
SYMSONIA WATER DISTRICT

AUDIT REPORT

For The Year Ended
December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners

Symsonia Water District
Symsonia, Kentucky

We have audited the accompanying financial statements of the Symsonia Water District, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Symsonia Water District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Public Service Commission. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the Symsonia Water District has prepared these financial statements using accounting practices prescribed or permitted by the Public Service Commission, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

To the Board of Commissioners

Symsonia Water District
Symsonia, Kentucky

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Symsonia Water District as of December 31, 2013, the changes in its financial position, or its cash flows for the year then ended. Further, the District has not presented the required supplementary management’s discussion and analysis that accounting principles generally accepted in the United States and regulatory agreement has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of the Symsonia Water District as of December 31, 2013, the revenues it earned and expenses it incurred, and its cash flows for the year then ended on the basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

The Symsonia Water District has not presented Management’s Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Symsonia Water District’s basic financial statements. In accordance with the *Government Auditing Standards*, we have also issued our report dated March 28, 2014 on our consideration of the Symsonia Water District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



March 28, 2014

**SYMSONIA WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

CURRENT ASSETS	
Cash and cash equivalents	\$ 108,304
Customer accounts receivable	17,866
Total current assets	<u>126,170</u>
NONCURRENT ASSETS	
Restricted cash	20,489
CAPITAL ASSETS	
Depreciable capital assets:	
Utility plant in service, at cost	1,915,874
Less accumulated provision for depreciation computed by the straight-line method	<u>(1,265,992)</u>
Total capital assets	<u>649,882</u>
TOTAL NONCURRENT ASSETS	<u>670,371</u>
TOTAL ASSETS	<u>\$ 796,541</u>
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 6,404
Customer deposits	8,430
Total current liabilities	<u>14,834</u>
NET POSITION	
Invested in capital assets, net of related debt	649,882
Restricted	20,489
Unrestricted	<u>111,336</u>
Total net position	<u>781,707</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 796,541</u>

SYMSONIA WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUE	\$	170,763
<hr/>		
OPERATING EXPENSE		
Advertising		322
Bank charges		110
Office supplies		3,654
Payroll and related expenses		77,640
Reg. commission fees		540
Utilities		2,048
Purchased power		16,898
Chemicals		17,280
Materials and supplies		17,466
Contractual services		9,749
Insurance		12,618
Miscellaneous		3,596
Telephone		2,348
Bad debt		228
Depreciation and amortization		50,656
Tax & license		560
Total operating expenses		216,545
		<hr/>
Operating income (loss)		(45,782)
		<hr/>
NONOPERATING REVENUES (EXPENSES)		
Interest income		255
Nonoperating revenues (expenses)		255
		<hr/>
Net Income (Loss)		(45,527)
		<hr/>
NET POSITION		
Beginning of year (Restated)		827,234
		<hr/>
End of year	\$	781,707
		<hr/> <hr/>

**SYMSONIA WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	167,910
Cash payments to suppliers for goods and services		(87,931)
Cash payments to employees and related expense		(77,640)
Customer deposits received		3,104
Customer deposits returned		(2,104)
Net cash provided by operating activities		3,339

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Utility plant additions and improvements		(3,686)
Interest income		255
Net cash provided by (used for) capital and related financing activities		(3,431)

Net increase in cash and cash equivalents (92)

CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR (Restated)

128,885

CASH AND CASH EQUIVALENTS - END OF THE YEAR

\$ 128,793

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$	(45,782)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization		50,656
Changes in assets and liabilities:		
Accounts receivable		(2,853)
Accounts payable and accrued expenses		318
Customer deposits		1,000
Net cash provided by operating activities	\$	3,339

SYMSONIA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 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

SYMSONIA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

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. There were no grant funds received for the 2013 fiscal year.

SYMSONIA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

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 Positions:

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

Invested in capital assets – This component of net position 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 position 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 position – This component of net position consists of net position 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, 2013. 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.

SYMSONIA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

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, 2013

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

Note 3. Restricted Assets

Restricted cash and investments consist of the following:

<u>Type of Account</u>	<u>December 31, 2013</u>
Grant Account	\$ 12,129
Customer Deposits Account	<u>8,360</u>
Total	<u><u>\$ 20,489</u></u>

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.

SYMSONIA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

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, 2013, as management considers all amounts fully collectible.

Note 8. Capital Assets

A summary of Symsonia Water District's change in capital assets during 2013 is as follows:

Water System				
Description	Beginning Balance	Additions	Disposals	Ending Balance
Structures & Improvements	\$ 128,066	\$ -	\$ -	\$ 128,066
Distribution System	526,304	-	-	526,304
Machinery & Equipment	38,004	-	-	38,004
Total at Historical Cost	692,374	-	-	692,374
Less: Accumulated Depreciation				
Structures & Improvements	(68,496)	(3,202)	-	(71,698)
Distribution System	(238,906)	(9,298)	-	(248,204)
Machinery & Equipment	(18,794)	(2,279)	-	(21,073)
Total Accumulated Depreciation	(326,196)	(14,779)	-	(340,975)
Capital Assets, Net	\$ 366,178	\$ (14,779)	\$ -	\$ 351,399
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	3,686	-	48,179
Total at Historical Cost	1,219,814	3,686	-	1,223,500
Less: Accumulated Depreciation				
Structures & Improvements	(267,948)	(10,600)	-	(278,548)
Distribution System	(599,762)	(21,829)	-	(621,591)
Machinery & Equipment	(21,430)	(3,448)	-	(24,878)
Total Accumulated Depreciation	(889,140)	(35,877)	-	(925,017)
Capital Assets, Net	\$ 330,674	\$ (32,191)	\$ -	\$ 298,483

SYMSONIA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013
(Continued)

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

The Symsonia Water District's management has performed subsequent events procedures through March 28, 2014, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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. The Beginning Balance of the Water Fund for Cash and Cash Equivalents in the Combined Statement of Cash Flows was adjusted for \$150 for Customer Deposits.

