
SYMSONIA WATER DISTRICT

AUDIT REPORT

For The Year Ended
December 31, 2017

Table of Contents

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION.....	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6
COMBINED STATEMENTS OF NET POSITION	13
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	14
COMBINED STATEMENTS OF CASH FLOWS	15
INDEPENDENT AUDITOR’S 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	16

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Symsonia Water District
Symsonia, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Symsonia Water District, as of and for the year ended December 31, 2017, 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, as described in Note 1. 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 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 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 financial statements are prepared by the Symsonia Water District, on the basis of the financial reporting provisions of the Public Service Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Public Service Commission.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 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 above 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, 2017, or changes in net position, or its cash flows thereof 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Symsonia Water District as of December 31, 2017, and respective changes in financial position and cash flows thereof for the year ended December 31, 2017 on the basis of accounting described in Note 1.

Other Matters

Other 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. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements 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. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with the *Government Auditing Standards*, we have also issued our report dated May 11, 2018 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* in considering the Symsonia Water District, Symsonia, Kentucky internal control over financial reporting and compliance.

Romaine & Associates, PLLC

Mayfield, Kentucky
May 11, 2018

SYMSONIA WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

CURRENT ASSETS	
Cash and cash equivalents	\$ 95,792
Customer accounts receivable	17,466
Total current assets	<u>113,258</u>
NONCURRENT ASSETS	
Restricted cash	11,122
CAPITAL ASSETS	
Depreciable capital assets:	
Utility plant in service, at cost	2,855,929
Less accumulated provision for depreciation computed by the straight-line method	<u>(1,493,178)</u>
Total capital assets	<u>1,362,751</u>
TOTAL NONCURRENT ASSETS	<u>1,373,873</u>
TOTAL ASSETS	<u><u>\$ 1,487,131</u></u>
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 4,614
Customer deposits	8,805
Note payable	14,156
Total current liabilities	<u>27,575</u>
NONCURRENT LIABILITIES	
Long-term debt	<u>292,170</u>
Total noncurrent liabilities	<u>292,170</u>
NET POSITION	
Invested in capital assets, net of related debt	1,056,425
Restricted	11,122
Unrestricted	99,839
Total net position	<u>1,167,386</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,487,131</u></u>

SYMSONIA WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUE	\$	189,049
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OPERATING EXPENSE		
Bank charges		78
Office supplies		4,191
Payroll and related expenses		97,548
Mileage expense		1,195
Utilities		1,984
Purchased power		16,489
Chemicals		11,564
Materials and supplies		10,069
Contractual services		16,676
Insurance		16,427
Miscellaneous		639
Depreciation and amortization		68,537
Tax & license		1,113
Total operating expenses		<u>246,510</u>
Operating income (loss)		<u>(57,461)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income		220
Interest expense		(6,177)
Nonoperating revenues (expenses)		<u>(5,957)</u>
Net Income (Loss)		(63,418)
NET POSITION		
Beginning of year, Restated		<u>1,230,804</u>
End of year	\$	<u><u>1,167,386</u></u>

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	177,541
Cash payments to suppliers for goods and services		(70,091)
Cash payments to employees and related expense		(97,548)
Customer deposits received		3,125
Customer deposits returned		(2,575)
Net cash provided by operating activities		10,452

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Debt reduction:		
Long-term		(13,912)
Interest expense		(6,177)
Utility plant additions and improvements		(3,250)
Interest income		220
Net cash provided by (used for) capital and related financing activities		(23,119)

Net increase in cash and cash equivalents		(12,667)
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CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR

		119,581
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CASH AND CASH EQUIVALENTS - END OF THE YEAR

	\$	106,914
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RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$	(57,461)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization		68,537
Changes in assets and liabilities:		
Accounts receivable and other receivables		(11,508)
Accounts payable and accrued expenses		10,334
Customer deposits		550
Net cash provided by operating activities	\$	10,452

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 system has adopted and now follows GASB 62, which codified certain GASB pronouncements.

The District's financial statements (including the related notes) are presented 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 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.

Note 1. Description of Entity & Significant Accounting Policies- (Continued)*Basis of Presentation and Accounting: (Continued)*

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 position regulatory basis. Net position (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 position 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.

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.

Note 1. Description of Entity & Significant Accounting Policies- (Continued)*Deferred Outflows and Inflows of Resources:*

Pursuant to GASB Statement Number 63 and GASB Statement Number 65, the water district recognizes deferred outflows and inflows or resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future period.

