

West Shelby Water District

Financial Statements

Years Ended December 31, 2017 and 2016

West Shelby Water District

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Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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 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 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.

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

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, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in conformity 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 3 through 7 and the Schedule of Net Pension Liability and Related Ratios Based on Participation 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 24 and 25 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 on pages 26 and 27 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 May 24, 2018 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
May 24, 2018

**West Shelby Water District
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2017 and 2016**

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, 2017. We encourage readers to read it in conjunction with the District's financial statements and the accompanying notes.

Financial Highlights

- Cash and cash equivalents increased \$179,966 (11%)
- Restricted cash decreased \$44,157 (8%)
- Accounts receivable decreased \$1,229 (1%)
- Inventory increased \$14,358 (17%)
- Property, plant and equipment (net) decreased \$476,668 (5%)
- Accounts payable increased \$13,744 (166%)
- Accrued interest decreased \$900 (5%)
- Bonds/notes payable decreased \$71,000 (8%)
- Net position decreased \$321,606 (3%)
- Total revenues increased \$6,070 (0%)
- Total expenses increased \$132,6144 (7.85%)
- Operating loss increased \$126,544 (84%)
- Non-operating expenses (net) increased \$87,723 (331%)

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.

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 13 - 23.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
Years Ended December 31, 2017 and 2016**

Financial Analysis of the District

**Condensed Financial Information
Statements of Net Position
As of December 31, 2017 and 2016**

	<u>2017</u>	Percentage Increase (Decrease)	<u>2016</u>
Current Assets	\$ 1,979,738	10.39%	\$ 1,793,392
Non-current Assets	<u>10,565,897</u>	-4.62%	<u>11,078,042</u>
Total Assets	12,545,635	-2.53%	12,871,434
Deferred Outflows of Resources	<u>142,808</u>	94.45%	<u>73,443</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,688,443</u>		<u>\$ 12,944,877</u>
Current Liabilities	\$ 261,108	5.45%	\$ 247,610
Non-current Liabilities	<u>1,296,281</u>	1.73%	<u>1,274,196</u>
Total Liabilities	1,557,389	2.34%	1,521,806
Deferred Inflows of Resources	<u>50,346</u>	142.55%	<u>20,757</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,607,735</u>		<u>\$ 1,542,563</u>
Restricted	516,749	-7.87%	560,906
Net Investment in Capital Assets	8,441,909	-4.55%	8,844,325
Unrestricted	<u>2,122,050</u>	6.26%	<u>1,997,083</u>
Total Net Position	<u>\$ 11,080,708</u>	-2.82%	<u>\$ 11,402,314</u>

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

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

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

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

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
Years Ended December 31, 2017 and 2016**

Financial Analysis of the District (Continued)

**Condensed Financial Information
Statements of Revenues, Expenses and Change in Net Position
For the Fiscal Year Ended December 31, 2017 and 2016**

	<u>2017</u>	Percentage Increase (Decrease)	<u>2016</u>
Operating Revenues			
Sale of water	\$ 1,512,775	0.32%	\$ 1,507,968
Other revenues	<u>31,265</u>	4.21%	<u>30,002</u>
Total Operating Revenues	1,544,040	0.39%	1,537,970
Operating Expenses			
Operating	911,980	5.22%	866,738
Administrative and general	370,649	21.29%	305,588
Depreciation	<u>538,872</u>	4.32%	<u>516,561</u>
Total Operating Expenses	<u>1,821,501</u>	7.85%	<u>1,688,887</u>
Loss from Operations	(277,461)	-83.85%	(150,917)
Non-operating Revenues (Expenses)			
Net increase (decrease) in fair value of investments	150	103.87%	(3,871)
Investment income	21,798	8.37%	20,114
Loss on sale of assets	(97,403)	9738.69%	(990)
Interest expense	<u>(38,763)</u>	-7.15%	<u>(41,748)</u>
Non-operating Expenses, net	<u>(114,218)</u>	331.09%	<u>(26,495)</u>
Expenses Over Revenues	(391,679)	-120.77%	(177,412)
Changes in Equity Contribution			
Member tap on	47,176	-18.32%	57,759
Member construction contribution	<u>22,897</u>	-92.60%	<u>309,620</u>
Total	<u>70,073</u>	-80.93%	<u>367,379</u>
Change in Net Position	<u>\$ (321,606)</u>	-269.30%	<u>\$ 189,967</u>
Net Position, Beginning of Year	<u>\$ 11,402,314</u>	1.69%	<u>\$ 11,212,347</u>
Net Position, End of Year	<u>\$ 11,080,708</u>	-2.82%	<u>\$ 11,402,314</u>

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
Years Ended December 31, 2017 and 2016**

Financial Analysis of the District (Continued)

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.

