



*Engineers*

*Planners*

*Managers*

July 8, 2009

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
PO Box 615  
Frankfort, KY 40602

RECEIVED

JUL 10 2009

PUBLIC SERVICE  
COMMISSION

Re: Green-Taylor Water District  
Application for Rate Increase  
Case No. 2009-00032

Dear Mr. Derouen:

Please find enclosed a prepared testimony in support of Green-Taylor Water District's application for rate adjustment. Should you need additional information please advise.

Sincerely,  
**CANN-TECH, LLC**

Monty Rhody, P.E.  
Project Manager

CC: Roger Moss, Green-Taylor Water District (letter only)

BEFORE THE KENTUCKY SERVICE COMMISSION

RE: GREEN-TAYLOR WATER DISTRICT  
CASE NO. 2009-00032

DIRECT TESTIMONY OF MONTY RHODY

**Q. Please state your name and business address.**

A. My name is Monty Rhody. My business address is 1100 Glensboro Road, Park View Center Suite 9, Lawrenceburg, Kentucky.

**Q. By who are you employed?**

A. I am employed by Cann-Tech, LLC.

**Q. What is your position with Cann-Tech, LLC., and briefly state your general duties and responsibilities.**

A. My position is Project Manager and my duties and responsibilities include initiating projects, planning projects, executing projects monitoring projects and closing projects. The types of projects include water distribution, water treatment, sewage collection, sewage treatment, stormwater, site development and various studies.

**Q. What is your educational background?**

A. I have a Bachelor of Science Degree in Civil Engineering from the University of Kentucky, Lexington, Kentucky.

**Q. What is the purpose of your testimony in this proceeding?**

A. My testimony is in support of the rate increase conducted under my direction for the Green-Taylor Water District.

**Q. Are you familiar with the general financial condition of Green-Taylor Water District?**

A. Yes, I am and that is the reason for the filing of this Application to increase its rates.

**Q. Please describe the action sought by Green-Taylor Water District in this case.**

A. Green-Taylor Water District seeks a rate increase that will produce \$294,262 of additional revenue on an annual basis, or an overall increase of 15.61%.

**Q. What were the basic factors that caused Green-Taylor Water District to seek a rate increase at this time?**

A. The reason for the rate increase at this time is due to the increase in operating expenses and a decrease in water sales. Operating expenses increase approximately 7% from 2006 to 2007 and approximately 7% from 2007 to 2008. Total operating revenues decreased approximately \$20,000 from 2007 to 2008. The increase in operating expenses is due to an increase in material cost and increase in fuel cost. This information was obtained from Green-Taylor Water District's 2007 and 2008 audits. Exhibit 2 is the 2008 Audit which wasn't available at the time of this application submittal.

**Q. Have you prepared an exhibit presenting the results of your rate increase study?**

A. Yes, see exhibit 1.

**Q. What is the reason for adding the entire rate increase to the minimum bill only?**

A. Green-Taylor Water District wanted to increase the minimum bill only so that their larger customers wouldn't be affected as much.

**Q. How was the cost determined for the Meter Test Charge?**

A. It was determined based on actual cost to test a meter. This information was provided to me by the Green-Taylor Water District. Exhibit 3 is the Nonrecurring Charge Cost Justification for a Meter Test.

**Q. How was the cost determined for the Re-connection Charge?**

A. It was determined based on actual cost to re-connect a meter. This information was provided to me by the Green-Taylor Water District. Exhibit 4 is the Nonrecurring Charge Cost Justification for a Meter Re-connection.

**Q. How was the cost determined for a Returned Check Charge?**

A. It was determined based on actual cost for a returned check. This information was provided to me by the Green-Taylor Water District. Exhibit 5 is the Nonrecurring Charge Cost Justification for a Returned Check.

**Q. Does this conclude your direct testimony?**

A. Yes, it does.

## **EXHIBIT 1**

## GREEN-TAYLOR WATER DISTRICT RATE ANALYSIS

Current Income (Loss) Before Capital Contributions from 2007 Audit= (\$22,224)

Current Income (Loss) Before Capital Contributions from 2008 Audit=(\$168,604)

\*Estimated Income (Loss) Before Capital Contributions After Rate Increase= \$125,658

Rate Increase to Minimum Bill	Predicted Revenue	Predicted Increase in Annual Revenue
\$0.00	\$1,884,630	N/A
\$1.00	\$1,941,148	\$56,518
\$2.00	\$1,997,666	\$113,036
\$3.00	\$2,054,185	\$169,555
\$4.33	\$2,178,892	\$294,262

Based on 2008 Customer Count

Residential and Non-Residential Meters

	Current Rate	Percent Increase			
		3%	7%	10%	15%
Minimum Bill	\$16.80	\$17.80	\$18.80	\$19.80	\$21.13
Average Bill	\$29.23	\$30.23	\$31.23	\$32.23	\$33.56
Increase in Minimum Bill/Average Bill		\$1.00	\$2.00	\$3.00	\$4.33

\*Base on 2008 Audit which wasn't available when this rate increase request was submitted.

