

GREEN-TAYLOR WATER DISTRICT

FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	Pages	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	Pages	3-6
BASIC FINANCIAL STATEMENTS		
Statement of Net Position	Page	7
Statements of Revenue, Expenses and Changes in Net Position	Page	8
Statements of Cash Flows	Pages	9-10
NOTES TO FINANCIAL STATEMENTS	Pages	11-21
REQUIRED SUPPLEMENTARY INFORMATION		
Statement of Revenues, Expenditures and Changes in Net Position - Actual to Budget	Page	22
Schedule of the District's Proportionate Share of the CERS Net Pension Liability	Page	23
Schedule of Contributions to CERS	Page	24
Notes to Required Supplementary Information - CERS	Page	25
Schedule of the District's Proportionate Share of the CERS Net OPEB Liability	Page	26
Schedule of Contributions to CERS - OPEB	Page	27
Notes to Required Supplementary Information - CERS OPEB	Page	28
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	Page	29
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	Page	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	Page	31
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 <i>GOVERNMENTAL ACCOUNTING STANDARDS</i>	Pages	32-33
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	Pages	34-35

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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, 2019 and 2018, 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, 2019 and 2018, 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, budgetary comparison information, schedules of District's proportionate share of net pension and OPEB liabilities, and schedules of required contributions on pages 3 through 6 and pages 22 through 28 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards on Pages 29 and 30 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements of the District.

The Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information shown on pages 22 through 28 and the Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 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

September 30, 2020

# GREEN-TAYLOR WATER DISTRICT

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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, 2019 and 2018. 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.

### 2019 HIGHLIGHTS

During 2019, Green-Taylor Water District has been working on multiple infrastructure projects that were started in 2018. Customer growth has been about the same as the previous year. The general manager along with the Board of Commissioners and staff have worked diligently to minimize unnecessary spending while still working to improve water quality and the internal workings of the water system.

We are constantly looking for ways to improve water quality and water loss, while keeping our rates as low as possible. We have accepted a low interest loan from KIA to upgrade some of our outdated booster stations and tanks that have been problematic.

Overall, the Green-Taylor Water District has and is constantly making strides to provide the best water quality and at the lowest prices for our customers. We plan to continue improving our infrastructure into 2020 and will constantly work to maintain a safe and lucrative water system.

### 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, 2019 and 2018. 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	2019	2018
Cash and Investments	\$ 1,508,820	\$ 1,573,741
Other Assets	567,411	537,311
Capital Assets	11,558,046	10,301,453
Total Assets	<u>13,634,277</u>	<u>12,412,505</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	369,915	329,664
Pension Contribution	96,764	43,002
OPEB	175,324	115,487
OPEB Contribution	30,557	13,945
Discount on Debt Refunding	42,398	45,894
Total Deferred Outflows of Resources	<u>714,958</u>	<u>547,992</u>
LIABILITIES		
Current Liabilities	428,660	465,763
Long-term Liabilities	5,706,420	4,308,082
Total Liabilities	<u>6,135,080</u>	<u>4,773,845</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB	130,550	66,730
Pension	71,934	122,196
Premium in Debt Refunding	172,076	-
Total Deferred Inflows of Resources	<u>374,560</u>	<u>188,926</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	9,269,046	7,378,952
Restricted	1,109,878	1,028,321
Unrestricted	(2,539,329)	(409,547)
Total Net Position	<u>\$ 7,839,595</u>	<u>\$ 7,997,726</u>