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

Depreciation expense is related to the allocation of the usefulness of property, plant and equipment over the life time of the asset.

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

Condensed Financial Information

Statements of Cash Flows

For the Fiscal Year Ended December 31, 2017 and 2016

	<u>2017</u>	Percentage Increase (Decrease)	<u>2016</u>
Net Cash Provided By (Used In):			
Operating activities	\$ 325,990	-2.16%	\$ 333,201
Capital and related financing activities	(203,449)	49.20%	(400,503)
Investing activities	<u>57,425</u>	1293.87%	<u>(4,810)</u>
Net Change in Cash and Cash Equivalents	179,966	349.56%	(72,112)
Cash and Cash Equivalents, Beginning of Year	<u>1,569,845</u>	-4.39%	<u>1,641,957</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,749,811</u>	11.46%	<u>\$ 1,569,845</u>

The net increase in cash and cash equivalents totaled \$179,966 at December 31, 2017, primarily due to fewer capital asset additions in 2017.

**West Shelby Water District
Management's Discussion and Analysis (Unaudited) (Continued)
Years Ended December 31, 2017 and 2016**

Capital Assets Administration

The following table summarizes the changes in net capital assets between fiscal years 2017 and 2016.

	<u>2017</u>	Percentage Increase (Decrease)	<u>2016</u>
Transmission and distribution plant	\$ 14,088,471	-0.93%	\$ 14,220,205
General plant	778,015	1.43%	767,015
Accumulated depreciation	<u>(5,538,063)</u>	6.87%	<u>(5,182,129)</u>
	<u>\$ 9,328,423</u>	-4.86%	<u>\$ 9,805,091</u>

Debt Administration

The following table summarizes the outstanding obligations under bonds payable as December 31, 2017 and 2016.

	<u>2017</u>	Percentage Increase (Decrease)	<u>2016</u>
Bonds and Note payable	<u>\$ 867,000</u>	-7.57%	<u>\$ 938,000</u>
	<u>\$ 867,000</u>	-7.57%	<u>\$ 938,000</u>

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
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,749,811	\$ 1,569,845
Accounts receivable	118,248	119,477
Inventory - materials and supplies	97,709	83,351
Prepaid expenses and other	13,970	20,719
	<hr/>	<hr/>
Total Current Assets	1,979,738	1,793,392
Non-current Assets		
Restricted cash and cash equivalents	516,749	560,906
Long term investments	720,725	712,045
Property, plant and equipment net of accumulated depreciation	9,328,423	9,805,091
	<hr/>	<hr/>
Total Non-current Assets	10,565,897	11,078,042
Total Assets	12,545,635	12,871,434
Deferred Outflows of Resources		
Actuarially Determined Outflow	125,118	58,184
Pension contributions	17,690	15,259
	<hr/>	<hr/>
Total Deferred Outflows of Resources	142,808	73,443
Total Assets and Deferred Outflows of Resources	<u>\$ 12,688,443</u>	<u>\$ 12,944,877</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 22,014	\$ 8,270
Accrued interest	16,300	17,200
Customer deposits	109,376	95,146
Accrued taxes and payroll liabilities	61,418	55,994
Bonds payable, current portion	52,000	71,000
	<hr/>	<hr/>
Total Current Liabilities	261,108	247,610
Non-current Liabilities		
Bonds payable, long-term portion	815,000	867,000
Premium on bonds payable	19,514	22,766
Net pension liability	461,767	384,430
	<hr/>	<hr/>
Total Non-current Liabilities	1,296,281	1,274,196
Total Liabilities	1,557,389	1,521,806
Deferred Inflows of Resources		
Total Deferred Inflows of Resources	50,346	20,757
	<hr/>	<hr/>
Total Liabilities and Deferred Inflows of Resources	1,607,735	1,542,563
Net Position		
Restricted for capital construction and debt payments	516,749	560,906
Net investment in capital assets	8,441,909	8,844,325
Unrestricted net position	2,122,050	1,997,083
	<hr/>	<hr/>
Total Net Position	11,080,708	11,402,314
Total Liabilities and Net Position	<u>\$ 12,688,443</u>	<u>\$ 12,944,877</u>

See accompanying notes.

