

BLOUNT COUNTY WATER AUTHORITY
Cleveland, Alabama

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Years Ended September 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Blount County Water Authority
Locust Fork, Alabama

We have audited the accompanying financial statements of the business-type activities of the Blount County Water Authority, Alabama, as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Blount County Water Authority'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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Blount County Water Authority, Alabama, as of September 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension schedules on pages 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not required to be a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blount County Water Authority, Alabama's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lori Criswell & Associates, P.C.

Snead, Alabama
February 15, 2017

BLOUNT COUNTY WATER AUTHORITY

STATEMENT OF NET POSITION - ENTERPRISE FUNDS - WATER AND SEWER SYSTEMS

SEPTEMBER 30, 2016

	Water System Fund	Sewer System Fund	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,887,241	\$ 82,441	\$ 2,969,682
Certificates of Deposit	283,062	-	283,062
Accounts Receivable, Net	452,960	3,950	456,910
Accrued Interest Receivable	155	-	155
Returned Checks	174	-	174
Prepaid Expenses	83	-	83
Internal Balances	2,819	(2,819)	-
Inventories	186,905	2,136	189,041
	<u>3,813,399</u>	<u>85,708</u>	<u>3,899,107</u>
RESTRICTED ASSETS			
Restricted Cash and Cash Equivalents	<u>7,227,785</u>	<u>-</u>	<u>7,227,785</u>
NONCURRENT ASSETS			
Capital Assets			
Land and Construction in Progress	1,981,271	43,640	2,024,911
Capital Assets, Net of Accumulated Depreciation	<u>25,218,074</u>	<u>996,356</u>	<u>26,214,430</u>
	<u>27,199,345</u>	<u>1,039,996</u>	<u>28,239,341</u>
Other Assets			
Unamortized Bond Issuance Costs, Net of Accumulated Amortization of \$86,515	<u>349,519</u>	<u>-</u>	<u>349,519</u>
TOTAL ASSETS	<u>38,590,048</u>	<u>1,125,704</u>	<u>39,715,752</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amount on Refunding, Net of Accumulated Amortization of \$1,083,833	1,869,342	-	1,869,342
Net Pension Liability - Contributions Subsequent to the Measurement Date	<u>204,746</u>	<u>-</u>	<u>204,746</u>
	<u>2,074,088</u>	<u>-</u>	<u>2,074,088</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 40,664,136</u>	<u>\$ 1,125,704</u>	<u>\$ 41,789,840</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

	Water System Fund	Sewer System Fund	Total
<u>LIABILITIES</u>			
CURRENT LIABILITIES,			
Payable From Current Assets			
Accounts Payable and Other Accrued Expenses	\$ 228,364	\$ 509	\$ 228,873
Accrued Payroll and Related Liabilities	119,190	-	119,190
Customer Security Deposits	259,480	-	259,480
	<u>607,034</u>	<u>509</u>	<u>607,543</u>
CURRENT LIABILITIES,			
Payable From Restricted Assets			
Current Maturities of Long-Term Bonds	735,000	-	735,000
Accrued Interest Payable	200,680	-	200,680
	<u>935,680</u>	<u>-</u>	<u>935,680</u>
LONG TERM DEBT AND OTHER LIABILITIES			
Due To Blount County Commission	-	363,017	363,017
Bonds Payable, Net of Current Maturities			
And Unamortized Discount	34,602,530	-	34,602,530
Net Pension Liability	749,183	-	749,183
	<u>35,351,713</u>	<u>363,017</u>	<u>35,714,730</u>
TOTAL LIABILITIES	<u>36,894,427</u>	<u>363,526</u>	<u>37,257,953</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Net Pension Liability	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
Net Investment In Capital Assets	(9,088,048)	676,979	(8,411,069)
Restricted For Capital Projects	4,789,996	-	4,789,996
Restricted For Debt Service	2,437,789	-	2,437,789
Unrestricted	5,629,972	85,199	5,715,171
	<u>3,769,709</u>	<u>762,178</u>	<u>4,531,887</u>
TOTAL LIABILITIES, DEFERRED			
INFLOWS AND NET POSITION	<u>\$ 40,664,136</u>	<u>\$ 1,125,704</u>	<u>\$ 41,789,840</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

BLOUNT COUNTY WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
ENTERPRISE FUNDS - WATER AND SEWER SYSTEMS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water System Fund	Sewer System Fund	Total
OPERATING REVENUES			
Water and Sewer Revenue	\$ 4,735,657	\$ 37,348	\$ 4,773,005
Tap Fees	47,580	1,000	48,580
Set-up Fees	48,200	2,000	50,200
Late and Returned Check Fees	93,420	212	93,632
Reconnect Fees and Service Charges	95,720	-	95,720
Sale of Field Supplies and Reimbursements	5,739	-	5,739
Other	9,181	-	9,181
	<u>5,035,497</u>	<u>40,560</u>	<u>5,076,057</u>
OPERATING EXPENSES			
Cost of Product and Processing	1,001,004	14,137	1,015,141
Depreciation	997,251	33,132	1,030,383
General and Administrative	1,626,187	11,560	1,637,747
	<u>3,624,442</u>	<u>58,829</u>	<u>3,683,271</u>
Operating Income (Loss)	<u>1,411,055</u>	<u>(18,269)</u>	<u>1,392,786</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	10,357	42	10,399
Interest on Long-Term Debt	(1,211,306)	-	(1,211,306)
Amortization of Debt Costs	(14,439)	-	(14,439)
Trustee Fees	(8,700)	-	(8,700)
Debt Issuance Expenses	(147,198)	-	(147,198)
Gain (Loss) on Disposal of Capital Assets	5,899	-	5,899
	<u>(1,365,387)</u>	<u>42</u>	<u>(1,365,345)</u>
Net Income (Loss) Before Contributed Capital	45,668	(18,227)	27,441
Contributed Capital	<u>42,750</u>	<u>-</u>	<u>42,750</u>
CHANGE IN NET POSITION	88,418	(18,227)	70,191
NET POSITION - Beginning	<u>3,681,291</u>	<u>780,405</u>	<u>4,461,696</u>
NET POSITION - Ending	<u>\$ 3,769,709</u>	<u>\$ 762,178</u>	<u>\$ 4,531,887</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