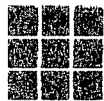
## **EXHIBIT 2**

**GREEN-TAYLOR WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**Years Ended December 31, 2008 and 2007**

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WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA  
SHIRLEY M. BUCKNER, CPA  
JEFFREY C. SPROWLES, CPA

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of  
Green-Taylor Water District

We have audited the accompanying financial statements of the business-type activities of Green-Taylor Water District, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Green-Taylor Water District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities Green-Taylor Water District, as of December 31, 2008 and 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2009, on our consideration of the Green-Taylor Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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MEMBERS: AICPA • KYCPA

Board of Commissioners of  
Green-Taylor Water District  
Page 2

This report is intended solely for the information and use of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wise, Buckner, Sprowles & Associates, PLLC*

Wise, Buckner, Sprowles & Associates, PLLC  
Campbellsville, KY

March 26, 2009

# GREEN-TAYLOR WATER DISTRICT

P.O. Box 168  
250 Industrial Park Road  
Circleville, KY 42743-0168  
TTY 1-800-648-6936 or 711

Phone (270)932-4947 (270)932-7995 1-800-972-9347  
Fax (270)932-7036

## Management's Discussion and Analysis

Green-Taylor Water District is presenting the following discussion and analysis in order to provide an overall review of the utility's financial activities for the fiscal years ending December 31, 2008 and 2007. We encourage readers to consider the information presented here in conjunction with the utility's financial statements and notes to the basic financial statements in order to enhance their understanding of the utility's financial performance.

### 2008 HIGHLIGHTS

Green-Taylor Water District has continued to grow in 2008, despite the fact we have faced some difficult challenges this year. The new 500,000 gallon elevated water storage tank and telemetry building on Hwy 68 was completed. We were able to build this much needed storage facility using funds from 2 grants received in prior years. The addition of this new large capacity tank has allowed us to discontinue the maintenance of two much smaller aging tanks. These will be disassembled in the coming year.

We have struggled somewhat with water loss and the higher price of materials and supplies in 2008. Despite our efforts to maintain a low percentage of water loss, this has been an ongoing battle this year. We have repaired and replaced some problem areas, including a major creek crossing, but water loss continues to plague our facility. Our average for the year is 17% which is almost 2% higher than last year. The enormous increase in the cost of fuel during the last half of the year took a tremendous toll on our budget. The fuel cost increase also affected the price of the materials and supplies needed to maintain our system. Electric and natural gas companies also raised rates again, which added to our operating costs. Our water suppliers did not raise rates this year, which allowed us some relief.

Although we have continued to grow in 2008, this financial statement will show that the increase in fuel, electricity, material and supplies has impeded our progress. We are committed to providing quality service to our customers and will continue to exhaust every available resource to supply our customers with the highest quality water possible.

### Required Financial Statements

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principals which are generally accepted in the United States of America. The statements of Net Assets include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District's creditors (liabilities). The Statement of Revenues, Expense and Changes in Net Assets identify the District's revenues and expenses for the years ended December 31, 2008 and 2007. This statement normally provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance.

Green-Taylor Water District  
 Management's Discussion & Analysis  
 Page 2

### Financial Analysis of the District

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

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

ASSETS	2008	2007
Cash and Investments	\$ 1,280,127	\$ 1,282,376
Other Assets	480,176	831,977
Capital Assets	11,664,543	11,236,503
Total Assets	<u>13,424,846</u>	<u>13,350,856</u>
LIABILITIES		
Current Liabilities	195,233	504,964
Other Liabilities	285,056	283,588
Long-term Liabilities	4,693,000	4,825,500
Total Liabilities	<u>5,173,289</u>	<u>5,614,052</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	6,784,443	6,226,103
Restricted	1,004,455	810,641
Unrestricted, Restated	462,659	700,056
Total Net Assets	<u>\$ 8,251,557</u>	<u>\$ 7,736,802</u>

Net Assets increased \$514,755 from 2007 to 2008.

