

Peaks Mill Water District
Audit Report
For Year Ended December 31, 2015 and 2014

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PEAKS MILL WATER DISTRICT
AUDIT REPORT
December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of the Peaks Mill Water District
Frankfort, Kentucky 40601

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the business-type activities, of the Peaks Mill Water District as of and for the year ended December 31, 2015 & 2014, and the related notes to the financial statements, which collectively comprise the Peaks Mill 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities of the Peaks Mill Water District, as of December 31, 2015 & 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-3 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Rick R. Waddle, Jr., CPA
September 2, 2016

Peaks Mill Water District
Management's Discussion & Analysis

As financial management of the Peaks Mill Water District (the "District"), we offer readers of these financial statements this narrative and analysis of the financial activities of the District for calendar year ended December 31, 2015. The discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Change in net position produced a decrease in net position of \$64,650. The term "net position" refers to the difference between assets and liabilities. At the close of calendar year 2015, the District had a net position of \$4,011,021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. This report also contains other supplementary information concerning the District's budget to actual revenues and expenses.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statements of net position present information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in an increase in net position, which indicates an improved financial position.

The statement of revenues, expenses and changes in net position present information showing how the District's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes of the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual revenues and expenses.

Peaks Mill Water District
Management's Discussion & Analysis
(continued)

Financial Analysis

Net position may serve, over time, as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$4,011,021 at the close of the most recent fiscal year. This represents a decrease of \$64,650 over the previous year.

The unrestricted net position was \$897,663. The District's net position reflects its investment in capital assets (property, building and equipment). The District uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The following is a schedule of financial analysis of net position and changes in net position:

Peaks Mill Water District

Net Position

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current Assets	\$ 929,547	\$ 906,211
Non-Current Assets	217,431	266,079
Capital Assets	<u>4,082,510</u>	<u>4,170,177</u>
Total Assets	\$ <u>5,229,488</u>	\$ <u>5,342,467</u>
Total Liabilities	\$ <u>1,218,467</u>	\$ <u>1,266,796</u>
Net Position	\$ <u>4,011,021</u>	\$ <u>4,075,671</u>

Peaks Mill Water District

Changes in Net Position

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Revenues	\$ 654,053	\$ 649,217
Expenses	<u>718,703</u>	<u>657,534</u>
Changes in Net Position	(64,650)	(8,317)
Net Position Beginning of Year	<u>4,075,671</u>	<u>4,083,988</u>
Net Position, End of Year	\$ <u>4,011,021</u>	\$ <u>4,075,671</u>

Management's Discussion & Analysis (continued)

Cash Flows

Net cash provided by operating activities increased cash by \$178,890. Net cash used in investing decreased cash by \$103,561, and net cash used by capital and related financing activities decreased cash by \$95,684, mainly due to payments on long-term debt

Capital Assets

The District's investment in capital assets is \$4,082,510, net of accumulated depreciation. Major capital assets include pumps, lines, meters and tanks.

Requests for Information

This financial information is designed to provide a general overview of the District's finances for all those with an interest in the finances. Questions concerning any of the information provided in this report or request for additional financial information should be directed to Peaks Mill Water District, 7175 US 127 North, Frankfort, Kentucky 40601.

Peaks Mill Water District
Comparative Statement of Net Position
December 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Current Assets		
Cash in Bank and on Hand	\$ 793,561	\$ 768,268
Investments at Cost	81,192	80,303
Accrued Interest Receivable	-	402
Accounts Receivable	<u>54,794</u>	<u>57,238</u>
Total Current Assets	<u>\$ 929,547</u>	<u>\$ 906,211</u>
Non-Current Assets		
Restricted Assets - Cash	<u>\$ 217,431</u>	<u>266,079</u>
Property, Plant, & Equipment		
Property, Plant, & Equipment	6,587,974	6,483,937
Accumulated Depreciation	<u>(2,505,464)</u>	<u>(2,313,760)</u>
Total Property, Plant & Equipment	<u>4,082,510</u>	<u>4,170,177</u>
Total Non-Current Assets	<u>4,299,941</u>	<u>4,436,256</u>
Total Assets	<u>\$ 5,229,488</u>	<u>\$ 5,342,467</u>
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable	\$ 26,325	\$ 21,639
Sales Tax Payable	85	(816)
Sewer Billing Payable	5,474	5,328
Current Portion of Bonds Payable	<u>55,602</u>	<u>54,062</u>
Total Current Liabilities	<u>\$ 87,486</u>	<u>80,213</u>
Long Term Liabilities		
KIA Loan Payable	677,681	719,683
Bonds Payable	<u>453,300</u>	<u>466,900</u>
Total Long Term Liabilities	<u>1,130,981</u>	<u>1,186,583</u>
Total Liabilities	<u>1,218,467</u>	<u>1,266,796</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	2,895,927	2,929,532
Restricted for Debt Retirement	153,937	141,668
Restricted for Construction	63,494	124,411
Unrestricted	<u>897,663</u>	<u>880,060</u>
Total Net Assets	<u>4,011,021</u>	<u>4,075,671</u>
Total Liabilities and Net Assets	<u>\$ 5,229,488</u>	<u>\$ 5,342,467</u>

The Accompanying Notes are an integral part of these financial statements.