BLOUNT COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS - WATER AND SEWER SYSTEMS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water System Fund	Sewer System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 4,963,768	\$ 39,868	\$ 5,003,636
Payments to Suppliers	(1,785,346)	(14,228)	(1,799,574)
Payments to Employees	(919,240)	(10,960)	(930,200)
Other Operating Receipts	9,181	-	9,181
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,268,363	14,680	2,283,043
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase (Decrease) in Customer Meter Deposits	(11,920)	-	(11,920)
(Increase) Decrease in Internal Balances	(57)	57	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(11,977)	57	(11,920)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(2,328,349)	(10,695)	(2,339,044)
Proceeds From Sale of Capital Assets	49,124	-	49,124
Proceeds of Issuance of Long-Term Debt	2,739,428	-	2,739,428
Debt Issue Costs Paid	(100,350)	-	(100,350)
Principal Paid on Bonds	(680,000)	-	(680,000)
Interest Paid on Bonds	(1,138,229)	-	(1,138,229)
Contributed Capital	42,750	-	42,750
Trustee Fees	(8,700)	-	(8,700)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,424,326)	(10,695)	(1,435,021)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	10,355	42	10,397
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	842,415	4,084	846,499
CASH AND CASH EQUIVALENTS - Beginning	9,272,611	78,357	9,350,968
CASH AND CASH EQUIVALENTS - Ending	\$ 10,115,026	\$ 82,441	\$ 10,197,467

(Continued)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

BLOUNT COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS - WATER AND SEWER SYSTEMS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water System Fund	Sewer System Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 1,411,055	\$ (18,269)	\$ 1,392,786
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	997,251	33,132	1,030,383
Bad Debts	34,000	-	34,000
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables - Fees and Services	(96,652)	(692)	(97,344)
(Increase) Decrease in Other Receivables	104	-	104
Increase (Decrease) in Accounts Payable and Accrued Expenses	(81,942)	509	(81,433)
Increase (Decrease) in Accrued Payroll and Related Liabilities	(2,266)	-	(2,266)
(Increase) Decrease in Deferred Outflows of Resources			
- Net Pension Liability	(128,485)	-	(128,485)
Increase (Decrease) in Deferred Inflows of Resources			
- Net Pension Liability	(49,967)	-	(49,967)
Increase (Decrease) in Net Pension Liability	185,265	-	185,265
Total Adjustments	857,308	32,949	890,257
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,268,363	\$ 14,680	\$ 2,283,043

The accompanying Notes to Financial Statements are an integral part of these financial statements.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The accompanying financial statements present the activities of the Blount County Water Authority, which was organized on July 23, 1999 under the provisions of Article 1 of Chapter 88 of Title 11 of the Code of Alabama 1975, as a public corporation and is exempt from income taxes under applicable provisions of the Internal Revenue Code and the Code of Alabama. A five member Board of Directors appointed by the Blount County Commission to provide water services to the Blount County, Alabama area manages the property and business of the Authority.

Effective October 1, 1999, two existing water authorities were merged into the Blount County Water Authority. Those two entities were the Mt. High-Rock Springs Water Authority and the Northwest Blount County Water Authority. Both entities were formed by the Blount County Commission, which also appointed members to each of the Boards of Directors.

Effective October 1, 2006, the Blount County Commission transferred the newly constructed sewage disposal system to the Blount County Water Authority to operate and manage. The Authority has established a separate enterprise fund to account for the activities of the sewer system. The Blount County Commission transferred assets with a cost of \$1,358,211 in return for an obligation of \$363,017.

ACCOUNTING PRINCIPLES

The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BASIS OF PRESENTATION AND ACCOUNTING

The Authority utilizes the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

TAXES

The Authority is not subject to federal and state income taxes. The Authority collects utility tax from its customers on behalf of the State of Alabama. Revenue is presented net of tax collected in the statement of revenues, expenses, and changes in net position.

CAPITAL ASSETS

Capital assets are stated at historical cost. Additions and improvements which extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged against income. Any construction period interest and amortization incurred is capitalized as part of the asset to which it relates. Depreciation is computed on the straight-line method over the estimated service lives of depreciable assets. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

AMORTIZATION

Bond insurance costs incurred in connection with issuance of bonds are set up as deferred charges and are being amortized using the straight-line method over the life of the specific bond issue.

INVENTORIES

Materials and supplies inventories are stated at the lower of cost (average cost) or market using the first-in, first-out consumption method of inventory accounting.

CREDIT RISK

Accounts receivable represents amounts billed to individuals and businesses in the Blount County area for water services provided by the Authority. As of September 30, 2016 and 2015, the Authority's receivables for services (including active and inactive accounts) were \$664,960 and \$568,308 for water, respectively, and \$3,950 and \$3,285 for sewer, respectively, with an allowance for doubtful accounts of \$212,000 and \$178,000, respectively.

INVESTMENTS

Investments are stated at the lower of cost or market value.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NET POSITION

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Authority reports three categories of net position, as follows:

Net Investment in Capital Assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets increased by balances of deferred outflows of resources related to those assets.

Restricted – consists of external constraints placed on net position use 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 – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Authority.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

PENSIONS

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

COMPENSATED ABSENCES

Authority employees earn vacation benefits in varying amounts to specified maximums depending on tenure with the Authority. Generally, employees may not accumulate more than thirty (30) days, but may request to be paid for excess vacation at the discretion of the Board of Directors.

In addition to vacation days, the Authority awards six (6) personal days to each employee each year. These days cannot be carried over and will not be paid upon the employee's termination.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased, as well as other funds considered to be liquid, to be cash equivalents.

The following items were considered to be cash and cash equivalents as of September 30, 2016 and September 30, 2015:

	<u>2016</u>	<u>2015</u>
Water System		
Cash – Unrestricted	\$ 2,667,717	\$ 2,501,282
Cash – Security Deposits	219,524	231,092
Restricted Bond and Construction Fund Accounts	<u>7,227,785</u>	<u>6,540,237</u>
	<u>10,115,026</u>	<u>9,272,611</u>
 Sewer System		
Cash – Unrestricted	<u>82,441</u>	<u>78,357</u>
	<u>\$ 10,197,467</u>	<u>\$ 9,350,968</u>

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

The following items did not meet the criteria to be cash and cash equivalents as of September 30, 2016 and September 30, 2015:

	<u>2016</u>	<u>2015</u>
Water System		
Certificates of Deposit - Unrestricted	<u>\$ 283,062</u>	<u>\$ 280,242</u>

RESTRICTED ASSETS

Certain resources set aside for construction and repayment of long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and other legal restrictions. The construction account was funded by issuance of bonds. The bond fund account is used to segregate resources accumulated for debt service payments over the next twelve months.

