SYMSONIA WATER DISTRICT

FINANCIAL REPORT

For The Year Ended
December 31, 2012

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Romaine
& Associates, PLLC
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Commissioners

Symsonia Water District
Symsonia, Kentucky

We have compiled the accompanying statement of net assets of the Symsonia Water District as of December 31, 2012, and the related statement of revenues, expenses and changes in net assets, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the accounting principles prescribed or permitted by the Public Service Commission, which practices differ from accounting principles generally accepted in the United States of America.

The management of the Symsonia Water District, is responsible for the preparation and fair presentation in accordance with the prescribed accounting principles by the Public Service Commission and for designing, implementing, and maintain internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the Symsonia Water District, in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that there are no material modifications that should be made to the financial statements.

Management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements. We have compiled supplementary information from information that is the representation of management, without audit or reviewed. Accordingly we do not express an opinion or provide any assurance on the supplementary information.

Romaine & Associates, PLLC

March 29, 2013

P.O. BOX 488
1214 Paris Road
Mayfield, Kentucky 42066
:270-247-8050
:270-247-7749
:kromaine@mewsbb.net

CURRENT ASSETS		
Cash and cash equivalents	$	109,455
Customer accounts receivable		15,013
Total current assets		124,468
NONCURRENT ASSETS		
Restricted cash		19,579
CAPITAL ASSETS		
Depreciable capital assets:		
Utility plant in service, at cost		1,912,188
Less accumulated provision for depreciation computed by the straight-line method		(1,215,336)
Total capital assets		696,852
TOTAL NONCURRENT ASSETS		716,431
TOTAL ASSETS	$	840,899
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	6,086
Customer deposits		7,430
Total current liabilities		13,516
NET ASSETS		
Invested in capital assets, net of related debt		696,852
Restricted		19,579
Unrestricted		110,952
Total net assets		827,383
TOTAL LIABILITIES AND NET ASSETS	$	840,899

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SYMSONIA WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

OPERATING REVENUE	$	162,114
OPERATING EXPENSE		
Advertising		228
Bank charges		120
Office supplies		4,878
Payroll and related expenses		78,592
Reg. commission fees		288
Utilities		1,971
Purchased power		15,457
Chemicals		13,274
Materials and supplies		28,437
Contractual services		9,385
Insurance		11,555
Miscellaneous		56
Telephone		2,299
Bad debt		21
Depreciation and amortization		47,344
Tax & license		500
Total operating expenses		215,205
Operating income (loss)		(53,091)
NONOPERATING REVENUES (EXPENSES)		
Interest income		270
Nonoperating revenues (expenses)		270
Income before capital contributions		(52,821)
Capital contributions		5,618
Increase (Decrease) in net assets		(47,203)
NET ASSETS		
Beginning of year		874,586
End of year	$	827,383

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CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	162,973
Cash payments to suppliers for goods and services		(85,936)
Cash payments to employees and related expense		(78,592)
Customer deposits received		2,350
Customer deposits returned		(1,715)
Net cash provided by operating activities		(920)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Utility plant additions and improvements		(5,618)
Contributions in aid of construction		5,618
Interest income		270
Net cash provided by (used for) capital and related financing activities		270
Net increase in cash and cash equivalents		(650)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		129,684
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$	129,034
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	(53,091)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization		47,344
Changes in assets and liabilities:		
Accounts receivable		859
Accounts payable and accrued expenses		3,333
Customer deposits		635
Net cash provided by operating activities	$	(920)

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Note 1. Description of Entity & Significant Accounting Policies

The Symsonia Water District is engaged in providing water and sewer supply to approximately 319 customers who live in the Symsonia community in The Graves County, Kentucky area. The water district was created in 1964 and the sewer district in 1980 under Chapter 14 of the Kentucky Revised Statutes.

In evaluating how to define Symsonia Water District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

Basis of Presentation and Accounting:

As stated in Kentucky Revised Statutes (KRS) 278.012, "any water association formed for the purpose of furnishing water services to the general public pursuant to KRS Chapter 273 is deemed to be and shall be a public utility and shall be subject to the jurisdiction of the Public Service Commission". In KRS 278.220, it is outlined that the Public Service Commission may establish a system of accounts to be kept by the utilities subject to its jurisdiction, and may prescribe the manner in which such accounts shall be kept. This uniform system of accounts is presented on the accrual basis in accordance with practices prescribed by the Public Service Commission. In accordance with the Public Service Commission's regulations, costs associated with hook-up fees are capitalized as meters, installations and services. This practice differs from generally accepted accounting principles under which these costs and the related fees are recorded as operating expenses and revenues. Except for this regulatory difference, the Public Service Commission prescribes the use of Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has not adopted the provisions of FASB No. 71, *Accounting for the Effects of Certain Types of Regulations.*

The District's financial statements (including the related notes) reflected the District's initial financial implementation and statement presentation in accordance with GASB No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments and related standards, except as noted herein.