West Shelby Water District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue from Sale of Water		
Residential customers	\$ 749,287	\$ 735,864
Industrial customers	379,522	383,528
Commercial customers	201,462	205,747
Public authorities	61,111	61,767
Private fire protection	71,495	74,111
Multi-family dwellings	46,754	43,121
Tax-exempt non-government	3,144	3,830
Total Revenue from Sale of Water	<u>1,512,775</u>	<u>1,507,968</u>
Other Revenue		
Forfeited discounts	17,917	18,314
Miscellaneous revenue	13,348	11,688
Total Other Revenues	<u>31,265</u>	<u>30,002</u>
Total Revenues	<u>1,544,040</u>	<u>1,537,970</u>
Operating Expenses		
Water purchased	637,339	614,194
Salaries	189,414	175,566
Maintenance materials and supplies	48,474	42,919
Power-pumping equipment	21,052	21,266
Operating supplies and expenses	15,701	12,793
Total Operating Expenses	<u>911,980</u>	<u>866,738</u>
Administrative and General		
Employee insurance	55,824	48,614
Salaries	49,521	49,459
Employee retirement	75,637	40,974
Insurance	35,532	28,373
Office supplies	19,560	17,475
Legal and accounting	19,090	19,904
Payroll taxes	16,547	15,292
Truck and equipment expenses	16,421	14,702
Commissioners fees	16,400	18,000
Utilities	16,266	13,085
Computer/copier support	15,939	12,011
Retirement health insurance	13,805	10,496
Employee uniforms	5,294	4,402
Miscellaneous	4,814	6,749
Rent	4,132	2,278
Employee training	3,947	3,656
Uncollectible revenue	1,426	18
Interest on customer deposits	448	100
Travel	46	-
Total Administrative and General	<u>370,649</u>	<u>305,588</u>

See accompanying notes.

West Shelby Water District
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Other Operating Deductions		
Depreciation	\$ 538,872	\$ 516,561
Total Expenses	<u>1,821,501</u>	<u>1,688,887</u>
Total Operating Loss	(277,461)	(150,917)
Non-operating Revenues (Expenses)		
Net increase (decrease) in fair value of investments	150	(3,871)
Investment income	21,798	20,114
Loss on disposal of assets	(97,403)	(990)
Interest on long-term debt	<u>(38,763)</u>	<u>(41,748)</u>
Total Non-operating Expenses, net	<u>(114,218)</u>	<u>(26,495)</u>
Expenses Over Revenues	(391,679)	(177,412)
Changes in Equity Contribution		
Member tap on	47,176	57,759
Member construction contribution	<u>22,897</u>	<u>309,620</u>
Total Changes in Equity Contribution	<u>70,073</u>	<u>367,379</u>
Change in Net Position	(321,606)	189,967
Total Net Position, Beginning of Year	<u>11,402,314</u>	<u>11,212,347</u>
Total Net Position, End of Year	<u>\$ 11,080,708</u>	<u>\$ 11,402,314</u>

See accompanying notes.

West Shelby Water District
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Cash received from customers	\$ 1,559,499	\$ 1,510,217
Cash payments to suppliers for goods and services	(918,028)	(857,331)
Cash payments for employee salaries and benefits	<u>(315,481)</u>	<u>(319,685)</u>
Net Cash Provided by Operating Activities	325,990	333,201
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(159,607)	(657,007)
Principal payments on bonds and notes payable	(71,000)	(65,000)
Member construction contributions	22,897	309,620
Member tap fees	47,176	57,759
Interest payments on long-term debt	<u>(42,915)</u>	<u>(45,875)</u>
Net Cash Used in Capital and Related Financing Activities	(203,449)	(400,503)
Cash Flows from Investing Activities		
Interest received	21,798	20,114
Decrease in short term certificate of deposits	-	562,145
Increase in long term certificate of deposits	(8,530)	(459,909)
Decrease/(Increase) in restricted cash and cash equivalents	<u>44,157</u>	<u>(127,160)</u>
Net Cash Provided by (Used in) Investing Activities	<u>57,425</u>	<u>(4,810)</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	179,966	(72,112)
Cash and Cash Equivalents, Beginning of Year	<u>1,569,845</u>	<u>1,641,957</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,749,811</u>	<u>\$ 1,569,845</u>

See accompanying notes.