RECLASSIFICATIONS

Certain reclassifications were made in the prior year amounts to conform to the classifications used in the current year. These reclassifications had no effect on total net position.

NOTE 2 – DEPOSITS

The Authority's deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 3 – RESTRICTED ASSETS

The total combined amounts in these restricted accounts represent the amounts held in trust accounts by various banks. The trust accounts are maintained for the restricted purpose of long-term debt retirement and required reserves and are segregated to comply with specific requirements of the bond indenture in existence. These funds are used to provide timely payment of matured bonds and interest without the interruptions of normal business operations. The trust accounts were as follows at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
BOND AND INTEREST FUNDS		
United States Government Obligations, At Cost Which Approximates Market	\$ 318,715	\$ 289,041
RESERVE FUND		
United States Government Obligations, At Cost Which Approximates Market	2,119,073	1,931,152
CONSTRUCTION FUND		
United States Government Obligations, At Cost Which Approximates Market	<u>4,789,996</u>	<u>4,320,044</u>
Total Restricted Funds	<u>\$ 7,227,785</u>	<u>\$ 6,540,237</u>

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 4 - CAPITAL ASSETS

Information related to property, plant and equipment of the Authority for the year ended September 30, 2016 was as follows:

<u>Water System</u>	Balance at September 30, 2015	Increases	Decreases	Balance at September 30, 2016
<i>Capital assets not being depreciated:</i>				
Land and Land Rights	\$ 612,708	\$ -	\$ 15,000	\$ 597,708
Construction in Progress, Net Change	5,171,200	2,326,453	6,114,090	1,383,563
Total capital assets not being depreciated	5,783,908	2,326,453	6,129,090	1,981,271
<i>Capital assets being depreciated:</i>				
Water Distribution System	30,443,571	6,134,133	-	36,577,704
Buildings and Improvements	445,773	9,086	-	454,859
Transportation Equipment	493,885	84,658	35,411	543,132
Office Equipment	102,747	31,496	13,665	120,578
Machinery and Equipment	651,029	5,400	530	655,899
	32,137,005	6,264,773	49,606	38,352,172
<i>Less accumulated depreciation for:</i>				
Water Distribution System	11,442,948	842,030	-	12,284,978
Buildings and Improvements	121,085	12,398	-	133,483
Transportation Equipment	250,269	74,466	35,411	289,324
Office Equipment	60,594	18,327	13,665	65,256
Machinery and Equipment	311,557	50,030	530	361,057
	12,186,453	997,251	49,606	13,134,098
Total capital assets being depreciated, net	19,950,552	5,267,522	-	25,218,074
Net Book Value	\$ 25,734,460	\$ 7,593,975	\$ 6,129,090	\$ 27,199,345

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Information related to property, plant and equipment of the Authority for the year ended September 30, 2016 was as follows:

<u>Sewer System</u>	Balance at September 30, 2015	Increases	Decreases	Balance at September 30, 2016
<i>Capital assets not being depreciated:</i>				
Land and Land Rights	\$ 43,640	\$ -	\$ -	\$ 43,640
Construction in Progress, Net Change	-	-	-	-
Total capital assets not being depreciated	43,640	-	-	43,640
<i>Capital assets being depreciated:</i>				
Sewer Distribution System	1,314,571	-	-	1,314,571
Machinery and Equipment	-	10,695	-	10,695
	1,314,571	10,695	-	1,325,266
<i>Less accumulated depreciation for:</i>				
Sewer Distribution System	295,778	32,864	-	328,642
Machinery and Equipment	-	268	-	268
	295,778	33,132	-	328,910
Total capital assets being depreciated, net	1,018,793	(22,437)	-	996,356
Net Book Value	\$ 1,062,433	\$ (22,437)	\$ -	\$ 1,039,996

Depreciation expense charged to operations for each system for the years ended September 30, 2016 and 2015 was as follows:

	2016	2015
Water System	\$ 997,251	\$ 960,062
Sewer System	33,132	32,864
	\$ 1,030,383	\$ 992,926

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 5 – LONG-TERM DEBT – WATER SYSTEM

Changes in the long-term debt of the Water System for the year ended September 30, 2016 are as follows:

	Balance at September 30, 2015	Issues	Retirements	Balance at September 30, 2016
Bonds, Series 2006	\$ 4,200,000	\$ -	\$ 4,200,000	\$ -
Bonds, Series 2010-A	3,150,000	-	30,000	3,120,000
Bonds, Series 2010-B	2,210,000	-	55,000	2,155,000
Bonds, Series 2013-A	20,915,000	-	355,000	20,560,000
Bonds, Series 2014	3,370,000	-	-	3,370,000
Bonds, Series 2016	-	6,745,000	-	6,745,000
	<u>\$ 33,845,000</u>	<u>\$ 6,745,000</u>	<u>\$ 4,640,000</u>	<u>\$ 35,950,000</u>

Changes in the long-term debt of the Water System for the year ended September 30, 2015 are as follows:

	Balance at September 30, 2014	Issues	Retirements	Balance at September 30, 2015
Bonds, Series 2006	\$ 4,435,000	\$ -	\$ 235,000	\$ 4,200,000
Bonds, Series 2010-A	3,170,000	-	20,000	3,150,000
Bonds, Series 2010-B	2,265,000	-	55,000	2,210,000
Bonds, Series 2013-A	21,270,000	-	355,000	20,915,000
Bonds, Series 2014	3,370,000	-	-	3,370,000
	<u>\$ 34,510,000</u>	<u>\$ -</u>	<u>\$ 665,000</u>	<u>\$ 33,845,000</u>

Interest expense and amortization of costs on all debt for the years ended September 30, 2016 and 2015 were as follows:

	2016	2015
Interest – Bonds Payable	\$ 1,194,534	\$ 1,205,230
Capitalized	(130,463)	(127,523)
Amortization of Discount and Unamortized Charge on Refunding	<u>147,235</u>	<u>148,310</u>
	<u>\$ 1,211,306</u>	<u>\$ 1,226,017</u>