Net Position:

Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is 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 position 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 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, 2017. 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, 2017

<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	\$ 43,667	\$ 43,667	\$ -	\$ -
Demand Deposits-CFSB	8,805	8,805	-	-
Demand Deposits-CFSB	717	717	-	-
Demand Deposits-CFSB	1,600	1,600	-	-
Demand Deposits-CFSB	<u>52,494</u>	<u>52,494</u>	<u>-</u>	<u>-</u>
Total Deposits	<u>\$ 107,283</u>	<u>\$ 107,283</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, 2017</u>
Grant Account	\$ 717
KIA-Reserve Account	1,600
Customer Deposits Account	<u>8,805</u>
Total	<u>\$ 11,122</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.

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 billing receivables are due 15 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, 2017, as management considers all amounts fully collectible.

Note 8. 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 two years.

Note 9. Long-Term Debt

The District entered into a debt agreement for the construction of a new 150,000 gallon storage tank. The agreement with Kentucky Infrastructure Authority was for \$327,102 and bears interest of 1.75%. Principal and interest are payable semi-annually on the note. As of December 31, 2017, the balance was \$306,326. The future principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total Payment</u>
2018	\$ 14,156	\$ 5,905	\$ 20,061
2019	14,404	5,627	20,031
2020	14,658	5,345	20,003
2021	14,915	5,058	19,973
2022	15,177	4,766	19,943
2023-2027	79,983	19,266	99,249
2028-2032	87,264	11,153	98,417
2033-2036	65,769	2,587	68,356
Total	<u>\$ 306,326</u>	<u>\$ 59,707</u>	<u>\$ 366,033</u>

Note 10. Changes in Long-Term Debt

Changes in Long-Term Debt consist of the following:

Description	Beginning Principal Balance 12/31/2016	Additional Borrowings	Principal Paid	Ending Principal Balance 12/31/2017	Payable Within One Year
KIA Loan #B12-07	\$ 320,238	\$ -	\$ 13,912	\$ 306,326	\$ 14,156
Total Liabilities	<u>\$ 320,238</u>	<u>\$ -</u>	<u>\$ 13,912</u>	<u>\$ 306,326</u>	<u>\$ 14,156</u>

Note 11. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 11, 2018, the date financial statements were available to be issued.

Note 12. Prior Period Adjustments

The beginning net position was restated by \$72,674 for capital improvements to the water system that were expensed in prior years.

SYMSONIA WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

Note 13. Capital Assets

A summary of Symsonia Water District's change in capital assets for the year ended December 31, 2017 is as follows:

Water System				
Description	Beginning Balance	Additions	Disposals	Ending Balance
Structures & Improvements	\$ 223,468	\$ -	\$ -	\$ 223,468
Distribution System	526,304	-	-	526,304
Machinery & Equipment	42,725	-	-	42,725
Water Treatment Plant	922,103	-	-	922,103
Total at Historical Cost	1,714,600	-	-	1,714,600
Less: Accumulated Depreciation				
Structures & Improvements	(161,429)	(3,825)	-	(165,254)
Distribution System	(275,179)	(8,925)	-	(284,104)
Machinery & Equipment	(31,041)	(1,780)	-	(32,821)
Water Treatment Plant	(27,059)	(27,059)	-	(54,118)
Total Accumulated Depreciation	(494,708)	(41,589)	-	(536,297)
Capital Assets, Net	\$ 1,219,892	\$ (41,589)	\$ -	\$ 1,178,303

Sewer System				
Description	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 6,061	\$ -	\$ -	\$ 6,061
Structures & Improvements	337,530	-	-	337,530
Distribution System	751,030	3,250	-	754,280
Machinery & Equipment	43,458	-	-	43,458
Total at Historical Cost	1,138,079	3,250	-	1,141,329
Less: Accumulated Depreciation				
Structures & Improvements	(229,865)	(8,377)	-	(238,242)
Distribution System	(668,911)	(16,863)	-	(685,774)
Machinery & Equipment	(31,157)	(1,708)	-	(32,865)
Total Accumulated Depreciation	(929,933)	(26,948)	-	(956,881)
Capital Assets, Net	\$ 208,146	\$ (23,698)	\$ -	\$ 184,448