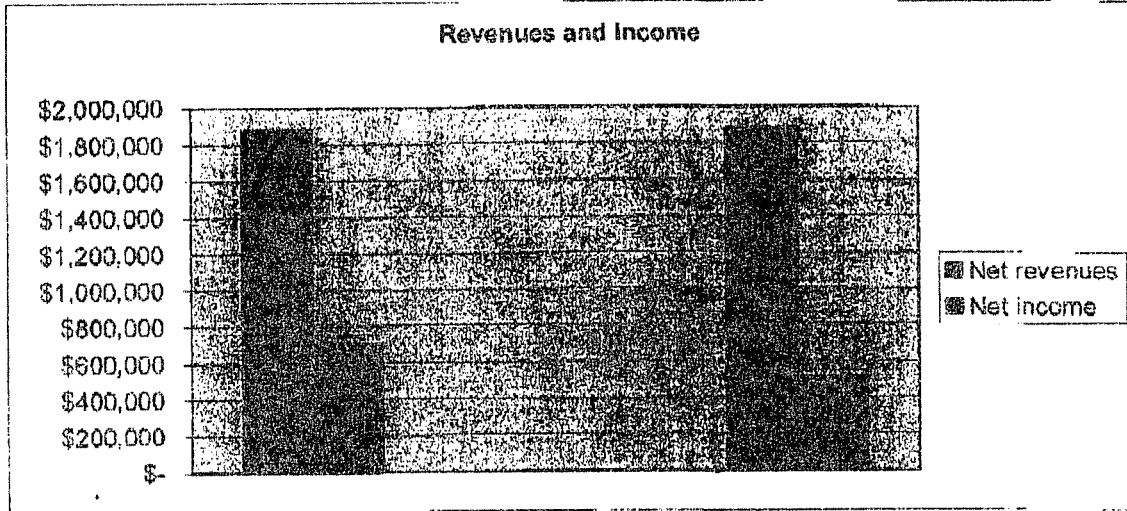
### 2008 Operating Results

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

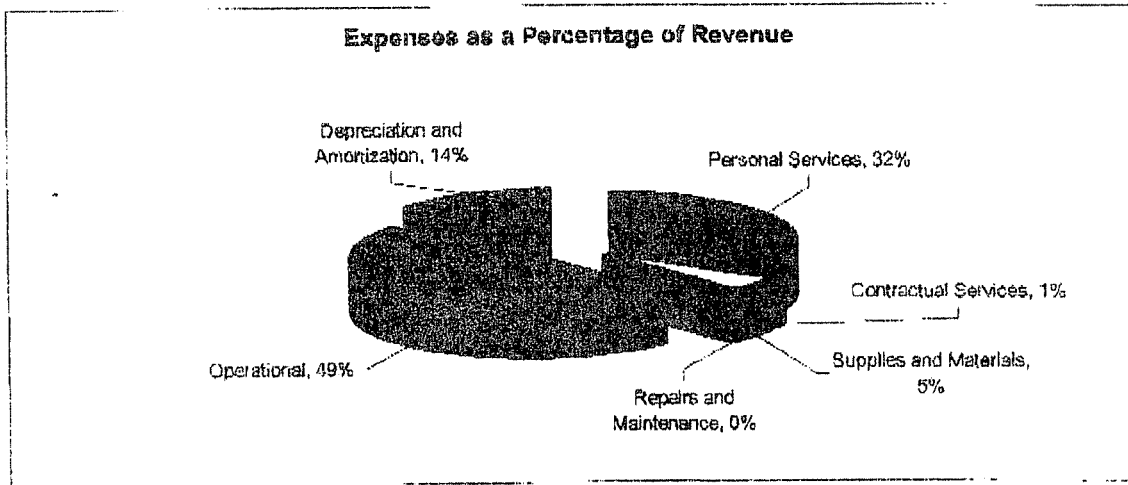
	2008	2007
Operating Revenues	\$ 1,942,564	\$ 1,962,672
Other Revenues	29,849	37,087
Total Revenues	<u>1,972,413</u>	<u>1,999,739</u>
Operating Expenses	1,657,926	1,539,898
Depreciation and Amortization	269,624	268,605
Non-operating Expenses	213,467	215,460
Total Expenses	<u>2,141,017</u>	<u>2,021,963</u>
Income/(Loss) Before Capital Contributions and Grants	(188,604)	(22,224)
Capital Contributions	41,800	43,086
Grants	641,559	685,914
Change in Net Assets	514,755	706,776
Beginning Net Assets	7,736,802	7,030,026
Prior Period Adjustment	-	-
Ending Net Assets	<u>\$ 8,251,557</u>	<u>\$ 7,736,802</u>

Green-Taylor Water District  
 Management's Discussion & Analysis  
 Page 3

The following chart shows the difference between net revenues and net income for the years ended December 31, 2008 and 2007.



The following pie chart shows expenses as a percentage of revenue for the year ended December 31, 2008.



Green-Taylor Water District  
 Management's Discussion & Analysis  
 Page 4

**Capital Assets**

At December 31, 2008 and 2007 the District had \$11,664,543 and \$11,236,503 invested in capital assets, consisting primarily of plant and equipment.