Peaks Mill Water District
Comparative Statement of Revenues, Expenses, And
Changes In Net Position
For The Years Ended December 31, 2015 and 2014

	2015	2014
Operating Income		
Water Revenue	\$ 642,556	\$ 634,716
Miscellaneous Income	5,692	6,344
Total Operating Income	648,248	641,060
Operating Expenses		
Purchased Water	240,537	209,075
Purchased Power	14,846	17,960
Contractual Services	50,280	50,280
Advertising	1,141	364
Salaries	26,835	24,319
Payroll taxes	3,254	3,008
Postage	3,115	5,006
Maintenance	84,993	52,969
Office Supplies	888	3,553
Office Expenses	341	403
Insurance	9,018	8,918
Legal & Professional	10,869	10,695
Commissioner's Fees	11,025	9,750
Utilities & Telephone	2,564	2,319
Rent	8,400	8,200
Chemical & Lab Analysis	3,369	2,295
Miscellaneous	5,718	5,105
Bad Debt Expense	3,342	5,225
Depreciation	191,704	190,024
Total Operating Expenses	672,239	609,468
Operating Income	(23,991)	31,592
Net Operating Revenue (Expenses)		
Interest Revenue	962	674
Interest Expense	(46,464)	(48,066)
Total Non-Operating Revenue (Expenses)	(45,502)	(47,392)
Net Income Before Contributions & Government Grants	(69,493)	(15,800)
Government Grants		-
Contributions From Customers	4,843	7,483
Change In Net Assets	(64,650)	(8,317)
Net Assets - Beginning of Year	4,075,671	4,083,988
Net Assets - End of Year	\$ 4,011,021	\$ 4,075,671

The accompanying notes are an integral part of these financial statements

Peaks Mill Water District
Comparative Statement of Cash Flows
For The Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 648,397	\$ 629,595
Cash Payments for Employee Services and Benefits	(41,114)	(37,077)
Cash Payments to Suppliers for Goods and Services	(431,393)	(379,346)
Net Cash Provided (Used) by Operating Activities	175,890	213,172
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions Received	4,842	7,483
Bond and Bond Interest Payments	(100,526)	(99,725)
Government Grants	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(95,684)	(92,242)
Cash Flows From Investing Activities:		
Interest Income Received	1,364	441
Acquisition of Capital Assets	(104,036)	-
Cash Purchases of Investments	(889)	-
Net Cash Provided (Used) by Investing Activities	(103,561)	441
Net Increase (Decrease) in Cash & Cash Equivalents	(23,355)	121,371
Cash and Cash Equivalents, Beginning of Year	1,034,347	912,976
Cash and Cash Equivalents, End of Year	\$ 1,010,992	\$ 1,034,347
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities		
Operating Income (Loss)	\$ (23,991)	\$ 31,592
Adjustment to Reconcile Operating Income (Loss) to		
Net Cash Provided (Used) in Operating Activities:		
Depreciation	191,704	190,024
(Increase)/Decrease in Accounts Receivable	2,444	(7,229)
Increase/(Decrease) in Accounts Payable	4,686	(2,204)
Increase/(Decrease) in Accrued Liabilities	1,047	989
Net Cash Provided (Used) by Operating Activities	\$ 175,890	\$ 213,172

Disclosure of Accounting Policy:

For purposes of cash flows, Peaks Mill Water District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements

Note A - Summary of Significant Accounting Policies

The Peaks Mill Water District was organized in November, 1968 to provide water service to residents of Peaks Mill. It is a political subdivision of Franklin County, Kentucky and purchases water from the Frankfort Plant Board for resale to the residents. The District is subject to the regulatory authority of Kentucky Public Service Commission ("PSC") pursuant to KR5 278.040.

Assets and Liabilities, and revenues and expenses are recognized on the accrual basis of accounting. The District incorporates current GASB pronouncements in its proprietary fund activities. The District does not utilize encumbrance accounting in its proprietary fund activities. 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. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, restricted, and unrestricted components.

The preparation of financial statements in conformity with generally accepted accounting principles require 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 period. Actual results could differ from those estimates.

The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case , GASB prevails.

Operating revenue and expenses consist of revenue and expenses directly related to providing water service to residents of Peaks Mill. Water revenues are reflected as earned when the customers are billed. Non-operating revenue and expenses consist of interest revenue and interest expenses related to capital and related financing activities. Capital contributions consist of new water meters purchased during the year.

