

Simpson County Water District

**Component Unit of Simpson
County, Kentucky**

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2015 and 2014**



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REPORT



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Simpson County Water District
Franklin, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Simpson County Water District (the "District"), a component unit of Simpson County, Kentucky, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Simpson County Water District as of December 31, 2015 and 2014, and the respective changes in financial position, and, where applicable, its 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 on pages 6 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedules of budgetary comparison are presented for purposes of additional analysis and are not a required part of the basic financial statements. We do not express an opinion or provide any assurance on the schedules of budgetary comparison 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 April 8, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.



FINANCIAL STATEMENTS

Management's Discussion and Analysis

This section of Simpson County Water District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2015 and 2014. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

The following are highlights of Simpson County Water District for the year ending December 31, 2015:

- In 2015, Total Net Position increased by \$762,687 or 6.5% to \$12,527,536 from \$11,764,849 in 2014 due to increases in short-term investments and capital assets. In 2014, Total Net Position increased by \$149,932 or 1.3% to \$11,764,849 from \$11,614,917 in 2013 due to increases in short-term investments.
- In 2015, Total Revenue decreased by \$10,517 or -0.5% to \$2,056,817 compared to \$2,067,334 in 2014 due to a decreases in residential metered water sales. In 2014, Total Revenue increased by \$102,155 or 5.2% to \$2,067,334 compared to \$1,965,179 in 2013 due to increases in metered water sales resulting during extreme weather in the winter and summer months.
- In 2015, Total Expenses decreased by \$39,256 or -2.0% to \$1,954,412 compared to \$1,993,668 in 2014 due to decreases operating costs and interest expense. In 2014, Total Expenses increased by \$85,318 or 4.5% to \$1,993,668 compared to \$1,908,350 in 2013 mainly due to an increase in purchased water costs to meet customer demand during the extreme periods of the winter and summer months.
- In 2015, Income Before Capital Contributions increased by \$28,739 or 39% to \$102,405 compared to \$73,666 in 2014 due to decreases in operating costs. In 2014, Income Before Capital Contributions increased by \$16,837 or 29.6% to \$73,666 compared to \$56,829 in 2013 due and increase in metered water sales.
- In 2015, Total Capital Investment decreased by \$84,545, net of depreciation, or -0.7% to \$12,416,456 from \$12,501,001 in 2014 due to the net impact fewer asset additions reduced by accumulated depreciation for the year. In 2014, Total Capital Investment decreased by \$144,484, net of depreciation, or -1.1% to \$12,501,001 from \$12,645,485 in 2013 due accumulated depreciation charged against assets throughout the year.
- Total water sold to customers during the year amounted to 313.3 million gallons. The peak demand month was September with 36.5 million gallons sold. The peak demand day in June totaled 1.5 million gallons sold.
- New meter applications in year 2015 and year 2014 totaled 22 and 20 respectively and the number of customers at the end of the year totaled 3,355 consisting of 3,014 residential customers and 341 commercial customers.
- The District's water system includes 397 miles of distribution main serving an average of 8.5 customers per mile.

- Average metered water revenue was \$32.47 per residential customer and \$196.50 per commercial customer.

Overview of the Financial Statements

This annual report includes the District's management discussion and analysis report (MD&A), the independent auditor's report, and the basic financial statements of Simpson County Water District. The basic financial statements also include notes that explain in more detail some of the information presented in the financial statements.

Financial Analysis

The following sections include a budgetary analysis for fiscal years ended December 31, 2015 and 2014 and analysis of net position, revenue and expense, and capital assets for the fiscal years ended December 31, 2015 and 2014. In some sections year 2013 results are provided for comparison purposes.

Budgetary Analysis for the Year Ended December 31, 2015

Total Revenue was less than budgeted revenue by \$7,133, or -0.3%, due to anticipated metered water sales being slightly under budget. Total metered water sales were less than budgeted sales by \$5,620, or 0.3%, with residential sales below budget by \$4,520 and commercial sales below budget by \$1,100.

Total Expenses were lower than budgeted expenses by \$44,458, or -2.2%. *Operating Expenses* related to providing water service and maintaining the District's water distribution system were less than budget by \$39,550, or -2.6%. Operating expenses include: (1) wages and benefits that were under budget by \$19,417; (2) purchased water that was under budget by \$18,500; and (3) various other costs which were under budget by a net amount of \$1,633.

Net income totaled \$102,405 for the year or 57.4% more than budgeted and *Capital contributions* were higher than budget by \$31,382.

Table 1
SIMPSON COUNTY WATER DISTRICT
Combined Statement of Revenues, Expenses, and Changes in Net Position
Comparison to Budget

	<u>Actual 2015</u>	<u>Budget 2015</u>	<u>Variance</u>	<u>% Change</u>
Revenues:				
Residential Water Sales	\$ 1,173,480	\$ 1,178,000	(4,520)	-0.4%
Commercial Water Sales	802,900	804,000	(1,100)	-0.1%
Forfeited Discounts	24,767	24,900	(133)	-0.5%
Interest Income	16,715	16,410	305	1.9%
Miscellaneous Service Revenue & Other	<u>38,955</u>	<u>40,640</u>	<u>(1,685)</u>	-4.1%
Total Revenue	<u>2,056,817</u>	<u>2,063,950</u>	<u>(7,133)</u>	-0.3%
Expenses:				
Operating Expenses	1,484,130	1,523,680	(39,550)	-2.6%
Depreciation	378,284	381,340	(3,056)	-0.8%
Interest Expense	89,081	90,930	(1,849)	-2.0%
Amortized Debt Expense	<u>2,917</u>	<u>2,920</u>	<u>(3)</u>	-0.1%
Total Expenses	<u>1,954,412</u>	<u>1,998,870</u>	<u>(44,458)</u>	-2.2%
Net Income	\$ 102,405	\$ 65,080	37,325	57.4%
Capital Contributions	<u>660,282</u>	<u>628,900</u>	<u>31,382</u>	5.0%
Net Income After Contributions	<u>\$ 762,687</u>	<u>\$ 693,980</u>	<u>68,707</u>	9.9%

Budgetary Analysis for the Year Ended December 31, 2014

Total Revenue was greater than budgeted revenue by 4.8% or \$95,219 due to higher than anticipated metered water sales during extreme weather periods in the winter and summer months. Total metered water sales were greater than budgeted sales by 4.6%, or \$86,571 with residential sales below budget by \$31,757 and commercial sales above budget by \$118,328.