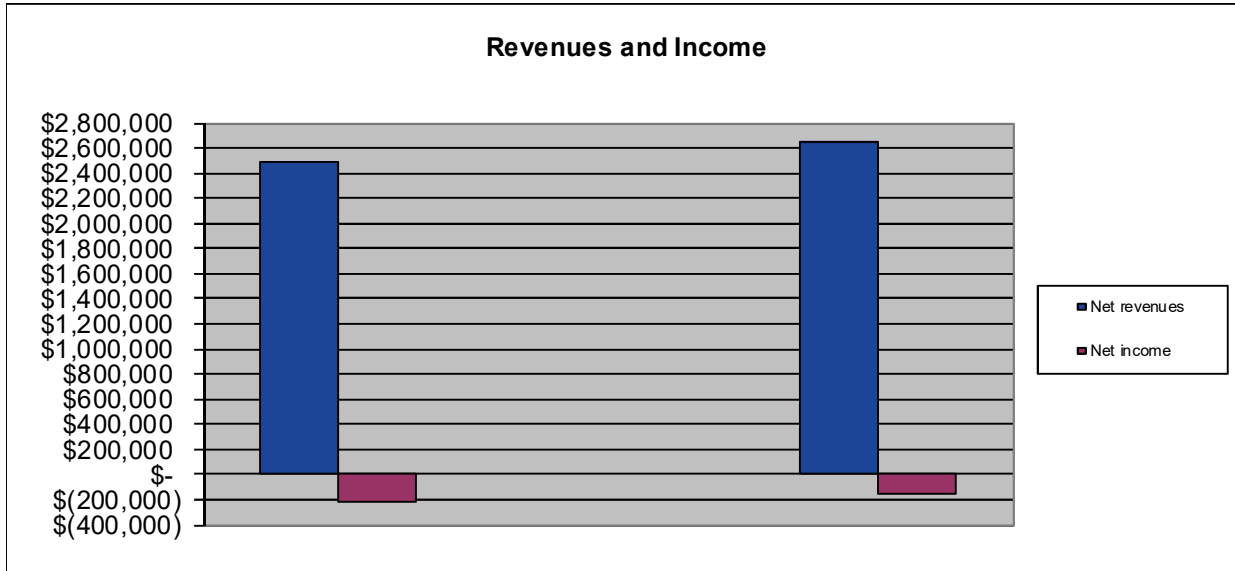
Net Position decreased \$156,665 from 2018 to 2019.

### 2019 Operating Results

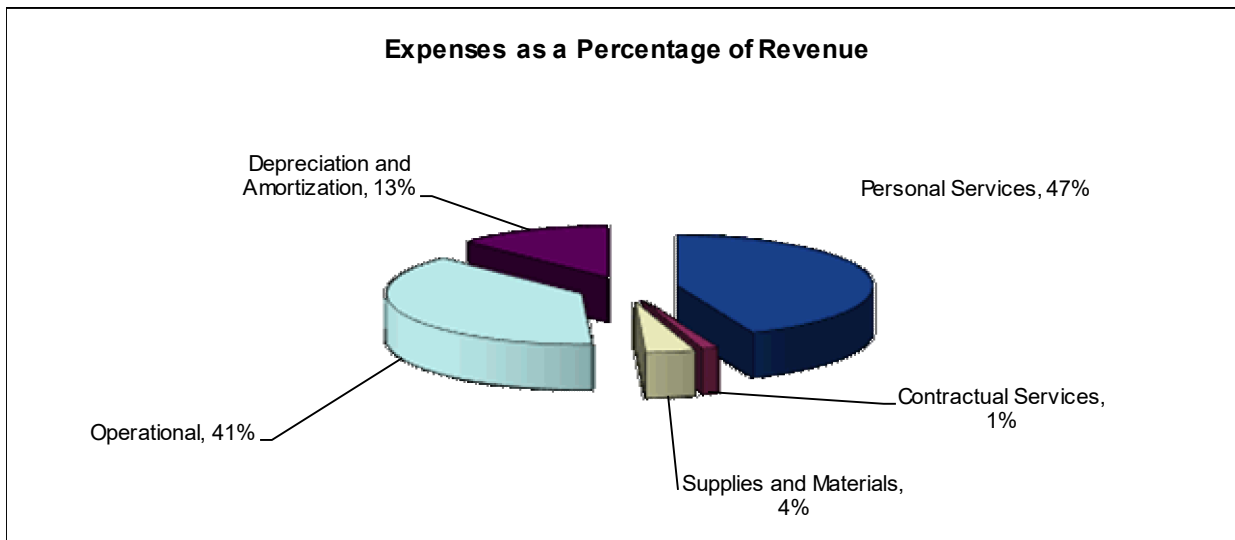
Condensed Statement of Revenues, Expenses and Changes in Net Position:

