

West Shelby Water District
Financial Statements
December 31, 2015 and 2014

West Shelby Water District

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December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors
West Shelby Water District

Report on the Financial Statement

We have audited the accompanying financial statements of the business-type activities of West Shelby Water District ("the District"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects; the financial position of the business-type activities of the District as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Independent Auditor's Report (Continued)

Other Matters

Emphasis of Matter - New GASB Implementation

As discussed in Note G to the financial statements, the District adopted Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27. The implementation resulted in a restatement of prior year net position (See Note L).

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedule of net pension liability and related ratios based on participating in the County Employees Retirement System of KRS and the schedule of contributions based on participation in the County Employees Retirement System of the KRS on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position - Actual to Budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic financial statements or to the basic 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 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 April 12, 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 the 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.



Lexington, Kentucky
April 12, 2016

**West Shelby Water District
Management's Discussion and Analysis (Unaudited)
December 31, 2015 and 2014**

As management of the West Shelby Water District ("District"), we offer the readers of the District's financial statements this narrative overview and analysis of the financial performance of the District for the year ended December 31, 2015. We encourage readers to read it in conjunction with the District's financial statements and the accompanying notes.

Financial Highlights

- The District's net position decreased \$83,671 during calendar year 2015. However, it is important to note that the implementation of GASB Statement No. 68, *Accounting and financial Reporting for Pensions* - an amendment of GASB Statement No. 27 required a restatement of the December 31, 2013 balance of (\$316,761).
- Cash and cash equivalents decreased \$47,425 (3%)
- Restricted cash increased \$38,688 (10%).
- Property, plant and equipment (net) increased \$61,064 (1%)
- Accounts payable increased \$4,406 (34%).
- Accrued interest increased \$5,475 (43%)
- Bonds/notes payable decreased \$63,000 (6%).
- Net position decreased \$83,671 (1%)
- Operating revenues decreased \$47,839 (3%)
- Total expenses increased \$164,045 (11%)
- Operating income decreased \$215,368 (169%)
- Non-operating (net) decreased \$99,635 (2,657%)
- Investment income increased \$9,507 (53%)

Overview of the Financial Statements

This financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the accompanying notes to the financial statements. The West Shelby Water District is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the District. These statements are presented in a manner similar to those of a private business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2015 and 2014**

Overview of the Financial Statements (Continued)

The statement of cash flows provides relevant information about the cash receipts and cash payments of the District during the fiscal year. The statement should help users assess the District's ability to generate future net cash flows, meet future obligations as they become due, and assess the District's need for future external financing, the reasons for differences in operating and related cash receipts and cash payments, and the effects on financial position of cash and non-cash investing, capital, non-capital, and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 14 - 27.

Financial Analysis of the District

**Condensed Financial Information
Statements of Net Position
as of December 31**

	2015	Percentage Increase (Decrease)	Restated 2014
Current Assets	\$ 2,377,657	-8.26%	\$ 2,591,783
Non-current assets	<u>10,355,388</u>	0.90%	<u>10,262,521</u>
Total Assets	<u>12,733,045</u>	-0.94%	<u>12,854,304</u>
Deferred Out flows of Resources	<u>53,352</u>		<u>14,185</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,786,397</u>		<u>\$ 12,868,489</u>
Current Liabilities	\$ 237,251	11.21%	\$ 213,339
Non-current liabilities	<u>1,311,485</u>	-1.12%	<u>1,326,310</u>
Total Liabilities	<u>1,548,736</u>	0.59%	<u>1,539,649</u>
Deferred In flows of Resources	<u>25,314</u>		<u>32,822</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,574,050</u>		<u>\$ 1,572,471</u>
Restricted	433,746	9.79%	395,058
Unrestricted	<u>10,778,601</u>	-1.12%	<u>10,900,960</u>
Total Net Position	<u>\$ 11,212,347</u>	-0.74%	<u>\$ 11,296,018</u>

Current assets consist primarily of operating cash, cash equivalents, short term certificate of deposits, investment bonds and accounts receivables.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2015 and 2014**

Financial Analysis of the District (Continued)

Non-current assets consist primarily of property, plant and equipment and cash balances restricted for capital construction and debt service.

Current liabilities consist primarily of accounts payable, accrued payroll liabilities and the current-portion of notes payables.

Non-current liabilities represent the non-current portion of bond and notes payables.