Total Expenses were higher than budgeted expenses by 4.7% or \$89,103. *Operating Expenses* related to providing water service and maintaining the District's water distribution system were higher than budget by 6.6%, or \$94,545. Operating expenses include: (1) purchased water that was over budget by \$55,950; (2) wages and benefits that were over budget by \$23,736; and (3) various other costs which were over budget by a net amount of \$14,859.

Net income totaled \$73,666 for the year or 9.1% more than budgeted. *Capital contributions* were below budget by \$1,667,834 due to construction on a highway relocation project that was delayed until Fall 2015. The project will be fully funded by the Kentucky Department of Transportation.

Table 2
 SIMPSON COUNTY WATER DISTRICT
 Combined Statement of Revenues, Expenses, and Changes in Net Position
 Comparison to Budget

	<u>Actual 2014</u>	<u>Budget 2014</u>	<u>Variance</u>	<u>% Change</u>
<u>Revenues:</u>				
Residential Water Sales	\$ 1,186,343	\$ 1,218,100	(31,757)	-2.6%
Commercial Water Sales	797,728	679,400	118,328	17.4%
Forfeited Discounts	24,220	24,530	(310)	-1.3%
Interest Income	15,223	14,665	558	3.8%
Miscellaneous Service Revenue & Other	<u>43,820</u>	<u>35,420</u>	<u>8,400</u>	<u>23.7%</u>
Total Revenue	<u>2,067,334</u>	<u>1,972,115</u>	<u>95,219</u>	<u>4.8%</u>
<u>Expenses:</u>				
Operating Expenses	1,521,705	1,427,160	94,545	6.6%
Depreciation	374,530	376,190	(1,660)	-0.4%
Interest Expense	94,449	94,770	(321)	-0.3%
Amortized Debt Expense	<u>2,984</u>	<u>6,445</u>	<u>(3,461)</u>	<u>-53.7%</u>
Total Expenses	<u>1,993,668</u>	<u>1,904,565</u>	<u>89,103</u>	<u>4.7%</u>
Net Income	\$ 73,666	\$ 67,550	6,116	9.1%
Capital Contributions	<u>76,266</u>	<u>1,744,100</u>	<u>(1,667,834)</u>	<u>-95.6%</u>
Net Income After Contributions	<u>\$ 149,932</u>	<u>\$ 1,811,650</u>	<u>(1,661,718)</u>	<u>-91.7%</u>

Statement of Net Position

A summary of the District's Statement of Net Position is presented in Table 3. The District's assets and deferred outflows exceeded liabilities by \$12,527,536 for the year ending December 31, 2015.

Total Assets amounted to \$15,171,596 and increased by \$581,260 or 4% from last year. *Current and Other Assets* which include funds for general operations, accounts receivable, interest receivable, and prepaid assets increased by \$302,571 or 35.7% due to increases short-term investments and accounts receivable. *Non-Current Assets* which include funds for principal & interest payments, funds for future repairs & improvements, and customer deposits decreased by \$226,181 or -19.8% due to decreases in long term investments. *Capital Assets* include the District's investment in land, distribution mains, pump stations, service lines, storage tanks, and construction in progress. Capital assets totaled \$13,105,356 and increased by \$504,870 or 4%, due the Highway 31W Relocation Project (Interstate 65 to Highway 1008) that is under construction.

Total Liabilities amounted to \$2,658,100 and decreased by \$183,358 or -6.5% from last year. *Current Liabilities* which include accounts payable, interest payable, and long-term debt due within one year decreased by \$43,556 or -14.2%. *Non-Current Liabilities* which includes developer rebates payable, customer deposits, unamortized premiums and discounts on refunded bonds, and long term debt obligations decreased by \$139,802 or -5.5%.

Total Net Position amounted to \$12,527,536 an increase of \$762,687 or 6.5% from last year. *Net Position Invested in Capital Assets* which includes the District's transmission & distribution facilities net of related debt increased by \$644,953 or 6.4%. *Restricted for Depreciation Reserves* which are funds set aside for future system repairs and improvements increased by \$29,640, or 5.3%. *Unrestricted Net Assets* increased by \$88,094 or 6.5%.

Table 3
SIMPSON COUNTY WATER DISTRICT
Condensed Statement of Net Position
December 31, 2015