West Shelby Water District
Statements of Cash Flows (Continued)
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Loss	\$ (277,461)	\$ (150,917)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	538,872	516,561
Change in retirement expense due to GASB 68	37,561	12,315
Accounts receivable	1,229	(29,995)
Inventories	(14,358)	(15,297)
Prepaid expenses and other	6,749	(4,700)
Accounts payable	13,744	(9,109)
Accrued taxes and payroll liabilities	5,424	12,101
Customer deposits	14,230	2,242
	<u>325,990</u>	<u>333,201</u>
Net Cash Provided by Operating Activities	<u>\$ 325,990</u>	<u>\$ 333,201</u>
Schedule of Non-cash Financing Activity		
Amortization of Bond Premium	<u>\$ 3,252</u>	<u>\$ 3,352</u>
Loss on Disposal of Assets	<u>\$ (97,403)</u>	<u>\$ (990)</u>
Net Increase (Decrease) in the Fair Value of Investments	<u>\$ 150</u>	<u>\$ (3,871)</u>

See accompanying notes.

West Shelby Water District
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

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 as all accounts are considered fully collectible. 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 \$42,915 and \$45,875 for the years ended December 31, 2017 and 2016, respectively.
4. Inventory: Inventories are stated at cost based on first-in first-out method.
5. Accounts Receivable: Accounts receivable are for water sales to customers. The District bills its receivables on or about the 25th of each month and are due by the 10th of the following month. Customers that do not pay by the due date are assessed a 10% penalty and receive a past due notice. Management provides for probable uncollectible amounts of accounts receivable through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts if necessary. As of December 31, 2017, there is no allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.
6. 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, 2017 and 2016 was \$538,872 and \$516,561, respectively.

West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

Note B - Summary of Significant Accounting Policies (Continued)

7. 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.
8. New Customers: New service connection fees and construction contributions are recorded as an addition to net position. The cost of installation of the new service is recorded as an addition to plant assets and is subject to depreciation.
9. Accumulated Vacation and Sick Leave: On January 13, 1995, the Commissioners adopted a formal policy related to vacation and sick leave. Vacation is earned at rates varying from one to ten days per year depending on 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.
10. 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 (CERS) of the Kentucky Retirement Systems (KRS) have been determined on the same basis as they are reported by the KRS for the CERS plan. For this purpose, benefits including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2017.
11. 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, 2017 and 2016 the carrying amount of the District's cash and cash investments were \$2,834,660 and \$2,692,140 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)
Years Ended December 31, 2017 and 2016

Note D - Investments (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
December 31, 2017				
Certificate of Deposits	\$ 568,100	\$ -	\$ -	\$ 568,100
Bonds	<u>-</u>	<u>152,625</u>	<u>-</u>	<u>152,625</u>
	<u>\$ 568,100</u>	<u>\$ 152,625</u>	<u>\$ -</u>	<u>\$ 720,725</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
December 31, 2016				
Certificate of Deposits	\$ 561,389	\$ -	\$ -	\$ 561,389
Bonds	<u>-</u>	<u>150,656</u>	<u>-</u>	<u>150,656</u>
	<u>\$ 561,389</u>	<u>\$ 150,656</u>	<u>\$ -</u>	<u>\$ 712,045</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, 2017, the bonds had an unrealized gain of \$150. This unrealized gain was recorded as a net increase in the fair values of investments on the Statement of Revenues, Expenses and Change in Net Position. During the year ended December 31, 2016, the bonds had an unrealized loss of \$3,871 which was recorded as a net decrease in the fair values of investments.

Note E - Restricted Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
Depreciation fund	\$ 222,604	\$ 217,051
Sinking fund	244,731	215,123
Horizon Group rebate fund	39,207	39,207
Construction fund	<u>10,207</u>	<u>89,525</u>
	<u>\$ 516,749</u>	<u>\$ 560,906</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 meters that the Horizon Group purchased during the construction of the outlet mall.

