Revenue Bonds	189,500	173,500
Total Current Liabilities	500,322	464,761
NON-CURRENT LIABILITIES		
Long-Term Liabilities (Excluding Current Portion):		
Net Pension Liability	788,456	574,000
Non-Current Portion - Revenue Bonds	3,564,500	3,757,000
Total Non-Current Liabilities	4,352,956	4,331,000
TOTAL LIABILITIES		
	4,853,278	4,795,761
DEFERRED INFLOWS OF RESOURCES		
Pension Contributions	38,400	51,200
Total DEFERRED INFLOWS OF RESOURCES	38,400	51,200
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,651,558	6,761,666
Restricted	1,223,071	1,196,068
Unrestricted	154,012	262,879
Total NET POSITION	\$ 8,028,641	\$ 8,220,613

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2015 and 2014

	2015	Restated 2014
OPERATING REVENUES		
Charges for Services	\$ 2,228,590	\$ 2,229,483
Service Charges and Other	84,983	77,704
Total Operating Revenues	2,313,573	2,307,187
OPERATING EXPENSES		
Contractual Services	57,400	38,688
Supplies & Materials	112,705	122,163
Depreciation & Amortization	312,106	311,321
Personal Service	891,553	725,163
Operational	1,016,111	1,087,255
Total Operating Expenses	2,389,875	2,284,590
OPERATING INCOME (LOSS)	(76,302)	22,597
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	5,009	5,706
Interest Expenses and Fiscal Charges	(168,132)	(176,677)
Bond Issuance Costs	(3,496)	(3,496)
Gain (Loss) on Sale of Assets	-	3,501
Other income	24,999	19,386
Total Non-operating Revenues (Expenses)	(141,620)	(151,580)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(217,922)	(128,983)
Capital Contributions	25,950	31,450
CHANGE IN NET POSITION	(191,972)	(97,533)
NET POSITION		
Beginning of Year	8,220,613	8,318,146
End of Year	\$ 8,028,641	\$ 8,220,613

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2015 and 2014

	2015	Restated 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$ 2,308,571	\$ 2,296,124
Cash Payments to Employees for Services	(776,858)	(774,441)
Cash Payments to Suppliers for Goods & Services	(1,176,302)	(1,210,122)
Customer Deposits Received	25,950	21,650
Customer Deposits Returned	(21,855)	(16,675)
	359,506	316,536
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Principal Paid on Bonds	(176,500)	(169,500)
Interest Paid on Debt	(171,998)	(180,342)
Acquisition of Capital Assets and Construction in Progress	(17,698)	(32,625)
Payments on Capital Lease	(7,800)	(7,800)
Contributed Capital	25,950	31,450
Sale of Capital Assets	0	3,501
	(348,046)	(355,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other Income	24,999	19,393
Interest	5,009	5,723
	30,008	25,116
Net Cash Provided (Used) From Investing Activities	30,008	25,116
Net Increase (Decrease) In Cash and Cash Equivalents	41,468	(13,664)
Cash and Cash Equivalents - Beginning of Year	1,770,554	1,784,218
Cash and Cash Equivalents - End of Year	\$ 1,812,022	\$ 1,770,554
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 588,951	\$ 574,486
Restricted Cash and Cash Equivalents	1,223,071	1,196,068
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,812,022	\$ 1,770,554

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT
 STATEMENTS OF CASH FLOWS (CONTINUED)
 Years Ended December 31, 2015 and 2014

	2015	Restated 2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ (76,302)	\$ 22,597
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES		
Depreciation and Amortization	312,106	311,321
Change in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	(5,002)	(13,807)
(Increase) Decrease in Inventory	(5,317)	3,441
(Increase) Decrease in Prepaid Expenses	(1,448)	(697)
(Increase) Decrease in Deferred Outflows - Pension	(97,414)	999
Increase (Decrease) in Accounts Payable	16,679	(8,763)
Increase (Decrease) in Accrued and Withheld Taxes	971	6,439
Increase (Decrease) in Accrued Payroll	9,482	4,767
Increase (Decrease) in Customer Deposits	4,095	4,975
Increase (Decrease) in Deferred Revenue	-	10,064
Increase (Decrease) in Net Pension Liability	214,456	(76,000)
Increase (Decrease) in Deferred Inflows - Pensions	(12,800)	51,200
Total Reconciling Adjustments	435,808	293,939
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 359,506	\$ 316,536

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

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, 2015 and 2014, the allowance for doubtful accounts was \$205,769 and \$202,955.

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, 2015 and 2014

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, 2015 and 2014

NOTE 3: CASH AND CASH EQUIVALENTS

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

	<u>2015</u>	<u>2014</u>
Unrestricted:		
Cash	\$ 588,951	\$ 574,486
Total Unrestricted	<u>588,951</u>	<u>574,486</u>
Restricted:		
Cash	567,445	546,510
U. S. Treasury	155,626	149,558
	<u>723,071</u>	<u>696,068</u>
 Certificates of Deposit and Savings	 <u>500,000</u>	 <u>500,000</u>
 Total Restricted	 <u>1,223,071</u>	 <u>1,196,068</u>
 Total Cash and Cash Equivalents	 <u>\$ 1,812,022</u>	 <u>\$ 1,770,554</u>

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.