	<u>Year 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>	Increase (Decrease)	
				<u>Yr. 2014 to Yr. 2015</u>	
Current and Other Assets	\$ 1,149,572	\$ 847,001	\$ 614,975	\$ 302,571	35.7%
Non-Current Assets	916,668	1,142,849	1,258,080	(226,181)	-19.8%
Capital Assets	<u>13,105,356</u>	<u>12,600,486</u>	<u>12,670,879</u>	<u>504,870</u>	4.0%
Total Assets	<u>\$ 15,171,596</u>	<u>\$ 14,590,336</u>	<u>\$ 14,543,934</u>	<u>581,260</u>	4.0%
Deferred amount on debt refundings	<u>\$ 14,040</u>	<u>\$ 15,971</u>	<u>\$ 18,112</u>	<u>(1,931)</u>	-12.1%
Current Liabilities	262,877	306,433	271,480	(43,556)	-14.2%
Non-Current Liabilities	<u>2,395,223</u>	<u>2,535,025</u>	<u>2,675,649</u>	<u>(139,802)</u>	-5.5%
Total Liabilities	2,658,100	2,841,458	2,947,129	(183,358)	-6.5%
Net position invested in capital					
assets, net of related debt	\$ 10,754,377	\$ 10,109,424	\$ 10,040,801	644,953	6.4%
Restricted for depreciation reserves	585,390	555,750	526,110	29,640	5.3%
Unrestricted	<u>1,187,769</u>	<u>1,099,675</u>	<u>1,048,006</u>	<u>88,094</u>	8.0%
Total Net Position	<u><u>12,527,536</u></u>	<u><u>11,764,849</u></u>	<u><u>11,614,917</u></u>	<u><u>762,687</u></u>	6.5%

Statement of Revenues, Expenses and Changes in Net Assets

This statement identifies various revenue and expense items which impact the change in net position. A summary of this statement is presented in Table 4 below.

Table 4
SIMPSON COUNTY WATER DISTRICT
Combined Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2015

	<u>Year 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>	<u>Increase (Decrease) Yr. 2014 to Yr. 2015</u>	
<u>Revenues:</u>					
Residential Water Sales	\$ 1,173,480	\$ 1,186,343	\$ 1,116,426	\$ (12,863)	-1.1%
Commercial Water Sales	802,900	797,728	769,989	5,172	0.6%
Forfeited Discounts	24,767	24,220	23,814	547	2.3%
Interest Income	16,715	15,223	13,783	1,492	9.8%
Miscellaneous Service Revenue	<u>38,955</u>	<u>43,820</u>	<u>41,167</u>	<u>(4,865)</u>	-11.1%
Total Revenue	<u>2,056,817</u>	<u>2,067,334</u>	<u>1,965,179</u>	<u>(10,517)</u>	-0.5%
<u>Expenses:</u>					
Operating Expenses	1,484,130	1,521,705	1,430,172	(37,575)	-2.5%
Depreciation	378,284	374,530	354,383	3,754	1.0%
Interest Expense	89,081	94,449	97,703	(5,368)	-5.7%
Amortized Debt Expense	<u>2,917</u>	<u>2,984</u>	<u>26,092</u>	<u>(67)</u>	-2.2%
Total Expenses	<u>1,954,412</u>	<u>1,993,668</u>	<u>1,908,350</u>	<u>(39,256)</u>	-2.0%
Income Before Capital Contributions	102,405	73,666	56,829	28,739	39.0%
Capital Contributions	<u>660,282</u>	<u>76,266</u>	<u>967,223</u>	<u>584,016</u>	765.8%
Increase in Net Position	762,687	149,932	1,024,052	612,755	408.7%
Net Position, Beginning of Year	<u>11,764,849</u>	<u>11,614,917</u>	<u>10,590,865</u>	<u>149,932</u>	1.3%
Net Position, End of Year	<u>\$ 12,527,536</u>	<u>\$ 11,764,849</u>	<u>\$ 11,614,917</u>	<u>762,687</u>	6.5%

Total Revenue decreased by \$10,517, or -0.5% from last year. *Residential and Commercial Water Sales* combined decreased by \$7,691 or -0.4% due to decreases in water demand. The volume of water sold during the year totaled 313.3 million gallons versus 319 million gallons last year, a 1.8% decrease of 5.7 million gallons. Water sales included a retail rate increase of 1.1% effective in January 2015 which resulted from a wholesale rate increase from the District's supplier, White House Utility District. *Forfeited Discounts* which are late penalties increased slightly and *Interest Income* increased by \$1,492 or 9.8%. *Miscellaneous Service Revenue* which includes connection fees, collection fees, and meter tampering fees decreased by \$4,865 or -11.1% due to fewer collection fees on past due accounts.

Total Expenses decreased by \$39,256, or -2.0% from last year. *Operating Expenses* decreased by \$37,575, or -2.5% and consists of the following: (1) employee wages and benefits decrease of \$20,990; (2) equipment expense decrease of \$6,543; and (3) all other expenses decreased by a net total of \$10,042. *Depreciation* increased by \$3,754 or 1.0% due to assets placed into service during the year and *Interest Expense* decreased by \$5,368 or -5.7% due to reductions in outstanding debt.

Capital Contributions totaled \$660,282 and increased by \$584,016 compared to last year. Contributions received include the following: the Kentucky Department of Transportation for the Highway 31W Relocation Project (Interstate 65 to Highway 1008) totaling \$561,144; the State of Tennessee for the Highway 109 Extension Project totaling \$52,467; the City of Franklin for fire hydrant installations totaling \$26,000; and various District customers for meter installations and extensions totaling \$20,671. *Net Position* at the end of the year totaled \$12,527,536, an increase of \$762,687, or 6.5% compared to the prior year.

Changes in Capital Assets

The largest portion of the District's assets is invested in the transmission & distribution facilities totaling \$12,416,456 on December 31, 2015. Changes by asset category are listed below in Table 5.