West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

Note F - Property, Plant and Equipment

Property, plant and equipment consist of the following components:

	Balance 2016	Additions	Deletions	Balance 2017
Business - Type Activities				
Transmission and Distribution Plant				
Land and land right	\$ 127,248	\$ -	\$ -	\$ 127,248
Pumping equipment	1,951,433	-	-	1,951,433
Water treatment equipment	7,548	-	-	7,548
Standpipes	2,616,205	-	-	2,616,205
Transmission and distribution mains	8,158,343	85,119	-	8,243,462
Services and meters	986,670	63,488	(280,341)	769,817
Hydrants	352,871	-	-	352,871
Other plant equipment	19,887	-	-	19,887
Total	14,220,205	148,607	(280,341)	14,088,471
Less: Accumulated Depreciation	(4,741,412)	(512,175)	182,938	(5,070,649)
Total Transmission and Distribution Plant	9,478,793	(363,568)	(97,403)	9,017,822
General Plant				
Office furniture and equipment	107,594	-	-	107,594
Buildings	387,830	-	-	387,830
Transportation equipment	175,959	-	-	175,959
Tools, shop and garage equipment	89,016	11,000	-	100,016
Laboratory equipment	373	-	-	373
Communication equipment	6,243	-	-	6,243
Total	767,015	11,000	-	778,015
Less: accumulated depreciation	(440,717)	(26,697)	-	(467,414)
Total General Plant	326,298	(15,697)	-	310,601
Capital Assets, net	<u>\$ 9,805,091</u>	<u>\$ (379,265)</u>	<u>\$ (97,403)</u>	<u>\$ 9,328,423</u>

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 publicly available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

**West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016**

Note G - Retirement Plan (Continued)

General Information about the Pension Plan (Continued)

Benefits provided. KRS 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, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Tier 1 Non-Hazardous 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, which must contain at least 48 months. 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. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87: the member must be at least age 57 and age + earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a members accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

The Kentucky General Assembly has the authority to increase, suspend or reduce Cost of Living Adjustments. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

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. Employees that entered the plan after September 1, 2008, 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, 2017, employer contributions for the District were \$45,462 (\$34,132 pension and \$11,330 insurance) based on a rate of 18.68% (13.95% pension and 4.73% insurance) (January 2017-June 2017) and 19.18% (14.48% pension and 4.70% insurance) (July 2017 – December 2017) of covered payroll. For the year ended December 31, 2016, employer contributions for the District were \$39,155 (\$28,659 pension and \$10,496 insurance) based on a rate of 17.06% (12.14% pension and 4.92% insurance) (January 2016-June 2016) and 18.68% (13.95% pension and 4.73% insurance) (July 2016 – December 2016) 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 was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

Note G - Retirement Plan (Continued)

Net Pension Liability (Continued)

Actuarial assumptions. The total pension liability as of June 30, 2017 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
Investment rate of return	7.50 percent

The mortality for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).

At the time of the last experience study, performed as of June 30, 2013, this mortality assumption provided 37% and 19% margin for future improvement for males and females, respectively. This will be reviewed again when the next experience investigation is conducted.

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 assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.97%	17.50%
International Equity	7.85%	17.50%
Global Bonds	2.63%	4.00%
Global Credit	3.63%	2.00%
High yield	5.75%	7.00%
Emerging Market Debt	5.50%	5.00%
Private Credit	8.75%	10.00%
Real Estate	7.63%	5.00%
Absolute Return	5.63%	10.00%
Real Return	6.13%	10.00%
Private Equity	8.25%	10.00%
Cash	1.88%	2.00%
	69.60%	100.00%

**West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016**

Note G - Retirement Plan (Continued)

Net Pension Liability (Continued)

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.

Discount rate. The discount rate used to measure the total pension liability was 6.25 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 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
West Shelby Water District's Net pension liability	\$ 582,389	\$ 461,767	\$ 360,869

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

Pension expense. For the year ended June 30, 2017, the District recognized pension expense of \$66,787.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The amount shown below for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction to net pension liability in the following measurement period.