	2019	2018
Operating Revenues	\$ 2,644,218	\$ 2,491,125
Other Revenues	48,711	32,129
Total Revenues	<u>2,692,929</u>	<u>2,523,254</u>
Operating Expenses	2,460,906	2,355,972
Depreciation and Amortization	355,021	350,594
Non-operating Expenses	128,283	144,990
Total Expenses	<u>2,944,210</u>	<u>2,851,556</u>
Income/(Loss) Before Capital Contributions and Grants	(251,281)	(328,302)
Grants	-	162,196
Capital Contributions	93,150	30,175
Change in Net Position	<u>(158,131)</u>	<u>(135,931)</u>
Beginning Net Position	<u>7,997,726</u>	<u>8,133,657</u>
Ending Net Position	<u>\$ 7,839,595</u>	<u>\$ 7,997,726</u>

The following chart shows the difference between net revenues and net income for the years ended December 31, 2019 and 2018.



The following pie chart shows expenses as a percentage of revenue for the year ended December 31, 2019.



## Capital Assets

The net book value of the District's capital assets as of December 31, 2019 and 2018 are \$11,558,046 and \$10,301,453.

	CAPITAL ASSETS AT YEAR END	
	2019	2018
Land	\$ 50,235	\$ 50,235
Construction in Progress	2,061,639	482,962
Buildings	179,495	179,495
Plant & Equipment	16,095,511	16,062,574
Total Capital Assets	18,386,880	16,775,266
Less: Accumulated Depreciation	(6,828,834)	(6,473,813)
Capital Assets, Net	<u>\$ 11,558,046</u>	<u>\$ 10,301,453</u>

## Debt Outstanding

At year-end, the District had \$3,910,954 in notes outstanding versus \$2,922,500 last year. Long-term debt outstanding increased \$988,454, from 2018 to 2019.

## 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, Andrew Tucker at (270) 932-4947 or 250 Industrial Park Road, Greensburg, KY 42743.



GREEN-TAYLOR WATER DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash & Cash Equivalents	\$ 398,942	\$ 545,420
Customer & Other Accounts Receivable, net	430,819	410,789
Inventory	112,175	102,105
Prepaid Expenses	24,379	24,379
Interest Receivable	38	38
Restricted Cash & Investments	1,109,878	1,028,321
Total Current Assets	2,076,231	2,111,052
<b>NON-CURRENT ASSETS</b>		
Capital Assets:		
Land & Construction in Progress	2,111,875	533,198
Other Capital Assets (net of accumulated depreciation)	9,446,171	9,768,255
Total Non-Current Assets	11,558,046	10,301,453
<b>TOTAL ASSETS</b>	<b>13,634,277</b>	<b>12,412,505</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
CERS - Pension	369,915	329,664
CERS - Pension Contributions	96,764	43,002
CERS - OPEB	175,324	115,487
CERS - OPEB Contributions	30,557	13,945
Discount on Debt Refunding	42,398	45,894
TOTAL DEFERRED OUTFLOWS OF RESOURCES	714,958	547,992
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable - Trade	120,694	91,720
Accrued & Withheld Taxes	21,075	21,957
Accrued Payroll & Employee Benefits	16,004	16,004
Customer Deposits	91,937	85,602
Deferred Revenue	11,272	11,272
Liabilities Payable from Restricted Assets:		
Interest Payable	62,678	64,708
Current Portion - Revenue Bonds	105,000	174,500
Total Current Liabilities	428,660	465,763
<b>NON-CURRENT LIABILITIES</b>		
Long-Term Liabilities (Excluding Current Portion):		
Net Pension Liability	1,533,766	1,207,951
Net OPEB Liability	366,700	352,131
Non-Current Portion - Notes Payable	1,621,954	-
Non-Current Portion - Revenue Bonds	2,184,000	2,748,000
Total Non-Current Liabilities	5,706,420	4,308,082
<b>TOTAL LIABILITIES</b>	<b>6,135,080</b>	<b>4,773,845</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
CERS - OPEB	130,550	66,730
CERS - Pension	71,934	122,196
Premium on Debt Refunding	172,076	-
TOTAL DEFERRED INFLOWS OF RESOURCES	374,560	188,926
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	9,269,046	7,378,952
Restricted	1,109,878	1,028,321
Unrestricted	(2,539,329)	(409,547)
<b>TOTAL NET POSITION</b>	<b>\$ 7,839,595</b>	<b>\$ 7,997,726</b>