Table 5
SIMPSON COUNTY WATER DISTRICT
Changes in Capital Assets
(Net of Depreciation)

	December 31, <u>2015</u>	December 31, <u>2014</u>	December 31, <u>2013</u>	Increase (Decrease) <u>Yr. 2014 to Yr. 2015</u>	
<u>Capital Investment</u>					
Land	\$ 25,549	\$ 25,549	\$ 25,549	\$ -	0.0%
Structures	77	77	77	-	0.0%
Pumping Equipment	989,620	1,013,116	1,036,612	(23,496)	-2.3%
Storage Tanks	1,347,074	1,256,146	1,301,986	90,928	7.2%
Distribution Mains	8,175,089	8,348,089	8,431,821	(173,000)	-2.1%
SCADA Communications	25,742	26,204	26,789	(462)	-1.8%
Meters	1,302,230	1,300,518	1,287,177	1,712	0.1%
Hydrants	456,859	437,256	432,329	19,603	4.5%
Computer Hardware & Software	78,300	84,549	89,449	(6,249)	-7.4%
Furniture & Fixtures	902	986	657	(84)	-8.5%
Vehicles and Equipment	-	2,139	5,803	(2,139)	-100.0%
Other	<u>15,014</u>	<u>6,372</u>	<u>7,236</u>	<u>8,642</u>	135.6%
TOTAL Capital Investment	<u>\$ 12,416,456</u>	<u>\$ 12,501,001</u>	<u>\$ 12,645,485</u>	<u>\$ (84,545)</u>	-0.7%

The District's capital assets include the following: (1) 397 miles of distribution main, (2) 23 miles of service line, (3) 193 fire hydrants, size 4 ½ inch and 5 ¼ inch, (4) 7 storage tanks with storage capacity from 150,000 gallons to 500,000 gallons and total system storage capacity of 2.2 million gallons, and (5) 7 pumping stations.

Total Capital Investment decreased by \$84,545, or -0.7%, and reflects the net effect of the following: (1) Gold City Tank Repainting, \$136,768; (2) meter installations, \$53,292; (3) hydrant installations, \$29,660; (4) new radio system installation, \$10,011; (5) two control valve upgrades, \$12,651; other distribution mains and other assets, \$51,358; (5) less retirements, \$149,282: and (6) less depreciation for the year of \$229,003.

The above table does not include *Construction in Progress* totaling \$688,900 which includes Kentucky Department of Transportation for the Highway 31W Relocation Project (Interstate 65 to Highway 1008) project costs totaling \$594,940.

Long-Term Debt

The District's debt obligations include United States Department of Agriculture (USDA) bonds and Kentucky Rural Water Finance Corporation (KRWFC) loans. As of December 31, 2015, the District had \$2,380,000 in outstanding debt compared to \$2,523,000 in the previous year, a reduction of \$143,000 in principal.

Factors Affecting Next Year's Budget

- Growth within the District's service area is expected to add 15 new water connections.
- A normal weather year was projected.
- Expenditures required for maintaining existing water distribution and sewer collection systems.
- The impact of regulatory changes forthcoming from the Kentucky Division of Water and the Environmental Protection Agency.

The District's board of commissioners adopted the budget for year 2016 at its meeting held in October 2015. Metered water sales are budgeted to increase by 0.82%. Total revenue is budgeted to increase by 0.74% from year 2015, and total expenses are budgeted to increase by 2.95%. Debt service payments are expected to total \$226,130 with a reduction in outstanding debt of \$140,000. Net income for year 2016 is budgeted to total \$13,810. Capital expenditures for the year are budgeted to total \$1,571,380 and contributions from customers and governmental agencies for capital projects is expected to total \$1,321,000.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, Simpson County Water District, P.O. Box 10180, Bowling Green, KY 42102-4780. General information regarding the District can be found on our website located at www.simpsonwater.com.

Simpson County Water District
Statements of Net Position

<i>December 31,</i>	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 482,568	\$ 596,910
Short-term investments	404,898	152,982
Accounts receivable:		
Customer accounts receivable, net of allowance for uncollectibles of \$90,155 and \$86,069	45,184	36,919
Accounts receivable – other	205,216	48,832
Interest receivable	822	117
Prepaid insurance	10,884	11,241
Total current assets	1,149,572	847,001
Non-current assets		
Restricted cash and cash equivalents	429,010	404,160
Restricted investments	477,001	475,988
Investments	-	250,000
Other assets	10,657	12,701
Capital assets:		
Utility plant in service	17,669,200	17,524,744
Construction in progress	688,900	99,485
Less: accumulated depreciation	(5,252,744)	(5,023,743)
Net capital assets	13,105,356	12,600,486
Total non-current assets	14,022,024	13,743,335
Total assets	15,171,596	14,590,336
Deferred outflows of resources		
Deferred amount on debt refundings	14,040	15,971
Total deferred outflows of resources	14,040	15,971

See accompanying notes to the financial statements.

Simpson County Water District
Statements of Net Position

<i>December 31,</i>	2015	2014
Liabilities		
Current liabilities		
Accounts payable	14,754	22,750
Accounts payable – WCWD	59,636	73,827
Accrued interest payable	40,502	43,188
Other current liabilities	7,985	23,668
Current portion of long-term debt	140,000	143,000
Total current liabilities	262,877	306,433
Non-current liabilities		
Rebates payable	43,997	46,472
Customer deposits	126,207	124,520
Long-term obligations:		
Bonds and loans payable	2,380,000	2,523,000
Less: net unamortized bond (discount)/premium	(14,981)	(15,967)
Less: current portion of long-term debt	(140,000)	(143,000)
Net long-term obligations	2,225,019	2,364,033
Total non-current liabilities	2,395,223	2,535,025
Total liabilities	2,658,100	2,841,458
Net Position		
Net investment in capital assets	10,754,377	10,109,424
Restricted for depreciation reserves	585,390	555,750
Unrestricted	1,187,769	1,099,675
Total net position	\$ 12,527,536	\$ 11,764,849

See accompanying notes to the financial statements.