Accounts Receivable are stated net of Allowance for Uncollectible Accounts. The Allowance for Uncollectible Accounts were \$3,800 at December 31, 2015, and \$3,800 at December 31, 2014. Net Accounts Receivable were \$54,794 at December 31, 2015, and \$57,238 at December 31, 2014.

Fixed Assets are recorded at cost and depreciated using the straight-line method at the following rates:

Pumps, lines, and meters	2.50%
Tanks	3.00%
Office Equipment	10.00%
Meter testing equipment	10.00%

The District capitalizes interest cost incurred during construction of fixed assets.

Investments are stated at cost, which approximates fair value, unless the market value is less than cost and there is evidence the decline in market value is due to other than temporary conditions.

Note B - Cash and Investments

Statutory Requirements

Kentucky Revised Statute 66.480 authorizes the District to invest in obligations of the U.S. treasury, in bonds or certificates of indebtedness of this state and of its agencies, savings and loan associations insured by an agency of the government of the United States up to the amount so insured, interest-bearing deposits in state or national banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank pledges as security obligations equal to uninsured amounts.

Statutes require that financial institutions pledge approved securities to secure those funds on deposit in an amount equal to the amount of those funds. At the end of the calendar year, the carrying amount of the District's deposits and investments were \$1,092,184.

Statement of Cash Flows

The Statement of Cash Flows includes as cash and cash equivalents the following:

	2015	2014
Operations & Maintenance Fund	\$ 45,922	\$ 20,688
Revenue Fund	747,239	747,180
Total Cash in Bank	793,161	
Cash on Hand	400	400
Debt Service Reserve	153,937	141,668
Reserve Account	44,086	105,891
Construction Account	7,807	6,919
127 Loop Account	11,601	11,601
Total Cash & Cash Equivalents	\$ 1,010,992	\$ 1,034,347

The following is a chart summarizing investments held in federally insured financial institutions:

Farmers Bank Certificate of Deposit	\$ 81,192
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Note C - Accounts Payable

Accounts payable were \$26,325 at December 31, 2015, and \$21,639 at December 31, 2014. Most accounts were paid in January or February 2016, and all checks cleared the bank.

Note D- Insurance and Related Activities

The District is exposed to various forms of loss of assets associated with risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. The District is also subject to risks associated with employee injury. Each of these risks are covered through premiums paid to the various insurance companies.

Note E - Purchased Water Contracts

Peaks Mill Water District purchases treated water from the Frankfort Plant Board and Kentucky American Water Company as the District does not produce it's own water.

Note F - Bonds and KIA Notes Payable

In September 1997 the District issued and sold \$627,000 of Waterworks Revenue Bonds for the purpose of extending water service to other customers. The bonds pay interest at 5% and mature ratably through the year 2035. The District's annual principle payments are due January 1st of each year. The District paid it's principle and interest requirement for January 1, 2015 at December 31, 2014.

The outstanding amount of the bonds were \$466,900 at December 31, 2015 and \$480,192 at December 31, 2014.

The annual debt service requirements to retire the bonds and KIA notes outstanding at December 31, 2015 for each of the next five years and in remaining five year increments are as follows:

Year Ending	Bond/Note Principle	Bond/Note Interest
2016	55,602	44,361
2017	58,079	42,404
2018	59,696	40,347
2019	62,252	38,236
2020	63,950	36,023
2021 to 2025	358,948	144,012
2026 to 2030	365,656	75,442
2031 to 2035	162,400	25,122
Total	<u>\$ 1,186,583</u>	<u>\$ 445,947</u>

Changes in Long-Term Debt:

December 31, 2015

Description	31-Dec-13	Additions	Repayments	31-Dec-14
1997 Issue (91-03)	\$ 320,000	-	\$ (9,000)	\$ 311,000
1997 Issue (91-05)	160,200	-	(4,300)	155,900
KIA Loan # C05-01	760,445	-	(40,762)	719,683
Total	<u>\$ 1,240,645</u>	-	<u>\$ (51,659)</u>	<u>\$ 1,186,583</u>

December 31, 2014

Description	31-Dec-13	Additions	Repayments	31-Dec-14
1997 Issue (91-03)	\$ 328,000	-	\$ (8,000)	\$ 320,000
1997 Issue (91-05)	164,300	-	(4,100)	\$ 160,200
KIA Loan # C05-01	800,004	-	(39,559)	760,445
Total	<u>\$ 1,292,304</u>	-	<u>\$ (51,659)</u>	<u>\$ 1,240,645</u>

The supplementary information provides a breakdown for bond and long-term debt payments. The Fund C Loan from the Kentucky Infrastructure Authority was completely drawn, and repayment had began in 2009. The interest rate on Bonds Payable is variable according to the debt terms, while the KIA loan is fixed at 3%.