	<u>2008</u>	<u>2007</u>
Land	\$ 50,235	\$ 49,217
Construction In Progress	-	673,303
Buildings	151,733	139,798
Plant & Equipment	15,115,309	13,761,487
Total Capital Assets	<u>15,317,277</u>	<u>14,623,805</u>
Less: Accumulated Depreciation	<u>(3,652,734)</u>	<u>(3,387,301)</u>
Capital Assets, Net	<u>\$ 11,664,543</u>	<u>\$ 11,236,504</u>

**Debt Outstanding**

At year-end, the District had \$4,825,500 in notes outstanding versus \$4,948,000 last year. Long-term debt outstanding decreased \$122,500 from 2007 to 2008.

**Financial Contact**

The District's financial statements are designed to provide the District's customers, commissioners, creditors and other interested parties with a general overview of the District's financial operations and financial condition. If you have questions about the report or need additional financial information, please contact the District's Manager, Roger Moss at (270) 932-4947 or 250 Industrial Park Road, Greensburg, KY 42743.

**GREEN-TAYLOR WATER DISTRICT**  
**STATEMENT OF NET ASSETS**  
 Years Ended December 31, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 275,672	\$ 328,865
Customer & Other Accounts Receivable	271,051	283,063
Accounts Receivable - State	0	336,793
Inventory	92,056	91,016
Prepaid Expenses	15,429	15,400
Interest Receivable	996	869
Restricted Cash & Investments	1,004,455	953,512
Debt Issuance Cost (net of accumulated amortization)	100,644	104,835
Capital Assets:		
Land & Construction in Progress	50,235	722,520
Other Capital Assets (net of accumulated depreciation)	11,614,308	10,513,884
	13,424,846	13,350,856
<b>LIABILITIES</b>		
Accounts payable - Trade	78,252	395,978
Accrued & Withheld Taxes	13,255	10,130
Customer Deposits	88,280	83,261
Accrued Payroll	7,646	7,794
Interest Payable	105,758	106,488
Current Portion - Capital Lease	7,800	7,800
Current Portion - Revenue Bonds	132,500	122,500
Non-Current Portion - Capital Lease	46,800	54,600
Non-Current Portion - Revenue Bonds	4,893,000	4,825,500
	5,173,289	5,614,052
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	6,784,443	6,226,103
Restricted	1,004,455	953,511
Unrestricted	462,659	557,188
	\$ 8,251,557	\$ 7,736,802

The accompanying notes are an integral part of the financial statements.

GREEN-TAYLOR WATER DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 1,878,903	\$ 1,884,630
Service Charges and Other	<u>63,661</u>	<u>78,041</u>
<b>TOTAL OPERATING REVENUES</b>	<b>1,942,564</b>	<b>1,962,671</b>
<b>OPERATING EXPENSES</b>		
Personal Service	609,509	575,603
Contractual Services	26,408	22,388
Supplies & Materials	96,995	77,069
Repairs & Maintenance	737	835
Operational	924,278	864,002
Depreciation & Amortization	<u>269,624</u>	<u>266,605</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,927,550</u></b>	<b><u>1,806,502</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b>15,014</b>	<b>156,169</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Income	28,492	33,299
Interest Expenses and Fiscal Charges	(213,467)	(215,460)
Gain (Loss) on Disposal of Asset	-	-
Other income	<u>1,357</u>	<u>3,768</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>(183,618)</u></b>	<b><u>(178,393)</u></b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(168,604)</b>	<b>(22,224)</b>
Capital Contributions	41,800	43,086
Grants	<u>641,559</u>	<u>685,914</u>
<b>CHANGE IN NET ASSETS</b>	<b>514,755</b>	<b>706,776</b>
<b>NET ASSETS</b>		
Beginning of Year	<u>7,736,802</u>	<u>7,030,026</u>
End of Year	<u>\$ 8,251,557</u>	<u>\$ 7,736,802</u>

The accompanying notes are an integral part of the financial statements.



GREEN-TAYLOR WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received From Customers	\$ 1,953,655	\$ 1,958,110
Cash Payments to Employees for Services	(609,657)	(573,746)
Cash Payments to Suppliers for Goods & Services	(1,029,351)	(961,720)
Customer Deposits Received	19,219	20,290
Customer Deposits Returned	(11,224)	(14,040)
	<u>322,642</u>	<u>428,894</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Paid on Bonds	(122,500)	(117,000)
Interest Paid on Debt	(214,199)	(217,916)
Acquisition of Capital Assets and Construction In Progress	(699,916)	(363,461)
Proceeds from Grants	641,559	349,121
Contributed Capital	41,800	43,086
Bonds	<u>-</u>	<u>-</u>
	<u>(363,256)</u>	<u>(306,170)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest	<u>28,365</u>	<u>33,299</u>
	<u>28,365</u>	<u>33,299</u>
<b>NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,249)</b>	<b>156,023</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>1,282,377</u></b>	<b><u>1,126,353</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 1,280,127</u></b>	<b><u>\$ 1,282,376</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>		
Cash and Cash Equivalents	275,672	471,735
Restricted Cash and Cash Equivalents	<u>1,004,455</u>	<u>810,641</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 1,280,127</u></b>	<b><u>\$ 1,282,376</u></b>

The accompanying notes are an integral part of the financial statements.