**Condensed Financial Information
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended December 31**

	<u>2015</u>	<u>Percentage Increase (Decrease)</u>	<u>Restated 2014</u>
Operating Revenues:			
Sale of water	\$ 1,474,137	-3.14%	\$ 1,521,976
Other revenues	29,141	-10.68%	32,625
Total Operating Revenues	<u>1,503,278</u>	-3.30%	<u>1,554,601</u>
Operating expenses:			
Operating	858,261	0.70%	852,309
General and administrative	280,386	3.39%	271,190
Depreciation	<u>452,425</u>	49.06%	<u>303,528</u>
Total Operating Expenses	1,591,072	11.50%	1,427,027
Income from Operations	(87,794)	-168.82%	127,574
Non-operating revenues (expenses)			
Net increase in fair value of investments	(1,918)	100.00%	19,395
Investment income	27,490	52.87%	17,983
Abandonment of real estate project	(65,659)	100.00%	-
Interest expense	<u>(63,298)</u>	53.90%	<u>(41,128)</u>
Non-operating (Expenses)	(103,385)	2656.93%	(3,750)
Excess Revenue (Under) Over Expenses	(191,179)	254.40%	123,824
Changes in equity contribution			
Member tap on	52,346	-13.46%	60,490
Member construction contribution	<u>55,162</u>	-84.52%	<u>356,370</u>
Total	<u>107,508</u>	-74.21%	<u>416,860</u>
Change in Net Position	<u>\$ (83,671)</u>	-115.48%	<u>\$ 540,684</u>

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2015 and 2014**

Financial Analysis of the District (Continued)

**Condensed Financial Information
Statements of Revenues, Expenses and Change in Net Position (Continued)
For the Fiscal Year Ended December 31**

	<u>2015</u>	Percentage Increase (Decrease)	<u>2014</u>
Net Position, Beginning of Year	<u>\$ 11,296,018</u>	5.03%	<u>\$ 10,755,334</u>
Net Positon, End of Year	<u><u>\$ 11,212,347</u></u>	-0.74%	<u><u>\$ 11,296,018</u></u>

Sale of Water represents revenues from providing water to residential, commercial, industrial, governmental, and multi-family customers.

Other income represents revenues for reconnect fees, forfeited discounts (late fees), and interest earned.

Operating expenses primarily represent the purchasing of water, personnel costs for maintenance staff, utilities, and repairs and maintenance.

General and administrative expenses primarily represent personnel costs for administrative staff, employee benefits, insurance, supplies and payroll taxes.

Depreciation expenses are related to the allocation of the usefulness of property, plant and equipment over the life time.

Non-operating revenues (expenses) consist primarily of interest revenue, interest expense, and gain (loss) on sale of property, plant and equipment.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
December 31, 2015 and 2014**

Financial Analysis of the District (Continued)

**Condensed Financial Information
Statements of Cash Flows
For the Fiscal Year Ended December 31**

	<u>2015</u>	Percentage Increase (Decrease)	<u>2014</u>
Net Cash provided by (used in):			
Operating activities	\$ 402,135	-13.99%	\$ 467,535
Capital and related financing activities	(601,190)	-11.09%	(541,189)
Investing activities	<u>151,630</u>	-188.14%	<u>(172,029)</u>
Net Change in Cash and Cash Equivalents	(47,425)	80.70%	(245,683)
Cash and cash equivalents, beginning of year	<u>1,689,382</u>	-12.70%	<u>1,935,065</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,641,957</u></u>	-2.81%	<u><u>\$ 1,689,382</u></u>

The net decrease in cash and cash equivalents totaled \$47,425 at December 31, 2015, primarily due capital asset additions.

Capital Assets Administration

The following table summarizes the changes in net capital assets between fiscal years 2015 and 2014.

	<u>2015</u>	Percentage Increase (Decrease)	<u>2014</u>
Transmission and distribution plant	\$ 13,596,114	3.75%	\$ 13,104,091
General plant	753,915	2.93%	732,449
Accumulated depreciation	<u>(4,684,394)</u>	10.69%	<u>(4,231,969)</u>
	<u><u>\$ 9,665,635</u></u>	0.64%	<u><u>\$ 9,604,571</u></u>

Debt Administration

The following table summarizes the outstanding obligations under bonds payable as December 31, 2015 and 2014.

	<u>2015</u>	Percentage Increase (Decrease)	<u>2014</u>
Bonds payable	<u>\$ 1,003,000</u>	-5.91%	<u>\$ 1,066,000</u>
	<u><u>\$ 1,003,000</u></u>	-5.91%	<u><u>\$ 1,066,000</u></u>

**West Shelby Water District
Management's Discussion and Analysis (*Unaudited*) (Continued)
December 31, 2015 and 2014**

Financial Analysis of the District (Continued)

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all of those with an interest. If you have any questions concerning the information provided in this report or need additional financial information, contact the West Shelby Water District, 7101 Shelbyville Road, Simpsonville, Kentucky 40067.