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Long-term bonds payable at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Water Revenue Refunding Bonds, Series 2006, dated June 1, 2006, maturing annually through August 2029. Interest at 3.5% to 4.25% is payable semiannually on each February 1 and August 1, commencing August 1, 2006. The Bonds are secured by the net system revenues.	\$ -	\$ 4,200,000
Water Revenue Bonds, Series 2010-A, dated April 1, 2010, maturing annually through August 2040. Interest at 5% to 6% is payable semiannually on each February 1 and August 1, commencing August 1, 2010. These Bonds are Taxable Recovery Zone Economic Development Bonds and the interest rate is reduced by federal interest subsidy payments. The Bonds are secured by the net system revenues.	3,120,000	3,150,000
Water Revenue Bonds, Series 2010-B, dated April 1, 2010, maturing annually through August 2040. Interest at 2.5% to 4.5% is payable semiannually on each February 1 and August 1, commencing August 1, 2010. The Bonds are secured by the net system revenues.	2,155,000	2,210,000
Water Revenue Bonds, Series 2013-A, dated February 1, 2013, maturing annually through August 2043. Interest at 2.0% to 3.75% is payable semiannually on each February 1 and August 1, commencing August 1, 2013. The Bonds are secured by the net system revenues.	20,560,000	20,915,000
Water Revenue Bonds, Series 2014, dated September 1, 2014, maturing annually through August 2045. Interest at 3.75% to 4.0% is payable semiannually on each February 1 and August 1, commencing February 1, 2015. The Bonds are secured by the net system revenues.	3,370,000	3,370,000
Water Revenue Bonds, Series 2016, dated June 1, 2016, maturing annually through August 2046. Interest at 2% to 3.125% is payable semiannually on each February 1 and August 1, commencing August 1, 2016. The Bonds are secured by the net system revenues.	6,745,000	-
LONG-TERM DEBT	35,950,000	33,845,000
Less Current Maturities	735,000	680,000
LONG-TERM DEBT, Net of Current Maturities	35,215,000	33,165,000

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Less Unamortized Discount	<u>612,470</u>	<u>838,765</u>
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LONG-TERM DEBT,

Net of Current Maturities and Unamortized Discount	<u>\$ 34,602,530</u>	<u>\$ 32,326,235</u>
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Principal and interest maturities of long-term bonds payable for the years ended September 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 735,000	\$ 1,282,450	\$ 2,017,450
2018	750,000	1,266,025	2,016,025
2019	775,000	1,249,375	2,024,375
2020	790,000	1,232,150	2,022,150
2021	805,000	1,214,550	2,019,550
2022 – 2026	4,370,000	5,707,750	10,077,750
2027 – 2031	5,130,000	4,968,419	10,098,419
2032 – 2036	6,090,000	4,026,813	10,116,813
2037 – 2041	7,390,000	2,725,906	10,115,906
2042 – 2046	<u>9,115,000</u>	<u>996,413</u>	<u>10,111,413</u>
	<u>\$ 35,950,000</u>	<u>\$ 24,669,851</u>	<u>\$ 60,619,851</u>

Unamortized discounts and deferred costs on refunded bond issues are as follows at September 30, 2016:

	<u>Unamortized Discounts</u>	<u>Deferred Charge on Refunded Bond Issues</u>	<u>Total</u>
Original Amounts	\$ 729,974	\$ 2,953,175	\$ 3,831,060
Less Accumulated Amortization	<u>117,504</u>	<u>1,083,833</u>	<u>1,101,580</u>
	<u>\$ 612,470</u>	<u>\$ 1,869,342</u>	<u>\$ 2,729,480</u>

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Unamortized discounts and deferred costs on refunded bond issues are as follows at September 30, 2015:

	Unamortized Discounts	Deferred Charge on Refunded Bond Issues	Total
Original Amounts	\$ 972,867	\$ 2,858,193	\$ 3,831,060
Less Accumulated Amortization	134,102	967,478	1,101,580
	<u>\$ 838,765</u>	<u>\$ 1,890,715</u>	<u>\$ 2,729,480</u>

In accordance with section 8.5 of the trust indenture dated August 1, 1999 between the Blount County Water Authority and the Chase Manhattan Bank, as predecessor in interest to the Bank of New York Mellon Trust Company, National Association, the Authority is required to maintain rates and charges for services that shall produce Annual Net Income (as that term is defined in the trust indenture) at least 1.2 times the average Annual Net Debt Service Requirement (as that term is defined in the trust indenture). During the years ended September 30, 2016 and 2015, the Authority had met this requirement.

NOTE 6 – LONG-TERM OBLIGATION- SEWER SYSTEM

Effective October 1, 2006, the Blount County Commission transferred the newly constructed sewage disposal system to the Blount County Water Authority with assets of \$1,358,211 in return for an obligation of \$363,017. Repayments will be at the rate of 40% of the annual net profits of the sewer system based on an annual audit, with payments to be made in arrears. Payment in full is required in year fifteen (15). During the years ended September 30, 2016 and 2015, there were no payments made on this obligation.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

The Authority contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

General Information About the Pension Plan

Plan Description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 83,763 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,248
DROP Participants	121
Terminated employees entitled to but not yet receiving benefits	6,767
Terminated employees not entitled to a benefit	-
Active Members	<u>54,627</u>
Total	<u><u>83,763</u></u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the Authority's active employee contribution rate was 5% of covered employee payroll, and the Authority's average contribution rate to fund the normal and accrued liability costs was 8.94% of covered employee payroll.

The Authority's contractually required contribution rate for the year ended September 30, 2016 was 9.07% of pensionable pay for Tier 1 employees, and 6.95% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Authority were \$84,361 and \$76,261 for the years ended September 30, 2016 and 2015, respectively.