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 2,507,193	\$ 2,359,824
Service Charges and Other	137,025	131,301
Total Operating Revenues	2,644,218	2,491,125
<b>OPERATING EXPENSES</b>		
Contractual Services	38,067	47,203
Supplies & Materials	115,249	115,276
Depreciation & Amortization	355,021	350,594
Personal Service	1,231,479	1,166,723
Operational	1,076,111	1,026,770
Total Operating Expenses	2,815,927	2,706,566
OPERATING INCOME (LOSS)	(171,709)	(215,441)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	12,778	6,619
Interest Expenses and Fiscal Charges	(124,787)	(141,494)
Bond Issuance Costs	(3,496)	(3,496)
Insurance Proceeds	5,019	1,886
Gain on Disposal of Asset	8,401	-
Other income	22,513	23,624
Total Non-operating Revenues (Expenses)	(79,572)	(112,861)
<b>INCOME (LOSS) BEFORE GRANTS &amp; CAPITAL CONTRIBUTIONS</b>	(251,281)	(328,302)
Grants	-	162,196
Capital Contributions	93,150	30,175
<b>CHANGE IN NET POSITION</b>	(158,131)	(135,931)
<b>NET POSITION</b>		
Beginning of Year, Restated	7,997,726	8,133,657
End of Year	\$ 7,839,595	\$ 7,997,726

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received From Customers	\$ 2,624,189	\$ 2,532,907
Cash Payments to Employees for Services	(876,805)	(992,071)
Cash Payments to Suppliers for Goods & Services	(1,210,524)	(1,199,644)
Net Customer Deposits Received and Returned	6,335	(2,640)
Net Cash Provided (Used) By Operating Activities	543,195	338,552
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>		
Principal Paid on Debt	(2,922,500)	(499,119)
Proceeds from Debt	3,910,952	-
Interest Paid on Debt	(126,815)	(151,838)
Acquisition of Capital Assets and Construction in Progress	(1,611,614)	(259,991)
Gain/(Loss) on Disposal of Assets	8,401	-
Contributed Capital	93,150	30,175
Capital Grants	-	162,196
Proceeds from Insurance on Capital Assets	5,019	1,886
Net Cash Provided (Used) By Financing Activities	(643,407)	(716,691)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Other Income	22,513	23,624
Interest	12,778	6,681
Net Cash Provided (Used) From Investing Activities	35,291	30,305
Net Increase (Decrease) In Cash and Cash Equivalents	(64,921)	(347,834)
Cash and Cash Equivalents - Beginning of Year	1,573,741	1,921,575
Cash and Cash Equivalents - End of Year	\$ 1,508,820	\$ 1,573,741
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents	\$ 398,942	\$ 545,420
Restricted Cash and Cash Equivalents	1,109,878	1,028,321
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,508,820	\$ 1,573,741

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
Years Ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ (171,709)	\$ (215,441)
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES		
Depreciation and Amortization	355,021	350,594
Change in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	(20,030)	41,783
(Increase) Decrease in Inventory	(10,070)	(2,412)
(Increase) Decrease in Prepaid Expenses	-	498
(Increase) Decrease in Deferred Outflows	(170,462)	(119,899)
Increase (Decrease) in Accounts Payable	28,974	(8,480)
Increase (Decrease) in Accrued and Withheld Taxes	(882)	1,207
Increase (Decrease) in Accrued Payroll	-	7,162
Increase (Decrease) in Customer Deposits	6,335	(2,640)
Increase (Decrease) in Net Pension Liability	325,815	240,458
Increase (Decrease) in Net OPEB Liability	14,569	19,842
Increase (Decrease) in Deferred Inflows	185,634	25,880
Total Reconciling Adjustments	714,904	553,993
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 543,195	\$ 338,552

See accompanying notes to the financial statements.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

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.

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, 2019 and 2018, the allowance for doubtful accounts was \$242,336 and \$231,069.

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.

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.

Postemployment Benefits Other Than OPEB's (OPEB) - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement System (CERS) and addition to/deductions from CERS's fiduciary net position have been determined on the same basis they are reported by CERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

*Restricted*—this component of net 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."