**GREEN-TAYLOR WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES</b>		
Operating Margin	\$ 15,014	\$ 158,169
<b>ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES</b>		
Depreciation	269,624	266,605
Sales Tax Compensation	-	
Change in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	12,012	15,175
(Increase) Decrease in Inventory	(1,040)	(22,583)
(Increase) Decrease in Prepaid Expenses	(29)	(107)
Increase (Decrease) in Accounts Payable	19,066	2,539
Increase (Decrease) in Salaries and Retirement Payable	(148)	1,857
Increase (Decrease) in Accrued and Withheld Taxes	3,124	2,544
Increase (Decrease) in Customer Deposits	5,019	8,659
<b>TOTAL RECONCILING ADJUSTMENTS</b>	<u>307,628</u>	<u>272,689</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 322,642</u>	<u>\$ 428,858</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES</b>		
Equipment Lease	\$ -	\$ 62,400
Debt Issued to Acquire Equipment	\$ -	\$ (82,400)

The accompanying notes are an integral part of the financial statements.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2008 and 2007

NOTE 1: DESCRIPTION OF ENTITY

Reporting Entity - The Green-Taylor Water District Commissioners have financial accountability and control over all activities related to the water district. The district's primary source of income is derived from water sales. The district also receives funding from federal government sources and must comply with the requirements of those funding source entities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accounts of Green-Taylor Water District are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, the district uses only one fund type known as a proprietary fund type.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net assets (i.e., net total liabilities) are segregated into invested in capital assets, net of related debt; restricted and unrestricted.

FASB Pronouncements - Since the District uses a proprietary fund, it applies all applicable Financial Accounting Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedures. The only exception in use of the aforementioned pronouncements is those that conflict with or contradict Governmental Accounting Standard's Board (GASB) pronouncements.

Cash Equivalents and Investments -- The District considers all highly liquid investments with a remaining maturity of 90 days or less when purchased to be cash equivalents.

Investments are presented at fair value. Long-term investments generally mature or are otherwise available for withdrawal in more than one year. Investments for the District are certificates of deposits maturing after 90 days with interest rates ranging from 3.95% to 5.25%.

Restricted Assets - These assets consist of cash restricted in a sinking fund and depreciation reserve fund as required by the revenue bonds.

Inventory -- Materials and supplies inventory consists principally of spare parts that are recorded when purchased and expensed when used. Inventory is stated at the lower of cost or market value. Cost is generally determined on a first-in, first-out basis.

Capital Assets and Related Depreciation -- The utility plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the plant's estimated useful life of 40 years. The office building is depreciated on a straight-line basis over an estimated useful life of 50 years. Machinery, office equipment and service vehicles are depreciated on a straight-line basis over their estimated useful life ranging from 5 to 10 years.

Bond Issue Costs - Bond Issue Costs are being amortized and charged to expense over the term of the outstanding revenue bonds by use of the straight-line method.

Net Assets - Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

**GREEN-TAYLOR WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 Years Ended December 31, 2008 and 2007

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

*Invested in capital assets, net of related debt*—This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

*Restricted*—This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets*—This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**NOTE 3: CASH AND CASH EQUIVALENTS**

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

	<u>12/31/08</u>	<u>12/31/07</u>
<b>Unrestricted:</b>		
Cash	\$ 275,672	\$ 328,865
Certificates of Deposit and Savings	-	-
<b>Total Unrestricted</b>	<u>275,672</u>	<u>328,865</u>
<b>Restricted:</b>		
Cash	367,541	324,130
U. S. Treasury	136,914	129,382
	<u>504,455</u>	<u>453,512</u>
Certificates of Deposit and Savings	<u>500,000</u>	<u>500,000</u>
<b>Total Restricted</b>	<u>1,004,455</u>	<u>953,512</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$1,280,127</u>	<u>\$1,282,377</u>

There are three categories of credit risk that apply to the government's bank balance:

1. Insured or collateralized with securities held by the government or by the government's agent in the government's name.
2. Collateralized with securities held by the pledging financial institution's trust department or the government's agent in the government's name.
3. Uncollateralized.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2008 and 2007