The components of the Authority's contributions to the Retirement System for the years ended September 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Employee Contributions	\$ 47,734	\$ 43,703
Employer Contributions	<u>84,361</u>	<u>76,261</u>
	<u>\$ 132,095</u>	<u>\$ 119,964</u>

Employer contribution amounts include active employees and cost of living adjustments approved by the Authority for retired employees.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Net Pension Liability

The Authority's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2014	\$ 2,342,443	\$ 2,405,555
(b) Entry Age Normal Cost for October 1, 2014 – September 30, 2015	70,260	70,260
(c) Actual Benefit Payments and Refunds for October 1, 2014 – September 30, 2015	(53,691)	(53,691)
(d) Total Pension Liability as of September 30, 2015 [(a) x (1.08)] + (b) – [(c) x (1.04)]	\$ 2,544,260	\$ 2,612,421
(e) Difference between Expected and Actual Experience (Gain)/Loss		\$ 68,161

Actuarial Assumptions

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	25.00%	5.00%
US Large Stocks	34.00%	9.00%
US Mid Stocks	8.00%	12.00%
US Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	<u>2.00%</u>	1.50%
Total	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan 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.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Changes in Net Pension Liability

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2014	\$ 2,342,443	\$ 1,778,525	\$ 563,918
Changes for the Year			
Service Cost	70,260	-	70,260
Interest	185,248	-	185,248
Differences between expected and actual experience	68,161	-	68,161
Contributions – Employer	-	73,225	(73,225)
Contributions – Employee	-	43,703	(43,703)
Net Investment Income	-	21,476	(21,476)
Benefit Payments, Including Refunds of Employee Contributions	(53,691)	(53,691)	-
Administrative	-	-	-
Transfers Among Employers	-	-	-
Net Changes	269,978	245,616	(64,913)
Balances at 9/30/2015	\$ 2,612,421	\$ 1,863,238	\$ 749,183

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's net pension liability calculated using the discount rate of 8%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Authority's Net Pension Liability	\$ 1,100,845	\$ 749,183	\$ 451,086

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated January 15, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the Authority recognized pension expense of \$90,302. At September 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,192	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	61,193	0
Employer contributions subsequent to the measurement date	84,361	0
Total	<u>\$ 204,746</u>	<u>\$ 0</u>

For the year ended September 30, 2015, the Authority recognized pension expense of \$57,698. At September 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	49,967
Employer contributions subsequent to the measurement date	76,261	0
Total	<u>\$ 76,261</u>	<u>\$ 49,967</u>

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

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

Year ended September 30:	
2017	\$21,144
2018	21,144
2019	21,145
2020	33,636
2021	8,969
Thereafter	14,347

NOTE 8 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs and worker's compensation. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 9 – COMMITMENTS

The Authority has water purchase agreements with other water systems with minimum monthly usage requirements as follows:

Douglas	8 Million Gallons
Blountsville	1 Million Gallons

The authority also has water purchase agreements with two private springs and pays a per 1,000 gallon contract for water used as follows:

Warren Springs	Royalties
Blue Springs	8 Million Gallons

The Authority has water supply agreements with other water systems as follows:

Town of Hayden	Commitment, no more than 100 gal/minute
Town of Cleveland	“as available” basis only
Town of Nectar	“as available” basis only
Blount Springs/Blue Hole	“as available” basis only
Jasper Water Works	Commitment maximum 400,000 gallons/month
Garden City	Commitment maximum 4,000,000 gallons/month
Pine Bluff Water Authority	Commitment maximum 3,200,000 gallons/month

The Authority has several construction projects in process in various stages of completion. In April 2010, February 2013 September 2014, and June 2016, the Authority issued bonds to fund the construction. At September 30, 2016 and 2015, the Authority had approximately \$4,789,996 and \$4,320,000, respectively, on deposit in its construction funds to fund the various projects.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

The Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending September 30, 2015. The implementation of the statement required the Authority to record beginning net pension liability and the effects on net position of contributions made by the Authority during the measurement period (fiscal year ending September 30, 2014). As a result, net position as of October 1, 2014 for the business-type activities decreased by \$556,916.

BLOUNT COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

NOTE 11 – SUBSEQUENT EVENTS

The Authority evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. The Authority evaluated subsequent events through February 15, 2017, which is the date the financial statements were available to be issued.

The Authority has disbursed funds in the subsequent period related to its construction projects, as well as purchased vehicles and equipment.

REQUIRED SUPPLEMENTARY INFORMATION

BLOUNT COUNTY WATER AUTHORITY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016 AND 2015

SCHEDULES OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Ten (10) Fiscal Years Ending September 30

	September 30, 2015	September 30, 2014	September 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010	September 30, 2009	September 30, 2008	September 30, 2007	September 30, 2006
Total Pension Liability										
Service Cost	\$ 70,260	\$ 66,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	185,248	170,672	-	-	-	-	-	-	-	-
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Differences Between										
Expected and Actual Experience	68,161	-	-	-	-	-	-	-	-	-
Changes of Assumptions			-	-	-	-	-	-	-	-
Benefit Payments, Including										
Refunds of Employee Contributions	(53,691)	(56,689)	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability	269,978	180,703	-	-	-	-	-	-	-	-
Total Pension Liability - Beginning	2,342,443	2,161,740	-	-	-	-	-	-	-	-
Total Pension Liability - Ending	<u>\$ 2,612,421</u>	<u>\$ 2,342,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 73,225	\$ 71,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	43,703	42,970	-	-	-	-	-	-	-	-
Net Investment Income	21,476	187,420	-	-	-	-	-	-	-	-
Benefit Payments, Including										
Refunds of Employee Contributions	(53,691)	(56,689)	-	-	-	-	-	-	-	-
Administrative Expense	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	84,713	245,616	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	1,778,525	1,532,909	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Ending	<u>\$ 1,863,238</u>	<u>\$ 1,778,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Net Pension Liability - Ending	<u>\$ 749,183</u>	<u>\$ 563,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position as a										
Percentage of the Total Pension Liability	71.32%	75.93%								
Covered-Employee Payroll *	\$ 867,403	859,400								
Authority's Net Pension Liability as a										
Percentage of Covered-Employee Payroll	86.37%	65.62%								

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY2016, the measurement period is October 1, 2014 - September 30, 2015.

BLOUNT COUNTY WATER AUTHORITY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016 AND 2015

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Last Ten (10) Fiscal Years Ending September 30

	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010	September 30, 2009	September 30, 2008	September 30, 2007
Actuarially Determined Contribution *	\$ 84,361	\$ 76,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution *	84,361	76,261	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll **	\$ 943,342	867,403								
Contributions as a Percentage of Covered Employee Payroll	8.94%	8.79%								

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments.
The Schedule of Employer Contributions is based on the twelve month period of the underlying financial statements.