This standard provided significant required changes in terminology; recognition of contributions in the statement of revenues, expenses and changes in net assets; inclusion of a management's discussion and analysis as supplementary information; and other changes.

The Symsonia Water District is operated as a proprietary and/or enterprise fund. Proprietary Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of

Note 1. Description of Entity & Significant Accounting Policies- (Continued)

Basis of Presentation and Accounting: (Continued)

providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets regulatory basis. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted, constraints imposed by creditors/grantors/laws/or contributions; and unrestricted components, all other. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, unrestricted resources are used first.

Revenues and Expenses:

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities.

Property and Equipment:

Property and equipment purchased or constructed are stated at cost. The cost of meters, including installation, is capitalized. Interest related to costs, and major improvements, renewals and replacements is capitalized as a cost of the project. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Expenses for maintenance and repairs that do not increase the useful life of the asset are charged to operations as they are incurred. The District does not have a particular dollar amount threshold for capitalization purposes.

Income Taxes:

The Symsonia Water District is not subject to income taxes.

Contributed Capital:

The District has adopted Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* This statement requires governments to recognize capital contributions to proprietary funds as revenues, instead of contributed capital. Prior to implementation GASB No. 33, the fair market value of donated property received by the District, impact fees, tap on fees and grants which were restricted for the acquisition or construction of capital assets, were recorded as contributed capital. Grants of $5,618 were received by the District for the year ended December 31, 2012.

Note 1. Description of Entity & Significant Accounting Policies- (Continued)

Statement of Cash Flows:

For purposes of reporting cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Reclassifications:

For clarification purposes, reclassifications have been made to certain previously reported amounts.

Net Assets:

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

Invested in capital assets – 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 attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net assets component as the unspent proceeds.

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 2. Cash and Investments

KRS 66.480 authorizes the District to invest in obligations of the United States and its agencies and instrumentalities including repurchase agreements, through sources including national and state banks chartered in Kentucky, obligations and contracts for future delivery backed by the full faith of the United States or its Agency, certificates of deposit and interest bearing accounts in institutions insured by the Federal Depository Insurance Corporation and other investments described therein provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. The District may also invest in mutual funds meeting the requirements of the statute.

Symsonia Water District's policies regarding deposits of cash are discussed above. The table presented below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured or secured with collateral at December 31, 2012. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the District (public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Note 2. Cash and Investments (Continued)

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the Pledging financial institution, or by its trust department or agent, but not in the District's name; or collateralized with no written or approved collateral agreement.

December 31, 2012

Type of Deposits	Total Bank Balance	Custody Credit Risk Category 1	2	3
Demand Deposits-CFSB	$ 51,679	$ 51,679	$ -	$ -
Demand Deposits-CFSB	7,430	7,430	-	-
Demand Deposits-CFSB	12,149	12,149	-	-
Demand Deposits-CFSB	57,776	57,776	-	-
Total Deposits	129,034	129,034	$ -	$ -

Note 3. Restricted Assets

Restricted cash and investments consist of the following:

	December 31, 2010
Grant Account	$ 12,149
Total	$ 12,149

Note 4. Use of Estimates

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

Note 5. Grants/Loans

In the normal course of operations, the District receives grant/loan funds from various Federal and/or State agencies. The grant/loan programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting/loaning of funds. Any liability for reimbursement which may arise as the result of an audit is not believed to be material.

Note 6. Budget

The budget for the proprietary fund operation is prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable expenditure is expected to be made. Budgeted appropriations lapse at year-end.

Note 7. Customer Accounts Receivable

The District provides an allowance for doubtful collections that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal contracts receivable are due 30 days after billing. Receivables past due are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. No provision for doubtful accounts has been made at December 31, 2012, as management considers all amounts fully collectible.

Note 8. Capital Assets

A summary of Symsonia Water District's change in capital assets during 2012 is as follows:

Water System

Description	Beginning Balance	Additions	Disposals	Ending Balance
Structures & Improvements	$ 122,448	$ 5,618	$ -	$ 128,066
Distribution System	526,304	-	-	526,304
Machinery & Equipment	38,004	-	-	38,004
Total at Historical Cost	686,756	5,618	-	692,374
Less: Accumulated Depreciation				
Structures & Improvements	(65,294)	(3,202)	-	(68,496)
Distribution System	(232,308)	(6,598)	-	(238,906)
Machinery & Equipment	(16,515)	(2,279)	-	(18,794)
Total Accumulated Depreciation	(314,117)	(12,079)	-	(326,196)
Capital Assets, Net	$ 372,639	$ (6,461)	$ -	$ 366,178

Sewer System

Description	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 6,061	$ -	$ -	$ 6,061
Structures & Improvements	428,132	-	-	428,132
Distribution System	741,128	-	-	741,128
Machinery & Equipment	44,493	-	-	44,493
Total at Historical Cost	1,219,814	-	-	1,219,814
Less: Accumulated Depreciation				
Structures & Improvements	(257,348)	(10,600)	-	(267,948)
Distribution System	(577,933)	(21,829)	-	(599,762)
Machinery & Equipment	(18,594)	(2,836)	-	(21,430)
Total Accumulated Depreciation	(853,875)	(35,265)	-	(889,140)
Capital Assets, Net	$ 365,939	$ (35,265)	$ -	$ 330,674

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The District carries commercial insurance for risk of loss. The District did not settle claims that exceeded the District's commercial insurance coverage in any of the past three years.

