

DEXTER-ALMO HEIGHTS WATER DISTRICT
Calloway County, Kentucky

FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INTRODUCTION

The Dexter-Almo Heights Water District is a de jure Water District, situated wholly in Calloway County, Kentucky, and exists by virtue of a Judgment and Order of the Calloway County Fiscal Court.

On April 24, 1964, the Commissioners of Dexter-Almo Heights Water District adopted a resolution providing for the construction and installation of a water-works system in and for said District, and authorizing the issuance of Waterworks System Revenue Bonds to provide for the costs thereof. On May 22, 1964, bonds in the amount of \$225,000 were sold and construction of the system was completed in December 1964. During the calendar year 1976, the District received funds from the Kentucky Highway Department for relocation of water lines. Existing lines were included in property acquired by the Kentucky Highway Department to be used in construction of a four-lane highway from Murray to Benton, Kentucky. Said funds were used to offset the cost of laying new lines to replace those lost to the Highway Department. Additional funds were received during 1979 from the Kentucky Highway Department for relocation of other water lines due to the relocation mentioned above. These additional funds were also used to offset the cost of laying new lines and replacing those lost to the Highway Department.



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Independent Auditors' Report

To the Commissioners
Dexter-Almo Heights Water District
Almo, Kentucky 42020

We have audited the accompanying financial statements of Dexter-Almo Heights Water District as of and for the year ended December 31, 2016, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dexter-Almo Heights Water District as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2017, on our consideration of the Dexter-Almo Heights Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dexter-Almo Heights Water District's internal control over financial reporting and compliance.

Pierce, Keller & Associates, PLLC

Pierce, Keller & Associates, PLLC
Murray, Kentucky
March 25, 2017

DEXTER-ALMO HEIGHTS WATER DISTRICT

BALANCE SHEET

AS OF DECEMBER 31, 2016

ASSETS

Utility Plant

Waterworks System in Service	\$ 1,428,717	
Less: Accumulated Depreciation	<u>(588,104)</u>	
Total Utility Plant		\$ 840,613

Current Assets

Cash	59,443	
Accounts Receivable	<u>18,764</u>	
Total Current Assets		<u>78,207</u>

Total Assets		<u><u>\$ 918,820</u></u>
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CAPITAL AND LIABILITIES

Capital

Donated Capital	\$ 789,390	
Retained Earnings	<u>17,206</u>	
Total Capital		\$ 806,596

Long-Term Debt

Note Payable - The Murray Bank	<u>83,107</u>	
Total Long-Term Debt		83,107

Current Liabilities

Accounts Payable	10,394	
Accrued Taxes	3,327	
Customer Deposits	5,729	
Current Portion of Long-Term Debt	<u>9,667</u>	
Total Current Liabilities		<u>29,117</u>

Total Capital and Liabilities		<u><u>\$ 918,820</u></u>
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See Independent Auditors' Report and Notes to the Financial Statements

DEXTER-ALMO HEIGHTS WATER DISTRICT

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

Operating Revenue

Water Revenues	\$ 219,653	
Fees	<u>1,443</u>	
Total Revenues		\$ 221,096

Operating Expenses

Water Purchases	96,110	
Operating Supplies	11,770	
Water Testing	2,016	
Salaries	54,293	
Commissioner Fees	7,200	
Contract Labor	7,407	
Truck and Mileage Expense	2,846	
Legal and Accounting	3,656	
Telephone and Utilities	4,046	
Payroll Tax and Benefit Expense	5,858	
Office Expense	2,959	
Postage and Billing Expense	6,115	
Repairs and Maintenance	1,129	
Insurance	3,974	
Advertising	425	
Depreciation	35,989	
Miscellaneous Expenses	1,192	
Tax and Permits	<u>7,173</u>	
Total Operating Expenses		<u>254,158</u>

Operating Income

(33,062)

Other Income (Expense)

Interest Income	23	
Interest Expense	<u>(5,003)</u>	
		<u>(4,980)</u>

Net Income

\$ (38,042)

See Independent Auditors' Report and Notes to the Financial Statements

DEXTER-ALMO HEIGHTS WATER DISTRICT
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

RETAINED EARNINGS, January 1, 2015	\$ 82,004
Net Income for the year ended December 31, 2015	<u>(26,756)</u>
RETAINED EARNINGS, January 1, 2016	55,248
Net Income for the year ended December 31, 2016	<u>(38,042)</u>
RETAINED EARNINGS, December 31, 2016	<u><u>\$ 17,206</u></u>

See Independent Auditors' Report and Notes to the Financial Statements

DEXTER-ALMO HEIGHTS WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ (38,042)	
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	35,989	
(Increase) Decrease in Accounts Receivable	(2,677)	
Increase (Decrease) in Accounts Payable	1,260	
Increase (Decrease) in Accrued Taxes	352	
Increase (Decrease) in Customer Deposits	379	
Net Cash Provided By Operating Activities		\$ (2,739)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Paid on Capital Lease	(9,193)	
Additions to Waterworks System	(3,528)	
Increase in Donated Capital	7,000	
Net Cash Used By Financing Activities		(5,721)

CASH FLOWS FROM INVESTING ACTIVITIES

Net Cash Provided By Investing Activities		-
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NET INCREASE IN CASH (8,460)

CASH - January 1, 2016

67,903

CASH - December 31, 2016

\$ 59,443

Cash Flow Disclosures:

Interest Paid:	\$5,003
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See Independent Auditors' Report and Notes to the Financial Statements

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Dexter-Almo Heights Water District are prepared on the accrual basis of accounting. Therefore, income is recognized as it is earned rather than when cash is received, and expenditures are recognized as incurred rather than when paid in accordance with generally accepted accounting principles.