** Employer's covered-payroll during fiscal year is the total covered payroll for the twelve month period of the underlying financial statements.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	22 Years
Asset Valuation Method	Five Year Smoothed Market
Inflation	3.00%
Salary Increases	3.75 - 7.25%, Including Inflation
Investment Rate of Return	8.00%, Net of Pension Plan Investment Expense, Including Inflation

SUPPLEMENTARY INFORMATION

BLOUNT COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION - WATER SYSTEM

SEPTEMBER 30, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,887,241	\$ 2,732,374
Certificates of Deposit	283,062	280,242
Accounts Receivable, Net of Allowance for Uncollectible		
Accounts of \$212,000 for 2016 and \$178,000 for 2015	452,960	390,308
Accrued Interest Receivable	155	153
Returned Checks	174	278
Prepaid Expenses	83	83
Due from Sewer System	2,819	2,762
Inventories	186,905	186,905
	<u>3,813,399</u>	<u>3,593,105</u>
RESTRICTED ASSETS		
Restricted Cash and Cash Equivalents	<u>7,227,785</u>	<u>6,540,237</u>
NONCURRENT ASSETS		
Capital Assets		
Land and Construction in Progress	1,981,271	5,783,908
Other Capital Assets, Net of Accumulated Depreciation	<u>25,218,074</u>	<u>19,950,552</u>
	<u>27,199,345</u>	<u>25,734,460</u>
Other Assets		
Unamortized Debt Costs, Net of Accumulated		
Amortization of \$86,515 for 2016 and \$67,451 for 2015	<u>349,519</u>	<u>368,583</u>
TOTAL ASSETS	<u>38,590,048</u>	<u>36,236,385</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Amount on Refunding, Net of Accumulated		
Amortization of \$1,083,833 for 2016 and \$967,478 for 2015	1,869,342	1,890,715
Net Pension Liability - Contributions		
Subsequent to the Measurement Date	<u>204,746</u>	<u>76,261</u>
	<u>2,074,088</u>	<u>1,966,976</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 40,664,136</u>	<u>\$ 38,203,361</u>

	2016	2015
<u>LIABILITIES</u>		
CURRENT LIABILITIES, Payable From Current Assets		
Accounts Payable and Other Accrued Expenses	\$ 228,364	\$ 310,306
Accrued Payroll and Related Liabilities	119,190	121,456
Customer Security Deposits	259,480	271,400
	<u>607,034</u>	<u>703,162</u>
CURRENT LIABILITIES, Payable From Restricted Assets		
Current Maturities of Long-Term Bonds Payable	735,000	680,000
Accrued Interest Payable	200,680	198,788
	<u>935,680</u>	<u>878,788</u>
LONG-TERM DEBT AND OTHER LIABILITIES		
Bonds Payable, Net of Current Maturities And Unamortized Discount	34,602,530	32,326,235
Net Pension Liability	749,183	563,918
	<u>35,351,713</u>	<u>32,890,153</u>
TOTAL LIABILITIES	<u>36,894,427</u>	<u>34,472,103</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Net Pension Liability	-	49,967
<u>NET POSITION</u>		
Net Investment In Capital Assets	(9,088,048)	(8,034,481)
Restricted For Capital Projects	4,789,996	4,320,044
Restricted For Debt Service	2,437,789	2,220,193
Unrestricted	5,629,972	5,175,535
	<u>3,769,709</u>	<u>3,681,291</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 40,664,136</u>	<u>\$ 38,203,361</u>

BLOUNT COUNTY WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WATER SYSTEM

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
GROSS FEES		
Water Revenue	\$ 4,735,657	\$ 4,556,011
Tap Fees	47,580	54,698
Set-up Fees	48,200	51,300
Late and Returned Check Fees	93,420	91,417
Reconnect Fees and Service Charges	95,720	106,632
Sale of Field Supplies and Reimbursements	5,739	17,839
Other	9,181	10,842
	<u>5,035,497</u>	<u>4,888,739</u>
OPERATING EXPENSES		
Cost of Product and Processing	1,001,004	861,998
Depreciation	997,251	960,062
General and Administrative	1,626,187	1,492,102
	<u>3,624,442</u>	<u>3,314,162</u>
Operating Income	<u>1,411,055</u>	<u>1,574,577</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	10,357	8,837
Interest on Long-Term Debt	(1,211,306)	(1,226,017)
Amortization of Debt Costs	(14,439)	(15,043)
Trustee Fees	(8,700)	(8,700)
Debt Issuance Expenses	(147,198)	-
Gain (Loss) on Disposal of Capital Assets	5,899	(251,598)
	<u>(1,365,387)</u>	<u>(1,492,521)</u>
Net Income (Loss) Before Contributed Capital	45,668	82,056
Contributed Capital	<u>42,750</u>	<u>-</u>
CHANGE IN NET POSITION	<u>88,418</u>	<u>82,056</u>
NET POSITION - Beginning - As Previously Stated	3,681,291	4,156,151
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>(556,916)</u>
NET POSITION - Beginning - As Restated	<u>3,681,291</u>	<u>3,599,235</u>
NET POSITION - Ending	<u>\$ 3,769,709</u>	<u>\$ 3,681,291</u>

BLOUNT COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS - WATER SYSTEM

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 4,963,768	\$ 4,844,943
Payments to Suppliers	(1,785,346)	(1,364,891)
Payments to Employees	(919,240)	(849,746)
Other Operating Receipts	9,181	10,842
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,268,363	2,641,148
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (Decrease) in Customer Meter Deposits	(11,920)	(15,205)
(Increase) Decrease in Due From Sewer System	(57)	1,033
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(11,977)	(14,172)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(2,328,349)	(4,679,224)
Proceeds From Sale of Capital Assets	49,124	-
Proceeds of Issuance of Long-Term Debt	2,739,428	-
Debt Issue Costs Paid	(100,350)	-
Principal Paid on Bonds	(680,000)	(665,000)
Interest Paid on Bonds	(1,138,229)	(1,198,453)
Contributed Capital - Grant Revenue	42,750	-
Trustee Fees	(8,700)	(8,700)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,424,326)	(6,551,377)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	10,355	6,872
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	10,355	6,872
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	842,415	(3,917,529)
CASH AND CASH EQUIVALENTS - Beginning	9,272,611	13,190,140
CASH AND CASH EQUIVALENTS - Ending	\$ 10,115,026	\$ 9,272,611

(Continued)