NOTE 3: CASH AND CASH EQUIVALENTS

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

	2019	2018
Unrestricted:		
Cash	\$ 398,942	\$ 545,420
Total Unrestricted	398,942	545,420
Restricted:		
Cash	709,856	560,575
U. S. Treasury	-	167,724
	709,856	728,299
Certificates of Deposit and Savings	400,022	300,022
Total Restricted	1,109,878	1,028,321
Total Cash and Cash Equivalents	\$1,508,820	\$1,573,741

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.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

NOTE 3: CASH AND CASH EQUIVALENTS - CONTINUED

	BANK AMOUNT	
	2019	2018
Insured (FDIC) or Collateral Held by Pledging Bank's Securities in District's name	\$ 1,540,341	\$ 1,602,478
Uninsured or Uncollateralized	-	-
Total (Memorandum Only)	\$ 1,540,341	\$ 1,602,478

The carrying amounts of the District's deposits at December 31, 2019 and 2018 were \$1,508,820 and \$1,573,741 respectively and the bank balances were \$1,540,341 and \$1,602,478 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.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in Progress	482,962	1,578,677	-	2,061,639
Total Capital Assets Not Being Depreciated	533,197	1,578,677	-	2,111,874
Capital Assets Being Depreciated:				
Buildings	179,495	-	-	179,495
Utility Plant	15,532,180	-	-	15,532,180
Service Equipment	469,057	32,937	-	501,994
Office Furniture and Equipment	61,337	-	-	61,337
Total Capital Assets Being Depreciated	\$ 16,242,069	\$ 32,937	\$ -	\$ 16,275,006
Accumulated Depreciation				
Buildings	\$ 98,639	\$ 7,100	\$ -	\$ 105,739
Utility Plant	6,147,412	333,720	-	6,481,132
Service Equipment	178,540	10,651	-	189,191
Office Furniture and Equipment	49,222	3,550	-	52,772
Total Accumulated Depreciation	6,473,813	355,021	-	6,828,834
Total Capital Assets Being Depreciated, Net	9,768,256	(322,084)	-	9,446,172
Total Capital Assets, Net	\$ 10,301,453	\$ 1,256,593	\$ -	\$ 11,558,046

The District's depreciation expense for the year ended December 31, 2019 was \$355,021.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

NOTE 4: CAPITAL ASSETS - CONTINUED

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in Progress	323,635	159,327	-	482,962
Total Capital Assets Not Being Depreciated	373,870	159,327	-	533,197
Capital Assets Being Depreciated:				
Buildings	179,495	-	-	179,495
Utility Plant	15,439,837	92,343	-	15,532,180
Service Equipment	466,939	2,118	-	469,057
Office Furniture and Equipment	55,134	6,203	-	61,337
Total Capital Assets Being Depreciated	\$ 16,141,405	\$ 100,664	\$ -	\$ 16,242,069
Accumulated Depreciation				
Buildings	\$ 93,617	\$ 5,022	\$ -	\$ 98,639
Utility Plant	5,814,186	333,226	-	6,147,412
Service Equipment	168,862	9,678	-	178,540
Office Furniture and Equipment	46,554	2,668	-	49,222
Total Accumulated Depreciation	6,123,219	350,594	-	6,473,813
Total Capital Assets Being Depreciated, Net	10,018,186	(249,930)	-	9,768,256
Total Capital Assets, Net	\$ 10,392,056	\$ (90,603)	\$ -	\$ 10,301,453

NOTE 5: LONG-TERM OBLIGATIONS

Revenue Bonds with principal payments are detailed as follows:

	2019	2018
1994 Waterworks Revenue Bond, original amount \$466,000 maturing January 1, 2034, with a rate of 4.50%, principal payments commencing January 1, 1997	\$ -	\$ 300,000
1995 Waterworks Revenue Bond, original amount \$675,000 maturing January 1, 2035, with a rate of 4.875%, principal payments commencing January 1, 1998	-	457,000
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	-	556,000
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	-	242,500
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	-	1,367,000
2019 Series B Refinancing of 1995, 1996, 2004 and 2004A Revenue Bonds, original amount \$2,289,000, maturing January 1, 2043, with a rate of 2.74%, principal payments commencing January 1, 2021.	2,289,000	-



GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

NOTE 5: LONG-TERM OBLIGATIONS – CONTINUED

	2019	2018
Kentucky Infrastructure Authority Loan, F18-005, original amount \$1,842,071, maturing December 2049, with interest payments due semi-annually June and December, at a rate of 1.75%	\$ 1,621,954	\$ -
Total Debt	3,910,954	2,922,500
Payments Due in Less Than One Year	105,000	207,000
Total Long-Term Obligations	\$ 3,805,954	\$ 2,715,500