Cash

For the purposes of the statement of cash flows, all cash investments with an original maturity of three months or less are considered to be cash equivalents.

Accounts Receivable

The District does not have an allowance for doubtful accounts. Instead, the direct write-off method is used and accounts are written-off as they become uncollectible. This method is not expected to differ materially from the allowance method.

Asset Capitalization and Depreciation Expense

The assets purchased by the District are capitalized at cost. Depreciation for these assets is provided using the straight-line method over their estimated useful lives. The estimated useful lives of the assets are as follows:

Waterworks System & Improvements	50 Years
Building	33 Years
Equipment	10 Years
Office Furniture & Equipment	5 Years
Vehicles	10 Years

Income Taxes

As a special taxing district of local government, the District is exempt from Federal income tax. Therefore, no provision is made for income tax expense.

Accruals

The District does not compensate for days not worked, therefore no accrual has been made for compensated absences.

Advertising costs are expensed as incurred.

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Reporting Entity

The Dexter-Almo Heights Water District operates as a proprietary fund, and is considered to be a separate reporting entity, and not a component unit subject to inclusion in the financial statements of any other entity. Criteria considered in determining the reporting entity included evaluating oversight responsibility, financial interdependency, selection of board members and management personnel, influence over operations, and accountability for fiscal matters.

Fund Accounting

The accounts of the Dexter-Almo Heights Water District are organized using governmental fund accounting, which uses the basis of funds or account groups, each of which is considered a separate reporting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenditures.

The District is considered to be a proprietary fund type, or enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

Fixed assets at December 31, 2016, are stated at cost less depreciation as follows:

	Cost	Accumulated Depreciation	Book Value
Waterworks System in Service	\$1,364,274	\$541,890	\$822,384
Wells (2)	12,540	12,540	0
Building and Improvements	26,679	18,468	8,211
Equipment and Vehicle	16,000	6,880	9,120
Office Furniture & Equipment	9,224	8,326	898
TOTALS	<u>\$1,428,717</u>	<u>\$588,104</u>	<u>\$840,613</u>

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH

Cash at December 31, 2016, was fully insured by the FDIC and consisted of the following:

Cash on Hand	\$ 100
The Murray Bank, Revenue Fund – unrestricted	32,762
The Murray Bank, Money Market Fund – unrestricted	20,197
The Murray Bank, Meter Fund – restricted	<u>6,384</u>
Total	<u>\$59,443</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Customer accounts receivable at December 31, 2016, amounted to \$18,764. This represents the amount of current December bills and any amount in arrears due from customers.

NOTE 5 - CAPITAL

Donated Capital (formerly Contributions in Aid of Construction) amounting to \$789,390 has been received over the total period of time that the District has been in operation. These advances from customers and the Kentucky Infrastructure Authority represent non-refundable contributions for the purpose of offsetting part of the cost of tapping onto the system and grant proceeds for approved projects respectively. Current year contributions amounted to \$7,000.

NOTE 6 - NOTE PAYABLE

The District obtained a line of credit in the amount of \$150,000 from The Murray Bank on December 12, 2005 for the purpose of timely paying construction costs related to the Flint Rd/West Fork Rd Water Main Extension project. The project expenses were partially reimbursed under a grant from the Kentucky Infrastructure Authority. The project has been completed.

The line of credit matured December 15, 2009 and was converted to a note payable. Payments of \$7,093 will be made semi-annually in June and December. As of December 31, 2016 the balance due on the note payable was \$92,774 with an interest rate of 5.00%.

DEXTER-ALMO HEIGHTS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - ACCRUED TAXES PAYABLE

Accrued Taxes Payable as of December 31, 2016, consisted of the following:

Payroll Taxes & Benefits	\$2,602
Sales Tax	134
Calloway County Board of Education	<u>591</u>
Total Accrued Taxes	<u><u>\$ 3,327</u></u>

NOTE 8 - ACCOUNTS PAYABLE

Accounts Payable as of December 31, 2016, amounted to \$10,394. This amount consists of general operating expenses.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were reviewed as of March 25, 2017. There are no events that would have a material impact on the current financial statements.

NOTE 10 - RELATED PARTY TRANSACTIONS

As a part of the audit, inquiries were made regarding related party transactions. There are no known related parties to the entity.

**ADDITIONAL REPORTS REQUIRED
BY *GOVERNMENT AUDITING STANDARDS***



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners
Dexter-Almo Heights Water District
Almo, Kentucky 42020

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Dexter-Almo Heights Water District as of and for the year ended December 31, 2016, and have issued our report thereon dated March 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dexter-Almo Heights Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dexter-Almo Heights Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.



CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dexter-Almo Heights Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pierce, Keller & Associates, PLLC

Pierce, Keller & Associates, PLLC
Murray, Kentucky
March 25, 2017