**West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016**

Note G - Retirement Plan (Continued)

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

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>
Differences between expected and actual experience	\$ -	\$ -
Liability experience	573	11,722
Assumption changes	85,209	-
Investment experience	36,571	30,860
Change in proportionate share	2,765	7,764
Contributions subsequent to the measurement date of June 30, 2017	<u>17,690</u>	<u>-</u>
Total	<u>\$ 142,808</u>	<u>\$ 50,346</u>

Recognition of Deferred Outflows (Inflows) of Resources for Future Plan Years

<u>Plan Year Ending June 30,</u>	<u>Recognition of Deferred Outflows (Inflows) of Resources</u>
2018	\$ 29,155
2019	35,503
2020	16,044
2021	<u>(5,930)</u>
	<u>\$ 74,772</u>

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 December 31, 2017, the District reported a payable of \$4,625 for the outstanding amount of contributions payable to the pension plan at December 31, 2017.

West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

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, 2017:

Bonds dated January 11, 2001 for \$845,000 with interest at 5%	<u>\$ 652,000</u>
Total Bonds Outstanding	<u>\$ 652,000</u>

The balance at December 31, 2016 was \$688,000. During 2017, \$36,000 of principal payments were made, which leaves an outstanding balance of \$652,000 at December 31, 2017. Future maturities of bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 17,000	\$ 32,600	\$ 49,600
2019	18,000	31,750	49,750
2020	19,000	30,850	49,850
2021	19,000	29,900	48,900
2022	21,000	28,950	49,950
2023-2027	119,000	128,200	247,200
2028-2032	152,000	95,200	247,200
2033-2037	195,000	53,250	248,250
2038-2039	<u>92,000</u>	<u>6,950</u>	<u>98,950</u>
	<u>\$ 652,000</u>	<u>\$ 437,650</u>	<u>\$ 1,089,650</u>

All properties and assets, both real and personnel, and revenues are pledged to secure this loan.

Kentucky Rural Water Financing Corporation

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, 2017 and 2016 was \$215,000 and \$250,000, 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 for the years ended December 31, 2017 and 2016. The unamortized bond premium as of December 31, 2017 and 2016 was \$19,514 and \$22,766, respectively.

West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

Note H - Bonds Payable (Continued)

Kentucky Rural Water Financing Corporation (Continued)

Future maturities of bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 35,000	\$ 8,050	\$ 43,050
2019	35,000	6,650	41,650
2020	35,000	5,250	40,250
2021	40,000	3,750	43,750
2022	40,000	2,150	42,150
2023	30,000	675	30,675
	<u>\$ 215,000</u>	<u>\$ 26,525</u>	<u>\$ 241,525</u>

Note I - Long-term Debt

Long-term debt activity for the year ended December 31, 2017, 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	\$ 688,000	\$ (36,000)	\$ 652,000	\$ 17,000
Kentucky Rural Water Note	250,000	(35,000)	215,000	35,000
Enterprise Activities				
Long-term Liabilities	<u>\$ 938,000</u>	<u>\$ (71,000)</u>	<u>\$ 867,000</u>	<u>\$ 52,000</u>

Note J - 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>	
	<u>Gallons</u>	<u>Cost/1000</u>	<u>Gallons Sold/1000</u>	<u>Cost/1000</u>		
2017	289,906,300	\$ 2.241	255,908,800	\$ 5.899	33,997,500	11.73%
2016	288,964,100	\$ 2.150	261,573,000	\$ 5.750	27,391,100	9.48%
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%

West Shelby Water District
Notes to Financial Statements (Continued)
Years Ended December 31, 2017 and 2016

Note K - Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no impact on total net position or change in net position.

Note L - Future Accounting Pronouncements

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. 75 and is therefore unable to disclose the impact that adopting this Standard will have on the District's financial position and the results of its operations when the Statement is adopted.

Required Supplementary Information

West Shelby Water District
Required Supplementary Information - Schedule of 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>	<u>2016</u>	<u>2017</u>
Total Net Pension Liability for County Employees Retirement Systems	\$ 3,244,377,000	\$ 4,299,525,000	\$ 4,923,618,000	\$ 5,853,307,443
Employer's Proportion (Percentage) of Net Pension Liability	0.009063055%	0.008081509%	0.007807870%	0.007889%
Employer's Proportion (Amount) of Net Pension Liability	294,040	347,467	384,430	461,767
Employer's Covered-Employer payroll	\$ 198,461	\$ 191,839	\$ 219,117	\$ 192,079
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll	148.16%	181.12%	175.44%	240.40%
Total Pension Plan's Fiduciary Net Position	\$ 6,528,146,000	\$ 6,440,800,000	\$ 6,141,395,000	\$ 6,687,237,000
Total Pension's Plan Pension Liability	\$ 9,772,523,000	\$ 10,740,325,000	\$ 11,065,013,000	\$ 12,540,545,000
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	66.80%	59.97%	55.50%	53.30%