The annual requirements to amortize all bonded debt outstanding as of December 31, 2019 are as follows:

	Principal	Interest	Total
2020	\$ 105,000	\$ 112,337	\$ 217,337
2021	229,065	123,326	352,391
2022	244,065	113,255	357,320
2023	249,065	102,684	351,749
2024	264,065	9,612	273,677
2025-2029	1,065,326	293,820	1,359,146
2030-2034	655,326	161,792	817,118
2035-2039	405,326	89,788	495,114
2040-2044	369,326	48,435	417,761
2045-2049	324,390	19,869	344,259
	\$ 3,910,954	\$ 1,074,918	\$4,985,872

Long-Term liability activity for the year ended December 31, 2019, was as follows:

	12/31/2018 Balance	Additions	Reductions	12/31/2019 Balance	Due in One Year
Revenue Bonds	\$ 2,922,500	\$ 2,289,000	\$ 2,922,500	\$ 2,289,000	\$ 105,000
Net Pension Liability	1,207,951	325,815	-	1,533,766	-
Net OPEB Liability	352,131	14,569	-	366,700	-
Notes Payable	-	1,621,954	-	1,621,954	-
	\$ 4,482,582	\$ 4,251,338	\$ 2,922,500	\$ 5,811,420	\$ 105,000

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.

GREEN-TAYLOR WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2019 and 2018

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 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:

	<u>Required contribution</u>
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, 2019, 2018, and 2017 was \$89,223, \$71,180, and \$56,141 from the District and \$31,204, \$26,178, and \$21,715 from employees. The total covered payroll for CERS during the years ended December 31, 2019, 2018, and 2017 was \$564,084, \$523,566, and \$434,294.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

NOTE 7: PENSION PLAN - CONTINUED

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

At December 31, 2019, the District reported a liability of \$1,533,766 for its proportionate share of the net pension liability for CERS. The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.021808 percent.

For the year ended December 31, 2019, the District recognized pension expense of \$324,526. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 39,162	\$ 6,481
Changes of assumptions	155,235	-
Net difference between projected and actual earnings on pension plan investments	29,442	54,167
Changes in proportion and differences between District contributions and proportionate share of contributions	146,076	11,286
District contributions subsequent to the measurement date	96,764	-
Total	\$ 466,679	\$ 71,934

\$96,764 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2020	175,029
2021	92,590
2022	28,608
2023	1,754
2024	-
Thereafter	-

*Actuarial assumptions*—the total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS
Inflation	2.30%
Projected salary increases	3.05%
Investment rate of return, net of investment expense & inflation	6.25%

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.

GREEN-TAYLOR WATER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2019 and 2018

NOTE 7: PENSION PLAN - CONTINUED

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 6.25%. 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 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*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 Green-Taylor Water District, calculated using the discount rates selected by CERS, as well as what the Green-Taylor 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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	1,520,685	1,207,951	945,935

*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: POST EMPLOYMENT BENEFIT PLAN

**General Information about the OPEB Plan – CERS**

Medical Insurance Plan

*Plan description* - Employees whose positions do not require a degree beyond a high school diploma are covered by the Kentucky Retirement Systems’ Insurance Fund, a component of the 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/>.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

NOTE 8: POST EMPLOYMENT BENEFIT PLAN - CONTINUED

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability. The Kentucky Retirement Systems’ Insurance Fund offers coverage for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance based on years of service.

*Contributions* – In order to fund the post-retirement healthcare benefit, for Tier 1 plan members (those participating prior to September 1, 2008) 4.70% of the gross annual payroll of members is contributed, all of which is paid by the District. For Tier 2 plan members (those participating on, or after September 1, 2008 and before January 1, 2014) an additional 1% of the gross annual payroll is contributed by the plan member. Tier 3 plan members (those whose participation began after January 1, 2014) also contribute an additional 1% of their annual payroll into a Cash Balance Plan. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At December 31, 2019, the District reported a liability of \$366,700 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District’s proportion was 0.021802 percent.