Simpson County Water District
Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2015	2014
Operating Revenues		
Metered sales		
Residential	\$ 1,173,480	\$ 1,186,341
Commercial	802,900	797,727
<hr/>		
Total metered sales	1,976,380	1,984,068
<hr/>		
Forfeited discounts	24,767	24,220
Miscellaneous service revenue	25,221	29,956
<hr/>		
Total operating revenues	2,026,368	2,038,244
<hr/>		
Operating Expenses		
Purchased water	939,580	942,340
Pumping expense		
Purchased power	22,491	25,478
Insurance	1,446	1,481
Miscellaneous	1,128	1,123
Professional services	1,173	1,153
<hr/>		
Total pumping expense	26,238	29,235
<hr/>		
General distribution expense		
Purchased power	4,932	4,728
Salaries and benefits	92,555	107,995
Materials and supplies	2,388	1,064
Insurance	7,109	7,282
Miscellaneous	18,296	22,717
Contractual services	11,427	13,797
Professional services	1,173	1,153
<hr/>		
Total general distribution expense	137,880	158,736
<hr/>		

See accompanying notes to the financial statements.

Simpson County Water District
Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2015	2014
Customer accounts expense		
Uncollectible accounts	4,085	4,367
Salaries and benefits	136,747	141,191
Materials and supplies	483	506
Insurance	1,446	1,481
Miscellaneous	14,304	16,260
Contractual services	38,162	36,052
Professional services	2,345	2,306
Total customer accounts expense	197,572	202,163
Maintenance expense		
Salaries and benefits	31,855	32,920
Materials and supplies	17,435	21,912
Miscellaneous	4,554	4,647
Contractual services	30,016	28,712
Professional services	2,346	2,306
Total maintenance expense	86,206	90,497
Administrative and general expense		
Salaries and benefits	43,546	43,586
Materials and supplies	3,992	3,709
Insurance	2,852	2,902
Miscellaneous	13,188	13,332
Contractual services	21,995	24,026
Professional services	7,180	7,378
Total administrative and general expense	92,753	94,933
Depreciation expense	378,284	374,530
Amortization expense	2,917	2,984
Total operating expenses	1,861,430	1,895,418
Operating income	164,938	142,826

See accompanying notes to the financial statements.

Simpson County Water District
Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2015	2014
Non-Operating Revenues (Expenses)		
Interest income	16,715	15,223
Rental income	13,734	13,864
Interest expense on long-term debt	(88,924)	(94,295)
Interest expense on customer deposits	(157)	(154)
PSC taxes	(3,901)	(3,798)
Total non-operating revenues (expenses)	(62,533)	(69,160)
Income before capital contributions	102,405	73,666
Capital contributions	660,282	76,266
Change in net position	762,687	149,932
Total net position – beginning of year	11,764,849	11,614,917
Total net position – end of year	\$ 12,527,536	\$ 11,764,849

See accompanying notes to the financial statements.

Simpson County Water District
Statements of Cash Flows

<i>Years Ended December 31,</i>	2015	2014
Cash Flows from Operating Activities		
Receipts from customers and agencies	\$ 1,861,719	\$ 2,052,932
Payments to suppliers for goods and services	(1,201,950)	(1,146,239)
Payments for contractual services	(304,703)	(325,692)
Net cash provided by operating activities	355,066	581,001
Cash Flows from Noncapital Financing Activities		
Interest paid on customer deposits	(157)	(154)
Net cash used in noncapital financing activities	(157)	(154)
Cash Flows from Capital and Related Financing Activities		
Principal repayment on long-term debt	(143,000)	(142,000)
Capital contributions	660,282	76,266
Purchases of capital assets	(883,154)	(304,137)
Interest paid on long-term debt	(91,610)	(94,957)
Net cash used in capital and related financing activities	(457,482)	(464,828)
Cash Flows from Investing Activities		
Purchase of short-term investments	(381,899)	(375,987)
Maturity of short-term investments	378,970	367,374
Interest income	16,010	15,638
Net cash provided by investing activities	13,081	7,025
Net (decrease) increase in cash and cash equivalents	(89,492)	123,044
Balances – beginning of year	1,001,070	878,026
Balances – end of year	\$ 911,578	\$ 1,001,070

See accompanying notes to the financial statements.

Simpson County Water District
Statements of Cash Flows

<i>Years Ended December 31,</i>	2015	2014
Reconciliation of Operating Income to Net Cash Provided		
By Operating Activities		
Operating income	\$ 164,938	\$ 142,826
Adjustment to reconcile net operating income to net cash provided by operating activities:		
Depreciation expense	378,284	374,530
Amortization expense	2,917	2,984
Payment of PSC taxes	(3,901)	(3,798)
Non-utility rental income	13,734	13,864
Changes in assets and liabilities:		
Net (increase) decrease in accounts receivable, net	(164,649)	14,688
Net decrease (increase) in prepaid insurance	357	(56)
Net decrease (increase) in deferred charges	2,044	(185)
Net (decrease) increase in accounts payable	(22,187)	33,703
Net decrease in rebates payable	(2,475)	(1,351)
Net (decrease) increase in other current liabilities	(15,683)	912
Net increase in customer deposits	1,687	2,884
Net cash provided by operating activities	\$ 355,066	\$ 581,001

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Simpson County Water District (“District”) is a tax-exempt division of Simpson County, Kentucky organized under KRS 74.010. The District provides a public water system to primarily citizens located in Simpson County, Kentucky.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The District is governed by a three-member board (the “Board”). The criteria for determining the District as a component unit of Simpson County, Kentucky, the primary government, is financial accountability. As set forth in GASB No. 14, *The Financial Reporting Entity*, a primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and it is able to impose its will on that organization. The commissioners of the Board are appointed by the Simpson County Judge Executive subject to the approval of the Simpson County Fiscal Court. Simpson County is able to impose its will on the District through the ability to remove appointed members of the Board at will.

Basis of Presentation

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The District’s basic financial statements include only proprietary fund financial statements because the District engages only in a single business-type activity.