**SYMSONIA WATER DISTRICT
COMBINED STATEMENTS OF NET POSITION
DECEMBER 31, 2017**

	Water Fund	Sewer Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 52,590	\$ 43,202	\$ 95,792
Customer accounts receivable	8,669	8,797	17,466
Interfund receivable		60,504	60,504
Total current assets	<u>61,259</u>	<u>112,503</u>	<u>173,762</u>
NONCURRENT ASSETS			
Restricted cash	<u>11,122</u>	<u>-</u>	<u>11,122</u>
CAPITAL ASSETS			
Depreciable capital assets:			
Utility plant in service, at cost	1,714,600	1,141,329	2,855,929
Less accumulated provision for depreciation computed by the straight-line method	<u>(536,297)</u>	<u>(956,881)</u>	<u>(1,493,178)</u>
Total capital assets	<u>1,178,303</u>	<u>184,448</u>	<u>1,362,751</u>
TOTAL NONCURRENT ASSETS	<u>1,189,425</u>	<u>184,448</u>	<u>1,373,873</u>
TOTAL ASSETS	<u>\$ 1,250,684</u>	<u>\$ 296,951</u>	<u>\$ 1,547,635</u>
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 2,330	\$ 2,284	\$ 4,614
Customer deposits	8,805	-	8,805
Interfund payable	60,504	-	60,504
Current portion of long-term debt	<u>14,156</u>	<u>-</u>	<u>14,156</u>
Total current liabilities	<u>85,795</u>	<u>2,284</u>	<u>88,079</u>
NONCURRENT LIABILITIES			
Long-term debt	<u>292,170</u>	<u>-</u>	<u>292,170</u>
Total noncurrent liabilities	<u>292,170</u>	<u>-</u>	<u>292,170</u>
NET POSITION			
Invested in capital assets, net of related debt	871,977	184,448	1,056,425
Restricted	11,122	-	11,122
Unrestricted	<u>(10,380)</u>	<u>110,219</u>	<u>99,839</u>
Total net position	<u>872,719</u>	<u>294,667</u>	<u>1,167,386</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,250,684</u>	<u>\$ 296,951</u>	<u>\$ 1,547,635</u>

SYMSONIA WATER DISTRICT
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Fund	Sewer Fund	Totals
OPERATING REVENUE	<u>\$ 92,415</u>	<u>\$ 96,634</u>	<u>\$ 189,049</u>
OPERATING EXPENSE			
Bank charges	78	-	78
Office supplies	2,301	1,890	4,191
Payroll and related expenses	53,554	43,994	97,548
Mileage expense	656	539	1,195
Utilities	1,090	894	1,984
Purchased power	11,453	5,036	16,489
Chemicals	7,388	4,176	11,564
Materials and supplies	5,528	4,541	10,069
Contractual services	4,036	12,640	16,676
Insurance	9,018	7,409	16,427
Miscellaneous	351	288	639
Depreciation and amortization	41,589	26,948	68,537
Tax & license	611	502	1,113
Total operating expenses	<u>137,653</u>	<u>108,857</u>	<u>246,510</u>
Operating income (loss)	<u>(45,238)</u>	<u>(12,223)</u>	<u>(57,461)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(6,177)	-	(6,177)
Interest income	110	110	220
Non-operating revenues (expenses)	<u>(6,067)</u>	<u>110</u>	<u>(5,957)</u>
Net Income (Loss)	<u>(51,305)</u>	<u>(12,113)</u>	<u>(63,418)</u>
Increase (Decrease) in net position	<u>(51,305)</u>	<u>(12,113)</u>	<u>(63,418)</u>
NET POSITION			
Beginning of year, Restated	<u>924,024</u>	<u>306,780</u>	<u>1,230,804</u>
End of year	<u>\$ 872,719</u>	<u>\$ 294,667</u>	<u>\$ 1,167,386</u>

**SYMSONIA WATER DISTRICT
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 92,900	\$ 84,641	\$ 177,541
Cash payments to suppliers for goods and services	(29,492)	(40,599)	(70,091)
Cash payments to employees and related expense	(53,554)	(43,994)	(97,548)
Customer deposits received	3,125		3,125
Customer deposits returned	(2,575)	-	(2,575)
Net cash provided by operating activities	<u>10,404</u>	<u>48</u>	<u>10,452</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt reduction:			
Long-term	(13,912)	-	(13,912)
Interest expense	(6,177)	-	(6,177)
Utility plant additions and improvements	-	(3,250)	(3,250)
Interest income	110	110	220
Net cash provided by (used for) capital and related financing activities	<u>(19,979)</u>	<u>(3,140)</u>	<u>(23,119)</u>
Net increase in cash and cash equivalents	(9,575)	(3,092)	(12,667)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	<u>20,697</u>	<u>98,884</u>	<u>119,581</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 11,122</u>	<u>\$ 95,792</u>	<u>\$ 106,914</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (45,238)	\$ (12,223)	\$ (57,461)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	41,589	26,948	68,537
Changes in assets and liabilities:			
Accounts receivable and other receivables	485	(11,993)	(11,508)
Accounts payable and accrued expenses	13,018	(2,684)	10,334
Customer deposits	550	-	550
Net cash provided by operating activities	<u>\$ 10,404</u>	<u>\$ 48</u>	<u>\$ 10,452</u>



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

To the Board of Commissioners
Symsonia Water District
Symsonia, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Symsonia Water District, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprises the District's financial statements, and have issued our report thereon dated May 11, 2018. The Symsonia Water District financial statements are prepared on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed by the Public Service Commission.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 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*.

To the Board of Commissioners
Symsonia Water District

Purpose Of This Report

This 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.

Romaine & Associates, PLLC

Mayfield, Kentucky
May 11, 2018