For the year ended December 31, 2019, the Company recognized OPEB expense of \$53,861. At December 31, 2019, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 110,642
Changes of assumptions	108,510	726
Net difference between projected and actual earnings on pension plan investments	2,415	18,703
Changes in proportion and differences between Company contributions and proportionate share of contributions	64,399	479
Company contributions subsequent to the measurement date	30,557	-
Total	\$ 205,881	\$ 130,550

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

NOTE 8: POST EMPLOYMENT BENEFIT PLAN - CONTINUED

Of the total amount reported as deferred outflows of resources related to OPEB, \$30,557 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Company's OPEB expense as follows:

Year Ended December 31:	
2020	10,913
2021	10,913
2022	16,092
2023	6,140
2024	566
Thereafter	150

*Actuarial assumptions* – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation as of:	June 30, 2016
Actuarial cost method:	Entry age normal
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method:	Level percent of pay
Amortization period:	27 years, closed
Payroll growth rate:	4.00%
Investment return:	7.50%
Inflation:	3.25%
Salary increases:	4.00%, average
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.

These ranges are 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 by adding expected inflation.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2019 and 2018

NOTE 8: POST EMPLOYMENT BENEFIT PLAN - CONTINUED

*Discount rate* - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CERS – The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

*Discount rate* – For CERS, the projection of cash flows used to determine the discount rate of 5.84% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contributions rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 6.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

*Sensitivity of CERS proportionate share of net OPEB liability to changes in the discount rate*—The following table present the net OPEB liability of the District, calculated using the discount rates selected by each OPEB system, as well as what the District's net OPEB 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	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	491,227	366,700	264,098

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the City and the Campbellsville Water and Sewer Company's proportionate share of the collective net OPEB liability, as well as what the City and the Campbellsville Water and Sewer Company's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	272,717	366,700	480,666

NOTE 9: SUBSEQUENT EVENT

The District's management has evaluated subsequent events through September 30, 2020, 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, 2019

	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 2,557,981	\$ 2,507,193	\$ (50,788)
Service Charges and Other	164,500	137,025	(27,475)
Total Operating Revenues	<u>2,722,481</u>	<u>2,644,218</u>	<u>(78,263)</u>
<b>OPERATING EXPENSES</b>			
Contractual Services	43,000	38,067	4,933
Supplies & Materials	148,000	115,249	32,751
Depreciation & Amortization	341,000	355,021	(14,021)
Personal Service	999,500	1,231,479	(231,979)
Operational	999,300	1,076,111	(76,811)
Total Operating Expenses	<u>2,530,800</u>	<u>2,815,927</u>	<u>(285,127)</u>
OPERATING INCOME (LOSS)	<u>191,681</u>	<u>(171,709)</u>	<u>(363,390)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	5,300	12,778	7,478
Interest Expenses and Fiscal Charges	(125,053)	(124,787)	266
Miscellaneous Non-Utility Expense	-	(3,496)	(3,496)
Miscellaneous Non-Utility Income	-	-	-
Other Income	-	35,933	35,933
Total Non-operating Revenues (Expenses)	<u>(119,753)</u>	<u>(79,572)</u>	<u>40,181</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>71,928</u>	<u>(251,281)</u>	<u>(323,209)</u>
Grants	-	-	-
Capital Contributions	25,000	93,150	68,150
CHANGE IN NET POSITION	<u>96,928</u>	<u>(158,131)</u>	<u>(255,059)</u>
<b>NET POSITION</b>			
Beginning of Year	-	7,997,726	7,997,726
End of Year	<u>\$ -</u>	<u>\$ 7,839,595</u>	<u>\$ 7,742,667</u>

GREEN-TAYLOR WATER DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY  
 December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.021808%	0.019834%	0.016529%	0.018440%	0.017980%	0.017693%
District's proportionate share of the net pension liability (asset)	1,533,766	1,207,951	967,493	908,107	788,456	574,000
District's covered-employee payroll	564,084	523,566	434,294	422,789	431,084	412,119
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	271.90%	230.72%	222.77%	214.79%	182.90%	139.28%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

GREEN-TAYLOR WATER DISTRICT  
SCHEDULE OF CONTRIBUTIONS TO CERS  
December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 89,223	\$ 71,182	\$ 56,141	\$ 55,093	\$ 54,410	\$ 54,907
Contributions in relation to the contractually required contribution	<u>(89,223)</u>	<u>(71,182)</u>	<u>(56,141)</u>	<u>(55,093)</u>	<u>(54,410)</u>	<u>(54,907)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 564,084	\$ 523,566	\$ 434,294	\$ 422,789	\$ 431,084	\$ 412,119
Contributions as a percentage of covered-employee payroll	15.82%	13.60%	12.93%	13.03%	12.62%	13.32%

GREEN-TAYLOR WATER DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CERS  
For the Year Ended December 31, 2019

NOTE 1 – CHANGES OF BENEFIT TERMS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member whose participation date in on or after January 1, 2014.