The focus of proprietary fund measurement is upon determination of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. The generally accepted accounting principles applicable are similar to those businesses in the private sector. Amounts recorded as operating revenues are those revenues generated from general water service operations and all other revenues are recorded as non-operating revenues or capital contributions. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* — This component of net position consists of the District's net investment in capital assets, including restricted capital assets, net of accumulated depreciation, 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* — This component of net position consists of constraints placed on net position use through external 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* — This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

- *Accrual* — The proprietary fund financial statements are presented on the accrual basis of accounting. The District follows the practice of recording metered sales when billed to the customers and recording related expenses when billed to the water district. This results in a lag of recording revenue and related expenses. However, it does provide approximate matching of revenue and expenses and does not have a material effect between years.

Operating revenues are revenues generated from general water operations (water sales, forfeited discounts and miscellaneous service revenue) and all other non-water revenues are considered non-operating revenues.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash and Cash Equivalents

The District has defined cash and cash equivalents to include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Customer accounts receivable amounts arise from monthly water usage. Based on District policy, water meters are read monthly, with billings occurring approximately ten days subsequent to the reading. Once billed, the customer has 16 days to pay the amount due. If payment is not made by the due date, a two to four day grace period is granted. If payment is not made at the expiration of the grace period, a late penalty is assessed to water charges and delinquent notices are sent. Customers are given 14 days from the date of the delinquent notice to render payment. Customer service places calls to facilitate collection; if no payment is received, collection trips are made to the service location. If collection does not occur, the meter is shut off. If collection is considered unlikely, the balances are charged off as a bad debt expense in the period in which they were deemed uncollectible.

Management's periodic evaluation of the adequacy of the allowance for doubtful accounts is based on past loss experience, known and other risks inherent to the specific amount, adverse situations that may affect the customer's ability to render payment and current economic conditions. Management considers many factors in determining whether a receivable is impaired, such as payment history and changes in employment.

Concentration of Credit Risk

The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

Investments

Investments consist of certificates of deposit and are recorded at cost. The cost of investments approximates their fair value. KRS 66.480 permits the District to invest in U.S. Treasury obligations, certain federal instruments, repurchase agreements, commercial bank certificates of deposit and the Commonwealth of Kentucky investment pool.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has an ongoing activity of assessing the feasibility of installing additional lines to new service areas. Once an extension is considered feasible, there are additional engineering studies, applications to various funding agencies and project administrative costs. The District defers the ongoing activity and capitalizes these costs as part of the utility plant upon completion of the project.

Management's capitalization policy is based upon the assets' estimated future benefit. Depreciation is computed using the straight-line method over the estimated useful lives of the utility plant. The estimated useful lives range from 5 to 50 years for utility plant assets. Upon retirement, the cost of the asset, less any proceeds, is charged to accumulated depreciation.

The District capitalizes construction period interest on loans that were obtained to finance construction.

Non-Exchange Transactions

The recognition of assets and revenues resulting in non-exchange transactions of the District are as follows:

- *Voluntary Non-Exchange Transactions* — The District receives various grants from federal and state agencies. Eligibility requirements have been met at the time the funds are received; therefore, the asset/revenue is recognized when it is received.

Capital Contributions

Contributions are recognized in the statements of revenues, expenses and changes in net position when earned. Contributions may include connect fees, developer contributed utility systems, capital grants and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through April 8, 2016 which was the date the financial statements were made available.

NOTE 2: CASH AND CASH EQUIVALENT AND INVESTMENTS

Deposits

At December 31, 2015 and 2014, the District's deposits consisted of the following:

<i>December 31,</i>	2015	2014
Cash and cash equivalents	\$ 482,168	\$ 596,510
Restricted cash and cash equivalents	429,010	404,160
Short-term investments	404,898	152,982
Investments	-	250,000
Restricted investments	477,001	475,988
	\$ 1,793,077	\$ 1,879,640

The District maintains its deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2015 and 2014, respectively, the carrying amounts of the District's deposits were \$1,793,077 and \$1,879,640 and the bank balances were \$1,841,536 and \$1,881,358. Of the bank balances, \$1,841,536 and \$1,876,402 were covered by FDIC insurance or by collateral held by an institution for the pledging Bank, in the District's name.

Custodial Credit Risk — Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's formal deposit policy for custodial credit risk requires deposits in banks which are in excess of the FDIC insurance coverage to be secured by the bank pledging securities in direct obligations of the United States of America or by approved security bonds. As of December 31, 2015 and 2014, \$0 and \$4,956, respectively, of the District's bank balance was exposed to custodial credit risk.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. However, the District's bond agreement further limits its investment choices.

NOTE 2: CASH AND CASH EQUIVALENT AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. At December 31, 2015 and 2014, there are no investments in any one issuer that represents 5% or more of the total investments.

Interest Rate Risk

The District's investment policy limits investment maturities of less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Restricted Cash and Cash Equivalents and Investments

The sinking funds are restricted to the payment of principal and interest on long-term debt.

The depreciation funds are restricted to payment for improvements and approved repairs.

The customer deposits fund is restricted to hold customer deposits until service is terminated.