	<u>BANK AMOUNT</u>	
	<u>2015</u>	<u>2014</u>
Insured (FDIC) or Collateral Held by Pledging Bank's Securities in District's name	\$ 1,812,022	\$ 1,770,554
Uninsured or Uncollateralized	<u>-</u>	<u>-</u>
Total (Memorandum Only)	<u>\$ 1,812,022</u>	<u>\$ 1,770,554</u>

The carrying amounts of the District's deposits at December 31, 2015 and 2014 were \$1,812,022 and \$1,770,554 respectively and the bank balances were \$1,838,265 and \$1,789,141 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, 2015 and 2014

NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014 was as follows:

	Balance 12/31/14	Additions	Deletions	Balance 12/31/15
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in Progress	-	11,234	-	11,234
Total Capital Assets Not Being Depreciated	50,235	11,234	-	61,469
Capital Assets Being Depreciated:				
Buildings	151,733	-	-	151,733
Utility Plant	15,432,916	5,064	-	15,437,980
Service Equipment	272,743	-	-	272,743
Office Furniture and Equipment	51,701	1,400	-	53,101
Total Capital Assets Being Depreciated	<u>\$ 15,909,093</u>	<u>\$ 6,464</u>	<u>\$ -</u>	<u>\$ 15,915,557</u>
Accumulated Depreciation				
Buildings	\$ 79,138	\$ 4,435	\$ -	\$ 83,573
Utility Plant	4,948,679	293,427	-	5,242,106
Service Equipment	190,990	11,996	-	202,986
Office Furniture and Equipment	40,555	2,248	-	42,803
Total Accumulated Depreciation	<u>5,259,362</u>	<u>312,106</u>	<u>-</u>	<u>5,571,468</u>
Total Capital Assets Being Depreciated, Net	<u>10,649,731</u>	<u>(305,642)</u>	<u>-</u>	<u>10,344,089</u>
Total Capital Assets, Net	<u>\$ 10,699,966</u>	<u>\$ (294,408)</u>	<u>\$ -</u>	<u>\$ 10,405,558</u>

The District's depreciation expense for the year ended December 31, 2015 was \$312,106.

	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>(15,482)</u>	<u>10,649,731</u>
Total Capital Assets, Net	<u>\$ 10,963,180</u>	<u>\$ (278,696)</u>	<u>\$ (15,482)</u>	<u>\$ 10,699,966</u>

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

NOTE 5: LONG-TERM OBLIGATIONS

Revenue Bonds with principal payments are detailed as follows:

	<u>2015</u>	<u>2014</u>
1979 Waterworks Revenue Bond, original amount \$663,000 maturing January 1, 2019 with a rate of 5%	\$ 145,000	\$ 177,000
1994 Waterworks Revenue Bond, original amount \$466,000 maturing January 1, 2034, with a rate of 4.50%, principal payments commencing January 1, 1997	334,000	344,000
1995 Waterworks Revenue Bond, original amount \$675,000 maturing January 1, 2035, with a rate of 4.875%, principal payments commencing January 1, 1998	504,000	518,000
2001 Waterworks Revenue Bond, original amount \$252,000 maturing January 1, 2041, with a rate of 4.75%, principal payments commencing January 1, 2004	214,000	218,000
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	590,000	600,000
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	258,000	263,500
2004 Refinancing of 1987, 1989, 1990, and 1993 Waterworks Revenue Bonds, original amount \$2,610,000 maturing January 1, 2027, with a variable rate of 2.28%-4.405%, principal payments commencing January 1, 2005	<u>1,709,000</u>	<u>1,810,000</u>
Total Debt	3,754,000	3,930,500
Payments Due in Less Than One Year	<u>189,500</u>	<u>173,500</u>
Total Long-Term Obligations	<u>\$ 3,564,500</u>	<u>\$ 3,757,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2015 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
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	189,000	130,836	319,836
2021-2025	1,103,500	517,080	1,620,580
2026-2030	730,000	286,550	1,016,550
2031-2035	489,000	167,859	656,859
2036-2040	271,500	82,711	354,211
2041-2045	160,500	22,799	183,299
	<u>\$ 3,754,000</u>	<u>\$ 1,820,377</u>	<u>\$ 5,574,377</u>

GREEN-TAYLOR WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2015 and 2014

NOTE 5: LONG-TERM OBLIGATIONS - (CONTINUED)

	12/31/2014		12/31/2015	
	Balance	Additions	Reductions	Balance
Revenue Bonds	\$ 3,930,500	\$ -	\$ 176,500	\$ 3,754,000
	\$ 3,930,500	\$ -	\$ 176,500	\$ 3,754,000

NOTE 6: 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 7: PENSION PLAN

General information about the County Employees retirement system Hazardous & Non-Hazardous ("CERS")

Plan description – Employees of the Green-Taylor Water District are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided – CERS provides retirement, health insurance, death, and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Cost of living adjustments are provided at the discretion of the General assembly. Retirement is based on a factor of the number of years' service and the hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits

GREEN-TAYLOR WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2015 and 2014

NOTE 7: PENSION PLAN – (CONTINUED)

after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for non-service related disability benefits.