NOTE 3: CASH AND CASH EQUIVALENTS - (CONTINUED)

	BANK AMOUNT	
	2008	2007
Insured (FDIC) or Collateral Held by Pledging Bank's Securities in District's name	\$ 1,262,081	\$ 1,382,206
Uninsured or Uncollateralized	48,488	2,201
Total (Memorandum Only)	<u>\$ 1,310,569</u>	<u>\$ 1,384,407</u>

The carrying amounts of the District's deposits at December 31, 2008 and 2007 were \$1,263,927 and \$1,282,376 respectively and the bank balances were \$1,310,569 and \$1,384,407 respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balances for each year, all was insured by federal depository insurance or collateralized by the pledging financial institutions.

NOTE 4: CUSTOMER AND OTHER ACCOUNTS RECEIVABLE

Customer and other accounts receivables were as follows:

	2008	2007
Accounts Receivable - Water	<u>\$385,697</u>	<u>\$372,584</u>
Accounts Receivable - Sewer	25,602	24,994
Allowance for Doubtful Accounts	<u>(140,248)</u>	<u>(114,514)</u>
Net	<u>\$271,051</u>	<u>\$283,063</u>

Accounts receivable considered uncollectible are charged against an allowance account in the year they are deemed uncollectible. The allowance account is adjusted at year end to reflect the percentage of sales considered uncollectible. The allowance for December 31, 2008 and 2007 was \$140,248 and \$114,514 respectively.

NOTE 5: CAPITAL ASSETS

A summary of changes in property, plant and equipment are as follows:

	Balance 12/31/07	Additions	Deletions	Balance 12/31/08
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 49,217	\$ 1,016	-	\$ 50,235
Construction in Progress	673,303	644,313	1,317,616	-
Total Capital Assets Not Being Depreciated	722,520	645,331	1,317,616	50,235
Capital Assets Being Depreciated:				
Buildings	139,798	11,936	-	151,734
Utility Plant	13,448,586	1,327,616	-	14,776,202
Service Equipment	266,366	19,368	-	285,734
Office Furniture and Equipment	46,535	6,837	-	53,372
Total Capital Assets Being Depreciated	13,901,285	1,365,757	-	15,267,042

**GREEN-TAYLOR WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 Years Ended December 31, 2008 and 2007

**NOTE 5: CAPITAL ASSETS - (CONTINUED)**

	Balance 12/31/07	Additions	Deletions	Balance 12/31/08
Accumulated Depreciation				
Buildings	55,885	3,478	-	59,363
Utility Plant	3,084,054	237,788	-	3,321,842
Service Equipment	209,107	21,240	-	230,347
Office Furniture and Equipment	38,255	2,927	-	41,182
Total Accumulated Depreciation	<u>3,387,301</u>	<u>265,433</u>	<u>-</u>	<u>3,652,734</u>
Total Capital Assets Being Depreciated, Net	<u>10,513,984</u>	<u>1,100,324</u>	<u>-</u>	<u>11,614,308</u>
Total Capital Assets, Net	<u>\$ 11,236,504</u>	<u>\$ 2,011,088</u>	<u>\$ 1,317,616</u>	<u>\$ 11,664,543</u>

**NOTE 6: LONG-TERM OBLIGATIONS**

Revenue Bonds payable with principal payments due annually on January 1 and interest payments due semi-annually on January 1, and July 1, are detailed as follows:

	2008	2007
1979 Waterworks Revenue Bond, original amount \$663,000 maturing January 1, 2019 with a rate of 5%	\$ 332,000	\$ 352,000
1994 Waterworks Revenue Bond, original amount \$466,000 maturing January 1, 2034, with a rate of 4.50%, principal payments commencing January 1, 1997	397,000	404,000
1995 Waterworks Revenue Bond, original amount \$675,000 maturing January 1, 2035, with a rate of 4.875%, principal payments commencing January 1, 1998	589,000	599,000
2001 Waterworks Revenue Bond, original amount \$252,000 maturing January 1, 2041, with a rate of 4.75%, principal payments commencing January 1, 2004	238,500	241,500
2004 Series A Waterworks Revenue Bond, original amount \$673,000 maturing January 1, 2044, with a rate of 4.75%, principal payments commencing January 1, 2007	652,000	659,000
2004 Series B Waterworks Revenue Bond, original amount \$297,000 maturing January 1, 2044, with a rate of 4.375%, principal payments commencing January 1, 2007	287,000	290,500
2004 Refinancing of 1987, 1989, 1990, and 1993 Waterworks Revenue Bonds, original amount \$2,610,000 maturing January 1, 2027, with a variable rate of 2.28%-4.405%, principal payments commencing January 1, 2005	<u>2,330,000</u>	<u>2,402,000</u>
Total Debt	4,825,500	4,948,000
Payments Due In Less Than One	<u>132,500</u>	<u>122,500</u>
Total Long-Term Obligations	<u>\$ 4,693,000</u>	<u>\$ 4,825,500</u>