BLOUNT COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS - WATER SYSTEM (Continued)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,411,055	\$ 1,574,577
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	997,251	960,062
Bad Debts	34,000	13,000
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(96,652)	(45,676)
(Increase) Decrease in Other Receivables	104	(278)
(Increase) Decrease in Inventories	-	(54,988)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(81,942)	181,852
Increase (Decrease) in Accrued Payroll and Related Liabilities	(2,266)	12,599
(Increase) Decrease in Deferred Outflows of Resources - Net Pension Liability	(128,485)	(76,261)
Increase (Decrease) in Deferred Inflows of Resources - Net Pension Liability	(49,967)	49,967
Increase (Decrease) in Net Pension Liability	185,265	26,294
Total Adjustments	<u>857,308</u>	<u>1,066,571</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,268,363</u>	<u>\$ 2,641,148</u>

BLOUNT COUNTY WATER AUTHORITY

SCHEDULES OF OPERATING EXPENSES - WATER SYSTEM

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
COST OF PRODUCT AND PROCESSING		
Water Purchases	\$ 146,047	\$ 150,930
Warranties - Springs	144,861	143,017
Materials and Supplies	141,599	57,029
Materials and Supplies - Springs	44,319	39,322
Repairs and Maintenance	51,904	46,073
Repairs and Maintenance - Springs	21,366	16,261
Power	144,828	84,549
Power - Springs	214,721	253,694
Gasoline and Oil	65,112	65,466
Water Samples and Testing	26,247	5,657
	<u>\$ 1,001,004</u>	<u>\$ 861,998</u>
GENERAL AND ADMINISTRATIVE		
Salaries and Wages	\$ 916,974	\$ 862,345
Directors Fees	13,200	12,800
Payroll Taxes	73,526	69,575
Retirement	90,302	57,698
Employee Benefits	310,358	301,130
Utilities and Telephone	32,856	33,801
Insurance	62,582	62,589
Legal	-	205
Accounting	8,440	8,220
Engineering and Consulting	34,509	5,600
Computer Support Fees	10,487	10,518
Office Supplies	21,618	17,313
Postage and Billing	39,379	38,412
Travel, Training, and Meals	9,921	9,491
Dues and Subscriptions	2,035	2,394
Miscellaneous	-	11
	<u>\$ 1,626,187</u>	<u>\$ 1,492,102</u>

BLOUNT COUNTY WATER AUTHORITY

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

SEPTEMBER 30, 2016

Maturity Date	Water Revenue Bonds, Series 2013-A Dated February 1, 2013			Water Revenue Bonds, Series 2014 Dated September 1, 2014			Water Revenue Bonds, Series 2016 Dated June 1, 2016		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2017	2.00 %	\$ 365,000	\$ 681,225	- %	\$ -	\$ 130,463	2.00 %	\$ 285,000	\$ 193,875
2018	2.00	380,000	673,925	-	-	130,463	2.00	285,000	188,175
2019	2.00	390,000	666,325	-	-	130,463	2.00	300,000	182,475
2020	2.00	405,000	658,525	-	-	130,463	2.00	300,000	176,475
2021	2.25	410,000	650,425	-	-	130,463	3.00	300,000	170,475
2022	2.50	420,000	641,200	-	-	130,463	3.00	300,000	161,475
2023	2.63	430,000	630,700	-	-	130,463	3.00	320,000	152,475
2024	2.75	445,000	619,413	-	-	130,463	3.00	325,000	142,875
2025	3.00	460,000	607,175	-	-	130,463	3.00	335,000	133,125
2026	3.00	475,000	593,375	-	-	130,463	3.00	345,000	123,075
2027	3.00	500,000	579,125	-	-	130,463	3.00	345,000	112,725
2028	3.13	515,000	564,125	-	-	130,463	3.00	355,000	102,375
2029	3.13	535,000	548,031	-	-	130,463	3.00	370,000	91,725
2030	3.25	965,000	531,313	-	-	130,463	-	-	80,625
2031	3.25	990,000	499,950	-	-	130,463	-	-	80,625
2032	3.38	1,030,000	467,775	-	-	130,463	-	-	80,625
2033	3.50	1,065,000	433,013	-	-	130,463	-	-	80,625
2034	3.50	1,095,000	395,738	-	-	130,463	-	-	80,625
2035	3.50	1,135,000	357,413	-	-	130,463	-	-	80,625
2036	3.50	1,175,000	317,688	-	-	130,463	-	-	80,625
2037	3.75	1,220,000	276,563	-	-	130,463	-	-	80,625
2038	3.75	1,260,000	230,813	-	-	130,463	3.125	5,000	80,625
2039	3.75	25,000	183,563	-	-	130,463	3.125	5,000	80,469
2040	3.75	25,000	182,625	-	-	130,463	3.125	40,000	80,313
2041	3.75	1,555,000	181,688	-	-	130,463	3.125	75,000	79,063
2042	3.75	1,615,000	123,375	-	-	130,463	3.125	75,000	76,719
2043	3.75	1,675,000	62,813	-	-	130,463	3.125	80,000	74,375
2044	-	-	-	3.75	1,735,000	130,463	3.125	85,000	71,875
2045	-	-	-	4.00	1,635,000	65,400	3.125	255,000	69,219
2046	-	-	-	-	-	-	3.125	1,960,000	7,250
		<u>\$ 20,560,000</u>	<u>\$ 12,357,894</u>		<u>\$ 3,370,000</u>	<u>\$ 3,718,350</u>		<u>\$ 6,745,000</u>	<u>\$ 3,196,231</u>

(Continued)

BLOUNT COUNTY WATER AUTHORITY

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (Continued)