West Shelby Water District
Statements of Net Position
For the Fiscal Year Ended December 31

	2015	2014 Restated
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,641,957	\$ 1,689,382
Certificate of deposits - current portion	562,145	718,088
Accounts receivable	89,482	92,154
Inventory - materials and supplies	68,054	76,614
Prepaid expenses and other	16,019	15,545
Total Current Assets	2,377,657	2,591,783
Non-Current Assets		
Restricted cash and cash equivalents	433,746	395,058
Certificate of deposits - long term	101,480	106,447
Long term investment bonds	154,527	156,445
Property, plant and equipment net of accumulated depreciation	9,665,635	9,604,571
Total Non-current Assets	10,355,388	10,262,521
Total Assets	12,733,045	12,854,304
Deferred Outflows of Resources		
Actuarially Determined Outflow	41,041	-
Pension contributions	12,311	14,185
Total Deferred Outflows of Resources	53,352	14,185
Total Assets and Deferred Outflows of Resources	\$ 12,786,397	\$ 12,868,489
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 17,379	\$ 12,973
Accrued interest	18,075	12,600
Customer deposits	92,904	81,528
Accrued taxes and payroll liabilities	43,893	43,238
Bonds payable, current portion	65,000	63,000
Total Current Liabilities	237,251	213,339
Non-Current Liabilities		
Bonds payable, long-term portion	938,000	1,003,000
Premium on bonds payable	26,018	29,270
Net pension liability	347,467	294,040
Total Non-Current Liabilities	1,311,485	1,326,310
Total Liabilities	1,548,736	1,539,649
Deferred Inflows of Resources		
Total Deferred Inflows of Resources	25,314	32,822
Total Liabilities and Deferred Inflows of Resources	1,574,050	1,572,471
Net Position		
Restricted for capital construction and debt payments	433,746	395,058
Unrestricted net position	10,778,601	10,900,960
Total Net Position	11,212,347	11,296,018
Total Liabilities and Net Position	\$ 12,786,397	\$ 12,868,489

West Shelby Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended December 31

	2015	2014 Restated
Revenue from Sale of Water		
Residential customers	\$ 713,475	\$ 684,133
Industrial customers	362,343	364,979
Commercial customers	215,825	302,609
Public authorities	71,165	63,315
Private fire protection	65,547	61,390
Multi-family dwellings	45,782	45,550
Total Revenue from Sale of Water	1,474,137	1,521,976
Other Revenue		
Forfeited discounts	17,563	18,950
Miscellaneous revenue	11,578	13,675
Total Other Revenues	29,141	32,625
Total Revenues	1,503,278	1,554,601
Operating expenses		
Water purchased	629,482	629,663
Salaries	169,497	168,927
Maintenance materials and supplies	29,077	29,715
Power-pumping equipment	16,855	13,524
Operating supplies and expenses	13,350	10,480
Total Operating Expenses	858,261	852,309
Administrative and General		
Salaries	46,932	47,107
Employee insurance	38,486	28,598
Insurance	28,106	28,105
Employee retirement	30,593	23,534
Legal and accounting	22,684	20,053
Commissioners fees	18,000	17,200
Office supplies	16,642	21,086
Truck and equipment expenses	16,217	17,809
Payroll taxes	14,682	14,872
Utilities	12,874	15,504
Computer/copier support	9,804	11,424
Retirement health insurance	9,438	8,721
Miscellaneous	6,466	6,207
Employee uniforms	3,271	4,133
Employee training	2,357	2,984
Rent	2,275	2,275
Uncollectible revenue	996	875
Travel	313	453
Interest on customer deposits	250	250
Total Administrative and General	280,386	271,190

West Shelby Water District
Statements of Revenues, Expenses and Changes in Net Position (Continued)
For the Fiscal Year Ended December 31

	2015	2014 Restated
	<u> </u>	<u> </u>
Other Operating Deductions		
Depreciation	\$ 452,425	\$ 303,528
	<u> </u>	<u> </u>
Total Expenses	1,591,072	1,427,027
	<u> </u>	<u> </u>
Total Operating (Loss) Income	(87,794)	127,574
Non-operating Revenues (Expenses)		
Net (decrease)increase in fair value of investments	(1,918)	19,395
Investment income	27,490	17,983
Abandonment of real estate project	(65,659)	-
Interest on long-term debt	(63,298)	(41,128)
	<u> </u>	<u> </u>
Total Non-operating Revenues (Expenses)	(103,385)	(3,750)
	<u> </u>	<u> </u>
Excess Revenue (Under) Over Expenses	(191,179)	123,824
Changes in Equity Contribution		
Member tap on	52,346	60,490
Member construction contribution	55,162	356,370
	<u> </u>	<u> </u>
Total Changes in Equity Contribution	107,508	416,860
Change in Net Position	(83,671)	540,684
Total Net Position, Beginning of Year	11,296,018	10,755,334
	<u> </u>	<u> </u>
Total Net Position, End of Year	\$ 11,212,347	\$ 11,296,018
	<u> </u>	<u> </u>

See accompanying notes.