**SYMSONIA WATER DISTRICT
COMBINED STATEMENTS OF NET POSITION
DECEMBER 31, 2013**

	Water Fund	Sewer Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 11,985	\$ 96,319	\$ 108,304
Customer accounts receivable	9,060	8,806	17,866
Interfund receivable	-	64,608	64,608
Total current assets	<u>21,045</u>	<u>169,733</u>	<u>190,778</u>
NONCURRENT ASSETS			
Restricted cash	<u>20,489</u>	<u>-</u>	<u>20,489</u>
CAPITAL ASSETS			
Depreciable capital assets:			
Utility plant in service, at cost	692,374	1,223,500	1,915,874
Less accumulated provision for depreciation computed by the straight-line method	<u>(340,975)</u>	<u>(925,017)</u>	<u>(1,265,992)</u>
Total capital assets	<u>351,399</u>	<u>298,483</u>	<u>649,882</u>
TOTAL NONCURRENT ASSETS	<u>371,888</u>	<u>298,483</u>	<u>670,371</u>
TOTAL ASSETS	<u>\$ 392,933</u>	<u>\$ 468,216</u>	<u>\$ 861,149</u>
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 2,398	\$ 4,006	\$ 6,404
Customer deposits	8,430	-	8,430
Interfund payable	64,608	-	64,608
Total current liabilities	<u>75,436</u>	<u>4,006</u>	<u>79,442</u>
NET POSITION			
Invested in capital assets, net of related debt	351,399	298,483	649,882
Restricted	20,489	-	20,489
Unrestricted	<u>(54,391)</u>	<u>165,727</u>	<u>111,336</u>
Total net position	<u>317,497</u>	<u>464,210</u>	<u>781,707</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 392,933</u>	<u>\$ 468,216</u>	<u>\$ 861,149</u>

**SYMSONIA WATER DISTRICT
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Water Fund	Sewer Fund	Totals
OPERATING REVENUE	<u>\$ 80,644</u>	<u>\$ 90,119</u>	<u>\$ 170,763</u>
OPERATING EXPENSE			
Advertising	161	161	322
Bank charges	110	-	110
Office supplies	1,827	1,827	3,654
Payroll and related expenses	37,620	40,020	77,640
Reg. commission fees	270	270	540
Mileage Expense	416	416	832
Utilities	831	1,217	2,048
Purchased power	3,242	13,656	16,898
Chemicals	9,287	7,993	17,280
Materials and supplies	5,133	12,333	17,466
Contractual services	3,609	6,140	9,749
Insurance	6,559	6,059	12,618
Miscellaneous	2,036	1,560	3,596
Telephone	1,174	1,174	2,348
Bad debt	99	129	228
Depreciation and amortization	14,779	35,877	50,656
Tax & license	215	345	560
Total operating expenses	<u>87,368</u>	<u>129,177</u>	<u>216,545</u>
Operating income (loss)	<u>(6,724)</u>	<u>(39,058)</u>	<u>(45,782)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	37	37	74
Investment income	98	83	181
Non-operating revenues (expenses)	<u>135</u>	<u>120</u>	<u>255</u>
Net Income (Loss)	<u>(6,589)</u>	<u>(38,938)</u>	<u>(45,527)</u>
NET POSITION			
Beginning of year (Restated)	<u>324,086</u>	<u>503,148</u>	<u>827,234</u>
End of year	<u><u>\$ 317,497</u></u>	<u><u>\$ 464,210</u></u>	<u><u>\$ 781,707</u></u>

**SYMSONIA WATER DISTRICT
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 79,489	\$ 88,421	\$ 167,910
Cash payments to suppliers for goods and services	(34,903)	(53,028)	(87,931)
Cash payments to employees and related expense	(37,620)	(40,020)	(77,640)
Customer deposits received	3,104		3,104
Customer deposits returned	(2,104)	-	(2,104)
Net cash provided by operating activities	<u>7,966</u>	<u>(4,627)</u>	<u>3,339</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Utility plant additions and improvements	-	(3,686)	(3,686)
Interest income	135	120	255
Net cash provided by (used for) capital and related financing activities	<u>135</u>	<u>(3,566)</u>	<u>(3,431)</u>
Net increase in cash and cash equivalents	8,101	(8,193)	(92)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR (Restated)	<u>24,373</u>	<u>104,512</u>	<u>128,885</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 32,474</u>	<u>\$ 96,319</u>	<u>\$ 128,793</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (6,724)	\$ (39,058)	\$ (45,782)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	14,779	35,877	50,656
Changes in assets and liabilities:			
Accounts receivable	(1,155)	(1,698)	(2,853)
Accounts payable and accrued expenses	66	252	318
Customer deposits	1,000	-	1,000
Net cash provided by operating activities	<u>\$ 7,966</u>	<u>\$ (4,627)</u>	<u>\$ 3,339</u>



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Symsonia Water District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Symsonia 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 Symsonia Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Symsonia Water District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial Statements
Performed In Accordance With Government Auditing Standards
(Continued)

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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Romaine & Associates, PLLC".

Certified Public Accountants

March 28, 2014