Note 10. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 31, 2013, the date financial statements were available to be issued. Management has disclosed that Hickory Water District has merged with Graves County Water District effective December 31, 2012.

Note 11. Prior Period Adjustments

The Beginning Balance in the Combined Statement of Revenues, Expenses, and Changes in Net Assets was adjusted for adjustments to Accounts Payables in the amount of $345 in the Water Fund and $1,039 in the Sewer Fund. The Beginning Balance of the Sewer Fund for Cash and Cash Equivalents in the Combined Statement of Cash Flows was adjusted for $164 for cancelled checks.

	Water Fund	Sewer Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	$ 4,568	$ 104,887	$ 109,455
Customer accounts receivable	7,905	7,108	15,013
Interfund receivable	-	64,608	64,608
Total current assets	12,473	176,603	189,076
NONCURRENT ASSETS			
Restricted cash	19,579	-	19,579
CAPITAL ASSETS			
Depreciable capital assets:			
Utility plant in service, at cost	692,374	1,219,814	1,912,188
Less accumulated provision for depreciation computed by the straight-line method	(326,196)	(889,140)	(1,215,336)
Total capital assets	366,178	330,674	696,852
TOTAL NONCURRENT ASSETS	385,757	330,674	716,431
TOTAL ASSETS	$ 398,230	$ 507,277	$ 905,507
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 2,332	$ 3,754	$ 6,086
Customer deposits	7,430	-	7,430
Interfund payable	64,608	-	64,608
Total current liabilities	74,370	3,754	78,124
NET ASSETS			
Invested in capital assets, net of related debt	366,178	330,674	696,852
Restricted	19,579	-	19,579
Unrestricted	(61,897)	172,849	110,952
Total net assets	323,860	503,523	827,383
TOTAL LIABILITIES AND NET ASSETS	$ 398,230	$ 507,277	$ 905,507

SYMSONIA WATER DISTRICT
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water Fund	Sewer Fund	Totals
OPERATING REVENUE	$ 75,085	$ 87,029	$ 162,114
OPERATING EXPENSE			
Advertising	114	114	228
Bank charges	120	-	120
Office supplies	2,439	2,439	4,878
Payroll and related expenses	38,096	40,496	78,592
Reg. commission fees	144	144	288
Mileage Expense	400	400	800
Utilities	996	975	1,971
Purchased power	3,094	12,363	15,457
Chemicals	9,225	4,049	13,274
Materials and supplies	8,790	19,647	28,437
Contractual services	4,566	4,819	9,385
Insurance	5,778	5,777	11,555
Miscellaneous	56		56
Telephone	1,150	1,149	2,299
Bad debt		21	21
Depreciation and amortization	12,079	35,265	47,344
Tax & license	250	250	500
Total operating expenses	87,297	127,908	215,205
Operating income (loss)	(12,212)	(40,879)	(53,091)
NONOPERATING REVENUES (EXPENSES)			
Interest income	135	135	270
Investment income	-	-	-
Non-operating revenues (expenses)	135	135	270
Income before capital contributions	(12,077)	(40,744)	(52,821)
Capital contributions	5,618		5,618
Increase (Decrease) in net assets	(6,459)	(40,744)	(47,203)
NET ASSETS			
Beginning of year	330,694	543,892	874,586
End of year	$ 324,235	$ 503,148	$ 827,383

SYMSONIA WATER DISTRICT
COMBINED STATEMENTS OF CASH FLOWS-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 73,608	$ 89,365	$ 162,973
Cash payments to suppliers for goods and services	(37,343)	(48,593)	(85,936)
Cash payments to employees and related expense	(38,096)	(40,496)	(78,592)
Customer deposits received	2,350		2,350
Customer deposits returned	(1,715)		(1,715)
Net cash provided by operating activities	(1,196)	276	(920)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Utility plant additions and improvements	(5,618)		(5,618)
Contributions in aid of construction	5,618		5,618
Interest income	135	135	270
Net cash provided by (used for) capital and related financing activities	135	135	270
Net increase in cash and cash equivalents	(1,061)	411	(650)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	25,208	104,476	129,684
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 24,147	$ 104,887	$ 129,034
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (12,212)	$ (40,879)	$ (53,091)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	12,079	35,265	47,344
Changes in assets and liabilities:			
Accounts receivable	(1,477)	2,336	859
Interfund receivable			-
Accounts payable and accrued expenses	(221)	3,554	3,333
Customer deposits	635	-	635
Net cash provided by operating activities	$ (1,196)	$ 276	$ (920)