West Shelby Water District
Statements of Cash Flows
For the Fiscal Year Ended December 31

	2015	2014 Restated
	<u>2015</u>	<u>Restated</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 1,517,326	\$ 1,552,580
Cash payments to suppliers for goods and services	(820,585)	(783,330)
Cash payments for employee salaries and benefits	(294,606)	(301,715)
	<u>402,135</u>	<u>467,535</u>
Net Cash Provided by Operating Activities	402,135	467,535
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(513,489)	(883,669)
Principal payments on bonds and notes payable	(63,000)	(30,000)
Member construction contributions	55,162	356,370
Member tap fees	52,346	60,490
Abandonment of real estate project	(65,659)	-
Interest payments on long-term debt	(66,550)	(44,380)
	<u>(601,190)</u>	<u>(541,189)</u>
Net Cash Used in Capital and Related Financing Activities	(601,190)	(541,189)
Cash Flows from Investing Activities		
Interest received	27,490	17,983
Decrease/(increase) in short term certificate of deposits	155,943	(530,208)
Decrease/(increase) in long term certificate of deposits and bonds	4,967	(952)
Net change in long term investment bonds	1,918	-
(Increase)Decrease in restricted cash and cash equivalents	(38,688)	341,148
	<u>151,630</u>	<u>(172,029)</u>
Net Cash Provided by (Used in) Investing Activities	151,630	(172,029)
Net Decrease in Cash & Cash Equivalents	(47,425)	(245,683)
Cash and Cash Equivalents, Beginning of Year	<u>1,689,382</u>	<u>1,935,065</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,641,957</u>	<u>\$ 1,689,382</u>

West Shelby Water District
Statements of Cash Flows (Continued)
For the Fiscal Year Ended December 31

	<u>2015</u>	<u>2014</u> Restated
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ (87,794)	\$ 127,574
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	452,425	303,528
Accounts receivable	2,672	876
Inventories	8,560	5,445
Prepaid expenses and other	(474)	122
Accounts payable	4,406	(1,880)
Accrued interest	5,475	12,600
Accrued taxes and payroll liabilities	348	26,251
Customer deposits	11,376	(2,897)
Deferred outflows of resources - pension contributions	5,141	(4,084)
	<u>\$ 402,135</u>	<u>\$ 467,535</u>
Schedule of Non-cash Financing Activity		
Amortization of Bond Premium	<u>\$ 3,252</u>	<u>\$ 3,352</u>
	<u>\$ (1,918)</u>	<u>\$ 19,395</u>

See accompanying notes.

**West Shelby Water District
Notes to Financial Statements
December 31, 2015 and 2014**

Note A - Nature of Organization and Operations

The District was established by order of the Shelby County Fiscal Court on March 10, 1964. The District was established to develop and operate a complete water supply and distribution system, which services parts of Shelby County.

Note B - Summary of Significant Accounting Policies

1. Basis of Presentation: The accompanying financial statements have been prepared as an enterprise fund. Enterprise funds are designed to accumulate the total cost of providing a particular service and to indicate the extent user charges are sufficient to cover these costs. Customer meters are read and billed monthly at which time the receivable is recorded and revenue is recognized. No provision has been made for doubtful accounts due to the amount determined to be uncollectible being negligible. The West Shelby Water District (the District) uses the accrual basis of accounting for financial accounting and reporting purposes.
2. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.
3. Statement of Cash Flows: For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash paid for interest was \$66,550 and \$44,380 for the years ended December 31, 2015 and 2014, respectively.
4. Inventory: Inventories are stated at the lower of cost or market based on first-in first-out method. During the year ended December 31, 2015 and 2014, inventory was not written down to adjust for the end of the year physical inventory count.
5. Property, Plant and Equipment: Property, plant and equipment are capitalized and recorded at cost. The District does not have a formal capitalization policy. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following is a summary of the estimated useful lives used in computing depreciation:

Buildings and improvements	5 - 50 years
Machinery, equipment and leasehold improvements	5 - 25 years
Furniture and fixtures	5 - 25 years