Restricted cash and cash equivalents consisted of the following at December 31, 2015 and 2014:

<i>December 31,</i>	2015	2014
Sinking funds	\$ 188,620	\$ 193,410
Depreciation funds	585,390	555,750
Customer deposits fund	132,001	130,988
	\$ 906,011	\$ 880,148

Simpson County Water District
Notes to the Financial Statements

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 is as follows:

As of and Year Ended December 31, 2015				
Description	Beginning	Increases	Decreases	Ending
Capital assets not being depreciated				
Land and land rights	\$ 25,549	\$ -	\$ -	\$ 25,549
Construction in progress	99,485	1,178,692	589,277	688,900
Total capital assets not being depreciated	125,034	1,178,692	589,277	714,449
Other capital assets				
Utility plant in service	17,499,195	293,740	149,284	17,643,651
Total other capital assets at historical cost	17,499,195	293,740	149,284	17,643,651
Less: accumulated depreciation	(5,023,743)	(378,284)	(149,283)	(5,252,744)
Capital assets, net	\$12,600,486	\$1,094,148	\$ 589,278	\$13,105,356

Capital asset activity for the year ended December 31, 2014 is as follows:

As of and Year Ended December 31, 2014				
Description	Beginning	Increases	Decreases	Ending
Capital assets not being depreciated				
Land and land rights	\$ 25,549	\$ -	\$ -	\$ 25,549
Construction in progress	25,394	390,041	315,950	99,485
Total capital assets not being depreciated	50,943	390,041	315,950	125,034
Other capital assets				
Utility plant in service	17,283,373	230,046	14,224	17,499,195
Total other capital assets at historical cost	17,283,373	230,046	14,224	17,499,195
Less: accumulated depreciation	(4,663,437)	(374,530)	(14,224)	(5,023,743)
Capital assets, net	\$12,670,879	\$ 245,557	\$ 315,950	\$12,600,486

NOTE 4: REBATES PAYABLE

These amounts are partially made up of private developers' unrecovered costs in installing water lines. Utility plant was increased for a like amount when the facilities were donated to the District. As meters are placed in the development, the developer receives half of the new customers' contribution for meters connected directly to the extension over the next ten years or up to the value of facilities constructed. The remaining balance in this account was obtained from subscriptions of prospective users of the District. When a meter is installed, the subscribed amount is transferred to capital contributions.

NOTE 5: LONG-TERM DEBT

The following bonds and loans were issued through USDA Rural Development (RD) and Kentucky Rural Water Finance Corporation (KRWFC):

Original Amount	Funding Agency	Series of	Interest Rate	<i>Balance as of December 31,</i>	
				2015	2014
\$ 1,060,000	RD	1995	4.88%	\$ 770,000	\$ 793,000
1,575,000	KRWFC	2012	2.20%-3.95%	1,400,000	1,460,000
330,000	KRWFC	2013	2.30%	210,000	270,000
				\$ 2,380,000	\$ 2,523,000

These bonds are secured by an exclusive pledge of a fixed portion of the income and revenues derived from the operation of the District's water distribution system and each has principal and interest sinking fund requirements along with depreciation reserves.

Unamortized net premiums and discounts on the KRWFC debt issuances noted previously totaled \$14,981 and \$15,967 as of and for the years ended December 31, 2015 and 2014, respectively. Related amortization expenses for the years ended December 31, 2015 and 2014 totaled \$986 and \$843, respectively.

Deferred outflows resulting from losses on the KRWFC debt refundings noted previously totaled \$14,040 and \$15,971 as of and for the years ended December 31, 2015 and 2014, respectively.

Simpson County Water District
Notes to the Financial Statements

NOTE 5: LONG-TERM DEBT (CONTINUED)

Long-term debt activity is as follows:

As of and Year Ended December 31, 2015					
Description	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Rural Development Bond, 1995 Kentucky Rural Water Finance Corp., 2012	\$ 793,000	\$ -	\$ 23,000	\$ 770,000	\$ 25,000
Kentucky Rural Water Finance Corp., 2012	1,460,000	-	60,000	1,400,000	60,000
Kentucky Rural Water Finance Corp., 2013	270,000	-	60,000	210,000	55,000
	\$ 2,523,000	\$ -	\$ 143,000	\$ 2,380,000	\$ 140,000

As of and Year Ended December 31, 2014					
Description	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Rural Development Bond, 1995 Kentucky Rural Water Finance Corp., 2012	\$ 815,000	\$ -	\$ 22,000	\$ 793,000	\$ 23,000
Kentucky Rural Water Finance Corp., 2012	1,520,000	-	60,000	1,460,000	60,000
Kentucky Rural Water Finance Corp., 2013	330,000	-	60,000	270,000	60,000
	\$ 2,665,000	\$ -	\$ 142,000	\$ 2,523,000	\$ 143,000

Simpson County Water District
Notes to the Financial Statements

NOTE 5: LONG-TERM DEBT (CONTINUED)

Principal and interest of various amounts are due at least annually in each of the years through 2034. The principal and interest due for each of the next five years and thereafter is as follows:

Year	Principal Amount	Interest Amount
2016	140,000	87,797
2017	131,000	84,083
2018	132,000	80,114
2019	134,000	75,749
2020	125,000	71,426
2021-2025	541,000	297,256
2026-2030	652,000	182,819
2031-2034	525,000	40,830
	\$ 2,380,000	\$ 920,074

NOTE 6: RELATED PARTIES

The Warren County Water District (WCWD) provides management, engineering, and repair and maintenance services to the District. The following related party amounts were included in accounts payable at December 31, 2015 and 2014:

Description	2015	2014
Warren County Water District	\$ 59,636	\$ 73,827
Butler County Water System	32	21

Simpson County Water District
Schedules of Budgetary Comparison

NOTE 6: RELATED PARTIES (CONTINUED)

During 2015 and 2014, expenses from the WCWD amounted to \$580,061 and \$560,098, respectively, for the following expenses:

Description	2015	2014
Wages and benefits:		
Operation	\$ 230,765	\$ 241,783
Administrative:		
Supervision and administration	71,387	75,563
Accounting	30,098	31,118
Customer service	39,066	43,315
Engineering	11,625	11,686
Operations - other	88,618	68,340
Additions to plant	19,704	17,527
Special projects	88,798	70,766
Totals	\$ 580,061	\$ 560,098

In the ordinary course of business, the District has and expects to continue to have transactions with WCWD. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

NOTE 7: RISKS OF LOSS

The District's risks of loss are addressed by the purchase of commercial insurance. These areas include employee dishonesty bonds, property coverage, vehicle coverage and a public entity liability policy which includes errors and omission. Coverage is reviewed for adequacy by management and agents on an annual basis.