NOTE 2 – CHANGES OF ASSUMPTION

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 year period.

2015:

1. The assumed investment rate of return was decreased from 7.75% to 7.50%.
2. The assumed rate of inflation was reduced from 3.50% to 3.25%.
3. The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
4. Payroll growth assumption was reduced from 4.50% to 4.00%.
5. The mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
6. For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
7. The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

GREEN-TAYLOR WATER DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET OPEB LIABILITY  
 December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.021802%	0.019833%	0.016529%
District's proportionate share of the net OPEB liability (asset)	\$ 366,700	\$ 352,131	\$ 332,289
District's covered-employee payroll	\$ 564,084	\$ 523,566	\$ 434,294
District's proportionate share of the net OPEB liability (asset) as a percentage of it covered-employee payroll	65.01%	67.26%	76.51%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%

GREEN-TAYLOR WATER DISTRICT  
SCHEDULE OF CONTRIBUTIONS TO CERS - OPEB  
December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 35,311	\$ 23,105	\$ 19,036
Contributions in relation to the contractually required contribution	<u>(35,311)</u>	<u>(23,105)</u>	<u>(19,036)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 564,084	\$ 523,566	\$ 434,294
Contributions as a percentage of covered-employee payroll	6.26%	4.41%	4.38%

GREEN-TAYLOR WATER DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – CERS OPEB  
 For the Year Ended December 31, 2019

NOTE 1 – CHANGES OF BENEFIT TERMS

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP – participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

NOTE 2 – METHODS AND ASSUMPTIONS USED IN ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine the contribution rates reported in that schedule for the year ending June 30, 2019.

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount Rate	8.00%
Healthcare cost trend rates:	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

SCHEDULE OF EXPENDITURES OF FERDERAL AWARDS



GREEN-TAYLOR WATER DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended December 31,2019

	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<u>Environmental Protection Agency</u>		
Passed through the Kentucky Infrastructure Authority: Drinking Water State Revolving Fund	66.468	<u>\$ 1,267,642</u>
Totals for Environmental Protection Agency		<u>1,267,642</u>
Total Federal Financial Assistance		<u><u>\$ 1,267,642</u></u>

GREEN-TAYLOR WATER DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of Green-Taylor Water District under programs of the federal government of the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Green-Taylor Water District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Green-Taylor Water District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

Green-Taylor Water District has elected not to use the 10-percent de-minimis indirect cost rate allowed in the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

There were no sub-recipients during the year.

## Section I - Summary of Auditors' Results

### Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes        X   None Noted

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

### Federal Awards

Internal control over major programs?

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant Deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes        X   None Noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)? \_\_\_\_\_ Yes        X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Environmental Protection Agency Passed through the Kentucky Infrastructure Authority: Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs:   \$750,000  

Auditee qualified as low-risk auditee?   X   Yes      \_\_\_\_\_ No

## Section II - Financial Statement of Findings

No matters were reported

## Section III - Federal Award Findings and Questioned Costs

No matters were reported.

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, 2019 and 2018, 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 September 30, 2020.

**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. 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.

**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

September 30, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited Green-Taylor Water District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Green-Taylor Water District's major federal programs for the year ended December 31, 2019. Green-Taylor Water District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Green-Taylor Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Green-Taylor Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Green-Taylor Water District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Green-Taylor Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

## Report on Internal Control Over Compliance

Management of Green-Taylor Water District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Green-Taylor Water District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Green-Taylor Water District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wise, Buckner, Sprowles & Associates PLLC*

Wise, Buckner, Sprowles & Associates PLLC  
Certified Public Accountants

Campbellsville, Kentucky  
September 30, 2020