Depreciation expense for the years ended December 31, 2015 and 2014 was \$452,425 and \$303,528, respectively.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note B - Summary of Significant Accounting Policies (Continued)

6. Customer Deposits: Interest is accrued at a rate no greater than the District receives on cash investments and at no time greater than 6% annually.
7. New Customers: New service connection fees and construction contributions are recorded as an addition to equity. The cost of installation of the new service is recorded as an addition to plant assets and is subject to depreciation.
8. Accumulated vacation and sick leave: On January 13, 1995, the Commissioners adopted a formal policy relating to vacation and sick leave. Vacation is earned at rates varying from one to ten days per year depending on the length of service. Sick leave accrues at the rate of 1/2 day for every month employed or six days per year and shall accumulate to a maximum of 20 days. After ten years of service, employees are given three weeks of vacation and four weeks of vacation are given to employees with twenty years of service. No accrual is necessary as a limited number of personnel are employed, and the amount of the accrual would be immaterial.
9. Retirement System: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the District's participation in the County Employees Retirement System of the Kentucky Retirement Systems (KRS) have been determined on the same basis (CERS) as they are reported by the KRS for the CERS plan. For this purpose, benefits including refunds of employee contributions are recognized with due and payable on accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2015.
10. Subsequent Events: Subsequent events for the District have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.

Note C - Concentration of Credit Risk

At December 31, 2015 and 2014 the carrying amount of the District's cash and cash investments were \$2,739,328 and \$2,908,975 respectively. All cash investments and bank balances were fully collateralized by federal depository insurance up to \$250,000 and other securities pledged by the financial institutions.

Note D - Investments

The District reports investments utilizing a fair value hierarchy that prioritizes the inputs (from the most objective to the most subjective) to the valuation techniques used to measure fair value into the three broad levels described as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date, or observable inputs.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note D - Investments (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
December 31, 2015				
Certificate of Deposits	\$ 663,625	\$ -	\$ -	\$ 663,625
Bonds	<u>154,527</u>	<u>-</u>	<u>-</u>	<u>154,527</u>
	<u>\$ 818,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,152</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
December 31, 2014				
Certificate of Deposits	\$ 824,535	\$ -	\$ -	\$ 824,535
Bonds	<u>156,445</u>	<u>-</u>	<u>-</u>	<u>156,445</u>
	<u>\$ 980,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980,980</u>

Investments securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the values of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and statement of activities. During the year ended December 31, 2015, the bonds had an unrealized loss of \$1,918. This unrealized loss was recorded as a net decrease in the fair values of investments on the Statement of Revenues, Expenses and Change in Net Position.

Note E - Restricted Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
Depreciation fund	\$ 211,520	\$ 206,011
Sinking fund	183,387	151,225
Horizon Group rebate fund	28,434	28,434
Construction fund	<u>10,405</u>	<u>9,388</u>
	<u>\$ 433,746</u>	<u>\$ 395,058</u>

Restricted cash and cash equivalents include the construction fund account, Horizon Group rebate fund and two debt service reserve funds (depreciation and sinking).

The construction fund is being used for current and future construction projects. Customer contributions and unexpended bond proceeds are carried in this fund. The depreciation and sinking funds are debt reserve funds for the notes and bond payable. The Horizon Group rebate fund is used to reimburse the Horizon Group as more businesses tap-on to water mains that the Horizon Group purchased during the construction of the outlet mall.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note F - Property, Plant and Equipment

Property, plant and equipment consist of the following components:

	Balance 2014	Additions	Balance 2015
	<u> </u>	<u> </u>	<u> </u>
Business - Type Activities			
Transmission and Distribution Plant			
Land and land right	\$ 127,248	\$ -	\$ 127,248
Pumping equipment	1,501,424	446,738	1,948,162
Water treatment equipment	7,548	-	7,548
Standpipes	2,224,206	-	2,224,206
Transmission and distribution mains	7,972,541	43,562	8,016,103
Services and meters	898,446	1,643	900,089
Hydrants	352,791	80	352,871
Other plant equipment	19,887	-	19,887
	<u>13,104,091</u>	<u>492,023</u>	<u>13,596,114</u>
Total	13,104,091	492,023	13,596,114
Less: Accumulated Depreciation	<u>(3,827,798)</u>	<u>(424,418)</u>	<u>(4,252,216)</u>
Total Transmission and Distribution Plant	9,276,293	67,605	9,343,898
General Plant			
Office furniture and equipment	102,944	4,650	107,594
Buildings	373,036	14,794	387,830
Transportation equipment	170,610	-	170,610
Tools, shop and garage equipment	79,243	2,022	81,265
Laboratory equipment	373	-	373
Communication equipment	6,243	-	6,243
	<u>732,449</u>	<u>21,466</u>	<u>753,915</u>
Total	732,449	21,466	753,915
Less: Accumulated Depreciation	<u>(404,171)</u>	<u>(28,007)</u>	<u>(432,178)</u>
Total General Plant	<u>328,278</u>	<u>(6,541)</u>	<u>321,737</u>
Capital Assets, net	<u>\$ 9,604,571</u>	<u>\$ 61,064</u>	<u>\$ 9,665,635</u>