NOTE 8: COMMITMENTS

On March 6, 1992, the District signed a water purchase agreement with the White House Utility District of Robertson and Sumner Counties, Tennessee ("WHUD"). The agreement provides WHUD will be the primary provider of water to the District. The contract shall extend for a term of forty years with an option to renew or extend the contract for an additional twenty years.

In 2015, the District signed an agreement totaling approximately \$557,000 for a water line relocation project. As of December 31, 2015, the District had incurred approximately \$517,000 of these costs.

Simpson County Water District
Schedules of Budgetary Comparison

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Metered revenue	\$ 2,044,000	\$ 1,982,000	\$ 1,976,380	\$ (5,620)
Forfeited discounts	24,900	24,900	24,767	(133)
Miscellaneous service revenue	24,330	24,330	23,413	(917)
Other water revenue	1,870	1,870	1,808	(62)
Interest income	16,410	16,410	16,715	305
Rental income - utility property	14,440	14,440	13,734	(706)
Contribution-in-aid of construction	1,007,850	628,900	660,282	31,382
Total revenues	3,133,800	2,692,850	2,717,099	24,249
Expenses				
Salaries and wages	201,230	194,230	184,851	9,379
Commissioner fees	10,800	10,800	10,800	-
Fringe benefits	135,890	129,890	119,852	10,038
Purchased water	992,080	958,080	939,580	18,500
Purchased power	32,000	28,000	27,423	577
Materials and supplies	29,810	23,810	24,298	(488)
Contractual services - accounting	9,350	9,350	9,382	(32)
Contractual services - legal	4,800	4,800	4,835	(35)
Contractual services - other	99,910	98,910	101,600	(2,690)
Rental of building and utilities	9,840	9,840	9,869	(29)
Equipment expense	36,600	30,600	26,754	3,846
Insurance - general liability	12,670	12,170	12,049	121
Insurance - other	800	800	804	(4)
Regulatory expense	3,800	3,800	3,901	(101)
Bad debt expense	4,600	4,600	4,085	515
Miscellaneous expense	4,000	4,000	4,047	(47)
Depreciation	388,340	381,340	378,284	3,056
Interest expense	90,930	90,930	89,081	1,849
Unamortized debt expense	2,920	2,920	2,917	3
Total expenses	2,070,370	1,998,870	1,954,412	44,458
Net change in net position	1,063,430	693,980	762,687	68,707
Net position - beginning of year	11,764,849	11,764,849	11,764,849	-
Net position - end of year	\$ 12,828,279	\$ 12,458,829	\$ 12,527,536	\$ 68,707

Simpson County Water District
Schedules of Budgetary Comparison

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Metered revenue	\$ 1,897,500	\$ 1,897,500	\$ 1,984,068	\$ 86,568
Forfeited discounts	24,530	24,530	24,220	(310)
Miscellaneous service revenue	20,510	20,510	28,148	7,638
Other water revenue	1,760	1,760	1,808	48
Interest income	14,665	14,665	15,223	558
Rental income - utility property	13,150	13,150	13,864	714
Contribution-in-aid of construction	1,744,100	1,744,100	76,266	(1,667,834)
Total revenues	3,716,215	3,716,215	2,143,597	(1,572,618)
Expenses				
Salaries and wages	185,475	185,475	198,765	(13,290)
Commissioner fees	10,800	10,800	10,800	-
Fringe benefits	116,480	116,480	126,927	(10,447)
Purchased water	886,390	886,390	942,340	(55,950)
Purchased power	27,500	27,500	30,206	(2,706)
Materials and supplies	24,155	24,155	27,191	(3,036)
Contractual services - accounting	8,350	8,350	9,224	(874)
Contractual services - legal	5,300	5,300	5,072	228
Contractual services - other	100,495	100,495	102,587	(2,092)
Rental of building and utilities	9,660	9,660	9,827	(167)
Equipment expense	32,225	32,225	33,297	(1,072)
Insurance - general liability	12,330	12,330	12,342	(12)
Insurance - other	805	805	804	1
Regulatory expense	3,250	3,250	3,798	(548)
Bad debt expense	1,845	1,845	4,367	(2,522)
Miscellaneous expense	2,100	2,100	4,155	(2,055)
Depreciation	376,190	376,190	374,530	1,660
Interest expense	94,770	94,770	94,449	321
Unamortized debt expense	6,445	6,445	2,984	3,461
Total expenses	1,904,565	1,904,565	1,993,665	(89,100)
Net change in net position	1,811,650	1,811,650	149,932	(1,661,718)
Net position - beginning of year	11,614,917	11,614,917	11,614,917	-
Net position - end of year	\$ 13,426,567	\$ 13,426,567	\$ 11,764,849	\$ (1,661,718)



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**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 *Government Auditing Standards***

Board of Commissioners
Simpson County Water District
Franklin, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Simpson County Water District's (the "District") basic financial statements and have issued our report thereon dated April 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

Carr, Riggs & Ingram, L.L.C.



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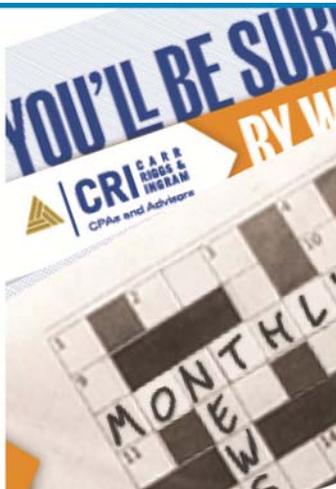
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