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 27,618	\$ 23,841	\$ 28,659	\$ 26,795
Contributions in relation to the actuarially determined contribution	<u>27,618</u>	<u>23,841</u>	<u>28,659</u>	<u>26,795</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 198,461	\$ 191,839	\$ 219,117	\$ 192,079
Contributions as a percentage covered-employee payroll	13.92%	12.43%	13.08%	13.95%

Notes to Schedules Related to the County Employees' Retirement System of KRS Information

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Remaining amortization period	28 years, closed
Asset valuation	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary increases	4.00 percent average
Investment Rate of Return	7.50 percent
Retirement age	65 years or 27 years of service regardless of age

Supplementary Information

West Shelby Water District
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget
Year Ended December 31, 2017

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue from Sale of Water			
Residential customers	\$ 749,287	\$ 735,000	\$ 14,287
Industrial customers	379,522	380,000	(478)
Commercial customers	201,462	210,000	(8,538)
Public authorities	61,111	65,000	(3,889)
Private fire protection	71,495	75,000	(3,505)
Multi-family dwellings	46,754	45,000	1,754
Tax-exempt non-government	3,144	4,000	(856)
Total Revenue from Sale of Water	1,512,775	1,514,000	(1,225)
Other Revenue			
Forfeited discounts	17,917	18,000	(83)
Miscellaneous revenue	13,348	12,500	848
Total Other Revenues	31,265	30,500	765
Total Revenues	1,544,040	1,544,500	(460)
Operating and Maintenance Expenses			
Water purchased	637,339	610,000	(27,339)
Salaries	238,935	227,000	(11,935)
Employee insurance	55,824	52,000	(3,824)
Maintenance materials and supplies	48,474	22,000	(26,474)
Employee retirement	75,637	40,000	(35,637)
Insurance	35,532	25,000	(10,532)
Power-pumping equipment	21,052	22,000	948
Legal and accounting	19,090	15,000	(4,090)
Commissioners fees	16,400	18,000	1,600
Office supplies	19,560	35,000	15,440
Payroll taxes	16,547	17,000	453
Truck and equipment expenses	16,421	15,000	(1,421)
Utilities	16,266	15,000	(1,266)
Operating supplies and expenses	15,701	12,000	(3,701)
Computer/copier support	15,939	12,500	(3,439)
Retirement health insurance	13,805	8,900	(4,905)
Miscellaneous	4,814	1,100	(3,714)
Employee uniforms	5,294	4,500	(794)
Employee training	3,947	2,500	(1,447)
Rent	4,132	2,300	(1,832)
Uncollectible revenue	1,426	-	(1,426)
Interest on customer deposits	448	500	52
Travel	46	-	(46)
Total Operating and Maintenance Expenses	1,282,629	1,157,300	(125,329)

West Shelby Water District
Schedule of Revenues, Expenses and Changes in Net Position - Actual to Budget (Continued)
Year Ended December 31, 2017

	<u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
Other Operating Deductions			
Depreciation	<u>538,872</u>	<u>475,000</u>	<u>(63,872)</u>
Total Other Operating Deductions	<u>538,872</u>	<u>475,000</u>	<u>(63,872)</u>
Total Expenses	<u>1,821,501</u>	<u>1,632,300</u>	<u>(189,201)</u>
Total Operating Loss	(277,461)	(87,800)	(189,661)
Non-operating Revenues (Expenses)			
Net increase in fair value of investments	150	-	150
Investment income	21,798	10,000	11,798
Loss on sale of assets	(97,403)	-	(97,403)
Interest on long-term debt	<u>(38,763)</u>	<u>(38,000)</u>	<u>(763)</u>
Total Non-operating Expenses, net	<u>(114,218)</u>	<u>(28,000)</u>	<u>(86,218)</u>
Excess Expenses Over Revenue	<u>\$ (391,679)</u>	<u>\$ (115,800)</u>	<u>\$ (275,879)</u>

**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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the West Shelby Water District ("the District"), as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 24, 2018.

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.



Lexington, Kentucky
May 24, 2018