SEPTEMBER 30, 2016

Maturity Date	Water Revenue Bonds, Series 2010-A Dated April 1, 2010			Water Revenue Bonds, Series 2010-B Dated April 1, 2010			Series 2010	Total Principal and Interest
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Subsidy	
2017	5.00 %	\$ 30,000	\$ 185,362	3.50 %	\$ 55,000	\$ 91,525	\$ (83,413)	\$ 1,934,037
2018	5.00	25,000	183,863	3.50	60,000	89,600	(82,738)	1,933,288
2019	5.00	30,000	182,612	3.50	55,000	87,500	(82,176)	1,942,199
2020	5.00	25,000	181,113	3.75	60,000	85,575	(81,501)	1,940,650
2021	5.75	30,000	179,862	3.75	65,000	83,325	(80,938)	1,938,612
2022	5.75	30,000	178,138	3.75	65,000	80,888	(80,162)	1,927,002
2023	5.75	30,000	176,412	4.00	70,000	78,450	(79,386)	1,939,114
2024	5.75	35,000	174,688	4.00	70,000	75,650	(78,609)	1,939,479
2025	5.75	30,000	172,674	4.00	75,000	72,850	(77,704)	1,938,583
2026	5.75	30,000	170,950	4.00	80,000	69,850	(76,928)	1,940,785
2027	5.75	35,000	169,226	4.25	80,000	66,650	(76,151)	1,942,038
2028	5.75	35,000	167,212	4.25	85,000	63,250	(75,246)	1,942,179
2029	5.75	35,000	165,200	4.25	85,000	59,638	(74,340)	1,945,717
2030	5.75	5,000	163,188	4.25	90,000	56,024	(73,434)	1,948,178
2031	6.00	10,000	162,900	4.50	95,000	52,200	(73,305)	1,947,833
2032	6.00	5,000	162,300	4.50	100,000	47,925	(73,035)	1,951,053
2033	6.00	10,000	162,000	4.50	100,000	43,425	(72,900)	1,951,625
2034	6.00	10,000	161,400	4.50	110,000	38,925	(72,630)	1,949,520
2035	6.00	10,000	160,800	4.50	115,000	33,975	(72,360)	1,950,915
2036	6.00	10,000	160,200	4.50	120,000	28,800	(72,090)	1,950,685
2037	6.00	10,000	159,600	4.50	120,000	23,400	(71,820)	1,948,830
2038	6.00	10,000	159,000	4.50	130,000	18,000	(71,550)	1,952,350
2039	6.00	1,300,000	158,400	4.50	130,000	12,150	(71,280)	1,953,764
2040	6.00	1,340,000	80,400	4.50	140,000	6,300	(36,180)	1,988,920
2041	-	-	-	-	-	-	-	2,021,213
2042	-	-	-	-	-	-	-	2,020,556
2043	-	-	-	-	-	-	-	2,022,650
2044	-	-	-	-	-	-	-	2,022,338
2045	-	-	-	-	-	-	-	2,024,619
2046	-	-	-	-	-	-	-	1,967,250
		<u>\$ 3,120,000</u>	<u>\$ 3,977,500</u>		<u>\$ 2,155,000</u>	<u>\$ 1,365,875</u>	<u>\$ (1,789,876)</u>	<u>\$ 58,775,974</u>

BLOUNT COUNTY WATER AUTHORITY

STATEMENTS OF NET POSITION - SEWER SYSTEM

SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 82,441	\$ 78,357
Accounts Receivable	3,950	3,258
Inventories	<u>2,136</u>	<u>2,136</u>
	<u>88,527</u>	<u>83,751</u>
NONCURRENT ASSETS		
CAPITAL ASSETS		
Land	43,640	43,640
Other Capital Assets, Net of Accumulated Depreciation	<u>996,356</u>	<u>1,018,793</u>
	<u>1,039,996</u>	<u>1,062,433</u>
TOTAL ASSETS	<u><u>\$ 1,128,523</u></u>	<u><u>\$ 1,146,184</u></u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Expenses	\$ 509	\$ -
Due to Water System	<u>2,819</u>	<u>2,762</u>
	<u>3,328</u>	<u>2,762</u>
LONG-TERM OBLIGATION AND OTHER LIABILITIES		
Due to Blount County Commission	<u>363,017</u>	<u>363,017</u>
TOTAL LIABILITIES	<u>366,345</u>	<u>365,779</u>
<u>NET POSITION</u>		
Net Investment In Capital Assets	676,979	699,416
Unrestricted	<u>85,199</u>	<u>80,989</u>
	<u>762,178</u>	<u>780,405</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,128,523</u></u>	<u><u>\$ 1,146,184</u></u>

BLOUNT COUNTY WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SEWER SYSTEM

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
GROSS FEES		
Sewer Revenue	\$ 37,348	\$ 32,439
Impact Fee	2,000	200
Tap Fees	1,000	-
Late Fees	212	91
Reconnect Fees and Service Charges	-	120
Sale of Field Supplies	-	-
	<u>40,560</u>	<u>32,850</u>
OPERATING EXPENSES		
Cost of Product and Processing	14,137	11,803
Depreciation	33,132	32,864
General and Administrative	11,560	25,330
	<u>58,829</u>	<u>69,997</u>
Operating Income (Loss)	(18,269)	(37,147)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	<u>42</u>	<u>42</u>
CHANGE IN NET POSITION	(18,227)	(37,105)
NET POSITION - Beginning	<u>780,405</u>	<u>817,510</u>
NET POSITION - Ending	<u><u>\$ 762,178</u></u>	<u><u>\$ 780,405</u></u>

BLOUNT COUNTY WATER AUTHORITY

STATEMENTS OF CASH FLOWS - SEWER SYSTEM

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 39,868	\$ 32,877
Payments to Suppliers	(14,228)	(26,420)
Payments to Employees	(10,960)	(11,680)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	14,680	(5,223)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (Decrease) in Due to Water System	57	(1,033)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(10,695)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	42	42
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,084	(6,214)
CASH AND CASH EQUIVALENTS - Beginning	78,357	84,571
CASH AND CASH EQUIVALENTS - Ending	\$ 82,441	\$ 78,357
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (18,269)	\$ (37,147)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	33,132	32,864
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(692)	27
(Increase) Decrease in Inventories	-	(204)
Increase (Decrease) in Accounts Payable and Accrued Expenses	509	(763)
Total Adjustments	32,949	31,924
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 14,680	\$ (5,223)

BLOUNT COUNTY WATER AUTHORITY

SCHEDULES OF OPERATING EXPENSES - SEWER SYSTEM

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
COST OF PRODUCT AND PROCESSING		
Materials and Supplies	\$ 233	\$ 627
Repairs and Maintenance	11,202	8,624
Power	1,892	1,742
Gasoline and Oil	810	810
	<u>\$ 14,137</u>	<u>\$ 11,803</u>
GENERAL AND ADMINISTRATIVE		
Salaries and Wages	\$ 10,960	\$ 11,680
Engineering	-	13,000
Consulting Fees	600	650
License and Permits	-	-
	<u>\$ 11,560</u>	<u>\$ 25,330</u>