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2008 and 2007

NOTE 6: LONG-TERM OBLIGATIONS - (CONTINUED)

The annual requirements to amortize all bonded debt outstanding as of December 31, 2008 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	132,500	211,210	343,710
2010	137,000	206,614	343,614
2011	145,000	201,102	346,802
2012	152,000	195,166	347,166
2013	159,000	188,673	347,673
2014-2018	938,000	828,443	1,766,443
2019-2023	1,035,500	610,381	1,645,881
2024-2028	1,029,500	365,808	1,395,308
2029-2033	470,500	212,736	683,236
2034-2038	349,000	110,020	459,020
2039-2042	226,500	41,629	268,129
2043-2047	50,000	6,958	56,958
	<u>\$ 4,824,500</u>	<u>\$ 3,178,740</u>	<u>\$8,003,740</u>

NOTE 7: CAPITAL LEASE

The District has entered into an agreement to lease equipment. This agreement is, in substance, a purchase and is reported as a capital lease obligation. The following schedule presents future minimum lease payments as of December 31, 2008.

<u>Year Ending December 31,</u>	
2009	7,800
2010	7,800
2011	7,800
2012	7,800
2013	7,800
2014	7,800
2015	7,800
	<u>\$ 54,600</u>

NOTE 8: RISK MANAGEMENT

The Green-Taylor Water District is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. The District purchases commercial insurance to cover these instances.

The District did not have settled claims that exceeded the District's commercial insurance coverage in any of the past three years.

GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2008 and 2007

NOTE 9: PENSION PLAN

The County Employees Retirement System of Kentucky (CERS) is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under circumstances. Cost-of-living adjustments are 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 five percent in any plan year. 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.

For the fiscal years ended June 30, 2008 & 2007, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565 (3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal years ended June 30, 2008 and 2007, participating employers contributed 16.17% and 13.19%, respectively of each employee's creditable compensation. The rate used by participating employers from July through December 2008, was 16.17% of members non-hazardous compensation. The Green-Taylor Water District's total payroll for 2008 and 2007 was \$423,845 and \$389,237 and the amount of payroll covered by CERS was \$403,380 and \$370,493, respectively.

The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	CERS as of June 30, 2008	CERS as of June 30, 2007	CERS as of June 30, 2006
	(In Thousands)		
Assets available for benefits, at fair value	\$ 7,482,370	\$ 7,107,113	\$ 6,677,969
Pension benefit obligation (Under funded)/over funded	9,707,340	8,868,182	8,199,712
pension benefit obligations	<u>\$ (2,224,970)</u>	<u>\$ (1,761,069)</u>	<u>\$ (1,521,743)</u>

The following table presents the last three years of the total of all employer contributions to CERS and the District's contributions for the years ending December 31:

<u>Fiscal Year Ended</u>	<u>Total Plan Contributions - CERS</u>		
	Annual Required Contributions	Actual Contributions	Percentage Contributed
2008	\$544,853,127	\$ 347,035,446	64.80%
2007	\$269,393,035	\$ 281,493,082	104.49%
2006	\$215,947,317	\$ 217,314,868	100.63%



GREEN-TAYLOR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2008 and 2007

NOTE 9: PENSION PLAN (CONTINUED)

District Contributions - CERS

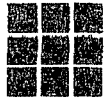
<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2008	\$ 62,989	\$ 62,989	100.00%
2007	\$ 51,667	\$ 51,667	100.00%
2006	\$ 41,925	\$ 41,925	100.00%

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service-to-date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

The County Employees Retirement System does not make separate measurements of assets and pension benefit obligation for individual employers. Ten-year historical trend information showing the County Employees Retirement System's progress in accumulating sufficient assets to pay benefits when due are presented in their June 30, 2008, comprehensive annual financial reports. Copies of these reports can be obtained from CERS.

As the District is only one of several employers participating in the plan, it is not practical to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.



WISE, BUCKNER, SPROWLES  
& ASSOCIATES, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA  
SHIRLEY M. BUCKNER, CPA  
JEFFREY G. SPROWLES, CPA

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

To the Board of Commissioners of  
Green-Taylor Water District

We have audited the financial statements of the business-type activities of Green-Taylor Water District, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Green-Taylor Water District's basic financial statements and have issued our report thereon dated March 26, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Green-Taylor Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Green-Taylor Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Green-Taylor Water District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Green-Taylor Water District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Green-Taylor Water District's financial statements that is more than inconsequential will not be prevented or detected by the Green-Taylor Water District's internal control. We consider the deficiencies described in the following Schedule of Findings and Responses as items 2008-01 and 2008-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Green-Taylor Water District's internal control.