Contributions – Required contributions by the employee are based on the tier:

	Required contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The District's contribution requirement for CERS for the years ended December 31, 2015, 2014, and 2013 was \$75,016, \$75,678, and \$76,116 from the District and \$21,554, \$20,606, and \$19,757 from employees. The total covered payroll for CERS during the years ended December 31, 2015, 2014, and 2013 was \$431,084, \$412,119, and \$424,412.

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

At December 31, 2015, the District reported a liability of \$788,456 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At December 31, 2015, the District's proportion was 0.01834% percent.

For the year ended December 31, 2015, the District recognized pension expense of \$180,375. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,897	\$ -
Changes of assumptions	71,556	-
Net difference between projected and actual earnings on pension plan investments	5,654	38,400
Changes in proportion and differences between District contributions and proportionate share of contributions	14,968	-
District contributions subsequent to the measurement date	75,017	-
Total	\$ 173,092	\$ 38,400

GREEN-TAYLOR WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2015 and 2014

NOTE 7: PENSION PLAN – (CONTINUED)

\$75,017 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	(1,117)
2017	(1,117)
2018	(1,117)
2019	11,683
2020	10,269
Thereafter	41,076

Actuarial assumptions—the total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation		
Projected salary increases	3.50%	3.50%
Investment rate of return, net of investment expense & inflation	4.50%	4.0-8.2%
	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of December 31, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated

August 25, 2009. 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.

Discount rate—for CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earning were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

GREEN-TAYLOR WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2015 and 2014

NOTE 7: PENSION PLAN – (CONTINUED)

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table present the net pension liability of the Adair County Water District, calculated using the discount rates selected by CERS, as well as what the Adair County Water District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	686,720	788,456	890,192

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

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 8: 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.

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 9: CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

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

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES – (CONTINUED)

GASB 68 required retrospective application. Since the District's financial information is presented comparatively over two years, the 2014 beginning net position was adjusted to reflect the retrospective application. The adjustment resulted in a \$573,323 reduction in beginning net position on the Statement of Revenue, Expenses, and Changes in Net Position and an increase of \$76,677 of deferred outflows of resources – District contribution subsequent to the measurement date.

Net Position, January 1, 2014 as Previously Reported	\$ 8,891,469
Deferred outflows of resources	76,677
Net pension liability on January 1, 2014	<u>(650,000)</u>
Net position, January 1, 2014 as Restated	<u>\$ 8,318,146</u>

NOTE 10: SUBSEQUENT EVENT

The District's management has evaluated subsequent events through May 26, 2016, 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, 2015

	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
OPERATING REVENUES			
Charges for Services	\$ 2,323,800	\$ 2,228,590	\$ (95,210)
Service Charges and Other	70,000	84,983	14,983
Total Operating Revenues	<u>2,393,800</u>	<u>2,313,573</u>	<u>(80,227)</u>
OPERATING EXPENSES			
Contractual Services	43,600	57,400	(13,800)
Supplies & Materials	110,000	112,705	(2,705)
Depreciation & Amortization	311,000	312,106	(1,106)
Personal Service	747,200	891,553	(144,353)
Operational	1,025,500	1,016,111	9,389
Total Operating Expenses	<u>2,237,300</u>	<u>2,389,875</u>	<u>(152,575)</u>
OPERATING INCOME (LOSS)	<u>156,500</u>	<u>(76,302)</u>	<u>(232,802)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	5,600	5,009	(591)
Interest Expenses and Fiscal Charges	(174,500)	(168,132)	6,368
Miscellaneous Non-Utility Expense	(1,000)	(3,496)	(2,496)
Miscellaneous Non-Utility Income	-	24,999	24,999
Total Non-operating Revenues (Expenses)	<u>(169,900)</u>	<u>(141,620)</u>	<u>28,280</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(13,400)</u>	<u>(217,922)</u>	<u>(204,522)</u>
Capital Contributions	35,000	25,950	(9,050)
CHANGE IN NET POSITION	<u>21,600</u>	<u>(191,972)</u>	<u>(213,572)</u>
NET POSITION			
Beginning of Year	<u>(21,600)</u>	<u>8,220,613</u>	<u>8,242,213</u>
End of Year	<u>\$ -</u>	<u>\$ 8,028,641</u>	<u>\$ 8,028,641</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, 2015 and 2014, 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 May 26, 2016.

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. (2015-1)

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*.

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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

May 26, 2016

GREEN-TAYLOR WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2015

Internal Control Over Financial Reporting

2015-1 - 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.