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note G - Retirement Plan

General Information about the Pension Plan

Plan description. Employees of the District are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the KRS. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publically available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. Kentucky Revised Statue Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014**

Note G - Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

Contributions. Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended December 31, 2015, employer contributions for the District were \$33,279 based on a rate of 17.67% (January 2015-June 2015) and 17.06% (July 2015-December 2015) of covered payroll. By law, employer contributions are required to be paid. The KRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The District's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. (See Note L for a restatement related to the net pension liability.)

Actuarial assumptions. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.00 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note G - Retirement Plan (Continued)

Net Pension Liability (Continued)

The mortality table used for active and healthy retired members, and beneficiaries is RP-2000 Combined Mortality Table projected with Scale BB to 2013. For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2013. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below.). 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 assumptions 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.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Combined Equity	5.40%	44.00%
Combined Fixed Income	1.50%	19.00%
Real Return (Diversified Inflation Strategies)	3.50%	10.00%
Real Estate	4.50%	5.00%
Absolute Return (Diversified Hedge Funds)	4.25%	10.00%
Private Equity	8.50%	10.00%
Cash	-0.25%	2.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.50 percent based on a blending of the factors described above.

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014**

Note G - Retirement Plan (Continued)

Net Pension Liability (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the District calculated using the discount rate of 7.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
West Shelby Water District's Net pension liability	\$ 443,584	\$ 347,467	\$ 265,150

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2015, the District recognized pension expense of \$30,593.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note G - Retirement Plan (Continued)

Net Pension Liability (Continued)

The amount shown below for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments 2014, net	\$ -	\$ 24,616
Net difference between projected and actual earnings on pension plan investments 2015	-	698
Difference between expected and actual experience	2,888	-
Difference between projected and actual investment earns on plan investments	3,115	-
Change of assumptions	35,038	-
Contributions subsequent to the measurement date of June 30, 2015	<u>12,311</u>	<u>-</u>
Total	<u>\$ 53,352</u>	<u>\$ 25,314</u>

Deferred Inflows of Resources

<u>Original Deferral Year</u>	<u>Original Deferral Amount</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
2014	\$ 32,822	\$ 8,206	\$ 8,206	\$ 8,206	\$ 8,206	\$ -
2015	<u>698</u>	<u>-</u>	<u>175</u>	<u>175</u>	<u>175</u>	<u>175</u>
	<u>\$ 33,520</u>	<u>\$ 8,206</u>	<u>\$ 8,381</u>	<u>\$ 8,381</u>	<u>\$ 8,381</u>	<u>\$ 175</u>
Amortization - 2015						<u>\$ 8,206</u>
Unamortized Amount 2015						<u>\$ 25,314</u>

**West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014**

Note G - Retirement Plan (Continued)

Net Pension Liability (Continued)

Deferred Outflows of Resources

Original Deferral <u>Original Deferral Year</u>	Original Deferral <u>Amount</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
2015	\$ 41,041	\$ 10,260	\$ 10,260	\$ 10,260	\$ 10,261	\$ 41,041

In the table shown above, deferred inflows of resources amounts will decrease pension expense while deferred outflows of resources amounts will increase pension expense.

Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$4,625 and for the outstanding amount of contributions to the pension plan required at the year ended December 31, 2015.

Note H - Bonds Payable - Rural Economic & Community Development

The bond payable is the amount due Rural Economic & Community Development for long term financing as follows at December 31, 2015:

Bonds dated October 18, 1978 for \$300,000 with interest at 5%	\$ 40,000
Bonds dated January 11, 2001 for \$835,000 with interest at 5%.	<u>683,000</u>
Total Bonds Outstanding	<u>\$ 723,000</u>

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note H - Bonds Payable - Rural Economic & Community Development (Continued)

The balance at December 31, 2014 was \$756,000. During 2015, \$33,000 of principal payments were made, which leaves an outstanding balance of \$723,000 at December 31, 2015. Future maturities of bonds are as follows:

	Principal 1978 Issue	Interest 1978 Issue	Principal 2001 Issue	Interest 2001 Issue	Total
2016	\$ 20,000	\$ 750	\$ 15,000	\$ 34,150	\$ 69,900
2017	20,000	250	16,000	33,400	69,650
2018	-	-	17,000	32,600	49,600
2019	-	-	18,000	31,750	49,750
2020	-	-	19,000	30,850	49,850
2021-2025	-	-	108,000	139,300	247,300
2026-2030	-	-	138,000	109,350	247,350
2031-2035	-	-	176,000	71,300	247,300
2036-2039	-	-	176,000	22,500	198,500
	<u>\$ 40,000</u>	<u>\$ 1,000</u>	<u>\$ 683,000</u>	<u>\$ 505,200</u>	<u>\$ 1,229,200</u>

All properties and assets, both real and personal, and revenues are pledged to secure these loans.

Note I - Bonds Payable - Kentucky Rural Water Financing Corporation

On July 15, 2013, the Kentucky Rural Water Financing Corporation loan noted was refinanced. The Kentucky Rural Water Financing Corporation Flexible Term Series 2013B bonds will have variable interest rates ranging from 2.00% - 4.50%. The bonds mature on February 1, 2023. The outstanding principal amount of the bonds at December 31, 2015 and 2014 was \$280,000 and \$310,000, respectively. The bonds were sold at a premium in the amount of \$35,744. The premium is being amortized over the term of the bonds. The unamortized bond premium is recorded as a noncurrent liability on the Statement of Net Position. The premium amortization, which is a decrease in interest expense, was \$3,252 and \$3,252 for the years ended December 31, 2015 and 2014, respectively. The unamortized bond premium as of December 31, 2015 and 2014 was \$26,018 and \$29,270, respectively.

Future maturities of bonds are as follows:

	Principal	Interest	Total
2016	\$ 30,000	\$ 10,600	\$ 40,600
2017	35,000	9,450	44,450
2018	35,000	8,050	43,050
2019	35,000	6,650	41,650
2020	35,000	5,250	40,250
2021-2023	110,000	6,575	116,575
	<u>\$ 280,000</u>	<u>\$ 46,575</u>	<u>\$ 326,575</u>

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note J - Long-term Debt

Long-term debt activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Enterprise Activities:				
General Obligation Bonds	\$ 756,000	\$ (33,000)	\$ 723,000	\$ 35,000
Kentucky Rural Water Note	<u>310,000</u>	<u>(30,000)</u>	<u>280,000</u>	<u>30,000</u>
Enterprise Activities				
Long-term Liabilities	<u>\$ 1,066,000</u>	<u>\$ (63,000)</u>	<u>\$ 1,003,000</u>	<u>\$ 65,000</u>

Note K - Revenue from Sale of Water

The following is a statistical analysis of water purchased, sold, and unbilled.

	<u>Water Purchased</u>		<u>Water Sold</u>		<u>Water Unbilled</u>	
	Gallons	Cost/1000	Gallons Sold/1000			
2015	296,796,100	\$ 2.119	265,699,300	\$ 5.550	31,096,800	10.48%
2014	304,158,960	\$ 2.072	280,432,100	\$ 5.427	23,726,860	7.80%
2013	265,456,100	\$ 2.025	242,633,310	\$ 5.545	22,822,790	8.60%
2012	283,049,100	\$ 1.937	257,873,100	\$ 5.403	25,176,000	8.89%
2011	279,901,600	\$ 1.837	253,163,100	\$ 5.250	26,738,500	9.55%

Note L - Restatement Related to GASB Statement No. 68

Beginning net position for calendar year 2014 was restated to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and record the beginning pension liability. GASB No. 68 requires that all financial statements presented should be restated. The net position of December 31, 2013 was restated in the amount of \$316,761 for the pension liability and related financial statement elements as of that date. Additionally, the 2014 financial statements were restated to reflect the pension liability of \$294,040 as of December 31, 2014 and the related activity for the fiscal year.

West Shelby Water District
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note M - Future Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value and Measurement and Application*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

This statement establishes standards for valuation techniques to measure fair value. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

In June 2015, the GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Other Than Pensions*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

This statement establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The District is currently evaluating the impact that will result from adopting GASB No. 72 and GASB No. 75 and is therefore unable to disclose the impact that adopting these Standards will have on the District's financial position and the results of its operations when the Statement is adopted.