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Board of Commissioners of  
Green-Taylor Water District  
Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the attached schedule is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green-Taylor Water District's financial statements are free of 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*.

We noted certain matters that we reported to management of Green-Taylor Water District, in a separate letter dated March 26, 2009.

This report is intended solely for the information and use of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wise, Buckner, Sprowles & Associates, PLLC*

Wise, Buckner, Sprowles & Associates, PLLC  
Campbellsville, KY

March 26, 2009

Schedule of Findings and Responses

GREEN-TAYLOR WATER DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
December 31, 2008

Finding Number	Description of Findings and Response to Findings	
2008-1:	Criteria:	Reconciliation of accounts in a timely manner.
	Condition:	Reconciliation of subsidiary ledgers to the general ledger is not being performed.
	Cause:	Accounts payable and customer deposits were not reconciled in a timely manner.
	Effect:	Potential misstatement of accounts receivable, accounts payable and customer deposit accounts.
	Recommendation:	All subsidiary ledgers should be reconciled to the general ledger and maintained on a monthly basis.
	Response:	The district agrees that reconciliation of subsidiary ledgers to the general ledger will be done timely.
2008-2	Criteria	Segregation of duties
	Condition:	One individual has access to cash, does the billing and performs write offs to customer accounts.
	Cause:	Small office group
	Effect:	Potential misappropriation of assets.
	Recommendation:	Cash drawers should be counted by other employee. Write offs should be approved by management.
	Response:	The District is looking at ways to better segregate duties.

## **EXHIBIT 3**

**NONRECURRING CHARGE COST JUSTIFICATION**

Type of Charge: Meter Test

1. Field Expense:

A. Materials (Itemize)

_____	\$ _____
_____	_____
_____	_____

B. Labor (Time and Wage)

_____	<u>14.00</u>
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<b>Total Field Expense</b>	\$ <u>14.00</u>
----------------------------	-----------------

2. Clerical and Office Expense

A. Supplies	\$ <u>.26</u>
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B. Labor	<u>6.25</u>
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<b>Total Clerical and Office Expense</b>	\$ <u>6.51</u>
--	----------------

3. Miscellaneous Expense

A. Transportation	\$ <u>12.00</u>
-------------------	-----------------

B. Other (Itemize)	
--------------------	--

<u>Postage</u>	<u>15.00</u>
<u>Test</u>	<u>12.00</u>
_____	_____
_____	_____

<b>Total Miscellaneous Expense</b>	\$ <u>39.00</u>
------------------------------------	-----------------

<b>Total Nonrecurring Charge Expense</b>	\$ <u>59.51</u>
--	-----------------

## **EXHIBIT 4**



**NONRECURRING CHARGE COST JUSTIFICATION**

Type of Charge: Re-connection Charge

1. Field Expense:

A. Materials (Itemize)	
_____	\$ _____
_____	_____
_____	_____
B. Labor (Time and Wage)	
_____	<u>14.00</u>
<b>Total Field Expense</b>	<b>\$ <u>14.00</u></b>

2. Clerical and Office Expense

A. Supplies	\$ <u>.71</u>
B. Labor	<u>5.50</u>
<b>Total Clerical and Office Expense</b>	<b>\$ <u>6.21</u></b>

3. Miscellaneous Expense

A. Transportation	\$ <u>12.00</u>
B. Other (Itemize)	
_____	_____
_____	_____
_____	_____
<b>Total Miscellaneous Expense</b>	<b>\$ <u>12.00</u></b>

**Total Nonrecurring Charge Expense**      **\$ 32.21**

## **EXHIBIT 5**

**NONRECURRING CHARGE COST JUSTIFICATION**

Type of Charge: Returned Check Charge

1. Field Expense:

A. Materials (Itemize)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_

B. Labor (Time and Wage)

\_\_\_\_\_ \$ \_\_\_\_\_

**Total Field Expense** \$ \_\_\_\_\_

2. Clerical and Office Expense

A. Supplies \$ 1.50

B. Labor 16.15

**Total Clerical and Office Expense** \$ 17.65

3. Miscellaneous Expense

A. Transportation \$ \_\_\_\_\_

B. Other (Itemize)

\_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_

**Total Miscellaneous Expense** \$ \_\_\_\_\_

**Total Nonrecurring Charge Expense** \$ 17.65

Monty Rhody 7/8/09  
Monty Rhody

Juliet B. Dunca Commission Expires: 7/30/2010  
Witness