Supplementary Information

West Shelby Water District
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget
For the Fiscal Year Ended December 31, 2015

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue from Sale of Water			
Residential customers	\$ 713,475	\$ 700,000	\$ 13,475
Industrial customers	362,343	340,000	22,343
Commercial customers	215,825	250,000	(34,175)
Public authorities	71,165	60,000	11,165
Private fire protection	65,547	58,000	7,547
Multi-family dwellings	45,782	45,000	782
Total Revenue from Sale of Water	1,474,137	1,453,000	21,137
Other Revenue			
Forfeited discounts	17,563	12,000	5,563
Miscellaneous revenue	11,578	13,000	(1,422)
Total Other Revenues	29,141	25,000	4,141
Total Revenues	1,503,278	1,478,000	25,278
Operating and Maintenance Expenses			
Water purchased	629,482	530,000	(99,482)
Salaries	216,429	210,000	(6,429)
Employee insurance	38,486	36,000	(2,486)
Maintenance materials and supplies	29,077	26,000	(3,077)
Insurance	28,106	30,200	2,094
Employee retirement	30,593	45,000	14,407
Legal and accounting	22,684	24,000	1,316
Commissioners fees	18,000	18,000	-
Power-pumping equipment	16,855	20,000	3,145
Office supplies	16,642	19,000	2,358
Truck and equipment expenses	16,217	21,700	5,483
Payroll taxes	14,682	18,000	3,318
Operating supplies and expenses	13,350	10,000	(3,350)
Utilities	12,874	15,000	2,126
Computer/copier support	9,804	10,000	196
Retirement health insurance	9,438	-	(9,438)
Miscellaneous	6,466	5,100	(1,366)
Employee uniforms	3,271	4,600	1,329
Employee training	2,357	2,500	143
Rent	2,275	2,300	25
Uncollectible revenue	996	-	(996)
Travel	313	500	187
Interest on customer deposits	250	-	(250)
Total Operating and Maintenance Expenses	1,138,647	1,047,900	(90,747)

West Shelby Water District
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget (Continued)
For the Fiscal Year Ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Other Operating Deductions			
Depreciation	452,425	310,000	(142,425)
Total Other Operating Deductions	<u>452,425</u>	<u>310,000</u>	<u>(142,425)</u>
Total Expenses	<u>1,591,072</u>	<u>1,357,900</u>	<u>(233,172)</u>
Total Operating Loss	(87,794)	120,100	(207,894)
Non-operating Revenues (Expenses)			
Net increase in fair value of investments	(1,918)	-	(1,918)
Investment income	27,490	10,000	17,490
Adbadoment of real estate project	(65,659)	-	(65,659)
Interest on long-term debt	<u>(63,298)</u>	<u>(49,000)</u>	<u>(14,298)</u>
Total Non-operating (Expenses)	<u>(103,385)</u>	<u>(39,000)</u>	<u>(64,385)</u>
Excess Revenue (Under) Over Expenses	<u>\$ (191,179)</u>	<u>\$ 81,100</u>	<u>\$ (272,279)</u>

West Shelby Water District
Required Supplemental Information -
Schedule of West Shelby Water District's Net Pension
Liability and Related Ratios Based on Participation in the
County Employees Retirement Systems of KRS
Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>
Total Net Pension Liability for County Employees Retirement Systems	\$ 3,244,377,000	\$ 4,299,525,000
Employer's Proportion (Percentage) of Net Pension Liability	0.009063055%	0.008081509%
Employer's Proportion (Amount) of Net Pension Liability	294,040	347,467
Employer's Covered-Employer payroll	\$ 198,461	\$ 191,839
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll	148.16%	181.12%
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146	\$ 6,440,800
Total Pension's Plan Pension Liability	\$ 9,772,523	\$ 9,772,523
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	65.91%

**West Shelby Water District
 Required Supplemental Information -
 Schedule of West Shelby Water Districts'
 Contributions Based on Participation
 In the County Employees Retirement System of KRS
 Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 27,618	\$ 23,841
Contributions in relation to the actuarially determined contribution	<u>27,618</u>	<u>23,841</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	198,461	191,839
Contributions as a percentage covered- employee payroll	13.92%	12.43%

**NOTES TO SCHEDULES RELATED TO THE COUNTY EMPLOYEES RETIREMENT SYSTEM OF KRS
 INFORMATION**

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the June 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed Remaining
amortization period	29 years
Asset valuation	5-year smoothed market
Inflation	3.25 percent
Salary increases	4.00 percent
Investment Rate of Return	7.50 percent, net of investment expense, including inflation Retirement age 65 years or 27 years of service regardless of age



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

West Shelby Water District
Simpsonville, 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 Controller General of the United States, the financial statements of the business-type activities of the West Shelby Water District "District", as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 12, 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.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards* (Continued)**

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.

A handwritten signature in black ink that reads "Montgomery Chilton Madley, LLC". The signature is written in a cursive, flowing style.

Lexington, Kentucky
April 12, 2016