The District maintains a Debt Service Reserve which consists of restricted cash assets to be used for the purpose of servicing the bond and long-term debt payments.

Note G - Reserves

Debt Service Reserve - There is to be a monthly deposit of an amount equal to 1/12 of the next ensuing principle payment due and 1/6 of the next ensuing interest payment due for the remaining outstanding bonds. The Debt Service Reserve had a balance of \$153,937 at December 31, 2015, and a balance of \$141,668 at December 31, 2014.

Depreciation Reserve - This fund may be used to purchase new or replacement equipment and emergency repairs to the water line system. The Depreciation Reserve had a balance of \$51,893 at December 31, 2015, and a balance of \$112,810 at December 31, 2014.

These Reserves are included in the Restrictions of Net Assets for December 31, 2015, and December 31, 2014.

Note H - Concentrations of Credit Risk

The District had cash, and cash equivalents in excess of FDIC insurance at Farmers Bank & Capital Trust Co. as of December 31, 2015. The Institution possessed securities pledged against this excess. The amount under category 1 of credit risk was \$250,000 and the remaining amount was under Category 2 (not insured but pledged by the financial institution's trust department).

Note I - Sewer Billing

The District began billing and collecting for a sewer treatment plant during 2009. The amount collected is not included in sales revenue, and remitted payments offset those collections less a collection fee.

Note J - Related Party Transactions

The District utilized the services of Gatewood Water Service as an independent contractor in 2015, and 2014. Monthly fees totalled \$50,280 for 2015, and \$50,280 for 2014. Gatewood Water Service also performed various repairs to the water system in 2015, and 2014.

Note K - Subsequent Events

Management did not indicate financially impacting information regarding subsequent events. An evaluation of subsequent events through September 2, 2016 found no events that appeared to have a material effect regarding the accompanying financial statements of Peaks Mill Water District as of and for the year ended December 31, 2015.

Note L - Property, Plant, & Equipment

<u>Description</u>	<u>Property, Plant, & Equipment</u>			<u>December 31, 2015</u>
	<u>December 31, 2014</u>	<u>Additions</u>	<u>Retirements</u>	
Land	\$ 8,096			\$ 8,096
Pumps, Lines, & Meters	5,613,631			5,613,631
Tanks	517,128	104,037		621,165
Office Equipment	31,732			31,732
Meter Testing Equipment	313,350			313,350
Total	\$ 6,483,937	\$ 104,037	\$ -	\$ 6,587,974

Note L - Property, Plant, & Equipment (continued)

<u>Description</u>	<u>Accumulated Depreciation</u>			<u>December 31, 2015</u>
	<u>December 31, 2014</u>	<u>Additions</u>	<u>Retirements</u>	
Pumps, Lines, & Meters	1,973,612	140,341		2,113,953
Tanks	163,949	17,350		181,299
Office Equipment	27,140	3,063		30,203
Meter Testing Equipment	149,059	30,950		180,009
Total	\$ 2,313,760	\$ 191,704	\$ -	\$ 2,505,464

<u>Description</u>	<u>Property, Plant, & Equipment</u>			<u>December 31, 2014</u>
	<u>December 31, 2013</u>	<u>Additions</u>	<u>Retirements</u>	
Land	\$ 8,096			\$ 8,096
Pumps, Lines, & Meters	5,613,631			5,613,631
Tanks	517,128			517,128
Office Equipment	31,732			31,732
Meter Testing Equipment	313,350			313,350
Total	\$ 6,483,937	\$ -	\$ -	\$ 6,483,937

<u>Description</u>	<u>Accumulated Depreciation</u>			<u>December 31, 2014</u>
	<u>December 31, 2013</u>	<u>Additions</u>	<u>Retirements</u>	
Pumps, Lines, & Meters	1,833,271	140,341		1,973,612
Tanks	148,278	15,671		163,949
Office Equipment	24,078	3,062		27,140
Meter Testing Equipment	118,109	30,950		149,059
Total	\$ 2,123,736	\$ 190,024	\$ -	\$ 2,313,760

Depreciation for the years ended December 31, 2015 and 2014 was \$191,704 and \$190,024.

Note M-Interest Expense

Interest expense incurred and charged to expense for the years ended December 31, 2015 and 2014 was \$46,464 and \$48,066. No interest was capitalized in 2015 and 2014.

Note P-Schedule of Annual Debt Requirements

Year Ending	KIA Fund C Loan	
	Note Principal	Note Interest
2016	\$ 42,002	\$ 21,016
2017	43,279	19,739
2018	44,596	18,422
2019	45,952	17,066
2020	47,350	15,668
2021	48,790	14,228
2022	50,274	12,744
2023	51,803	11,215
2024	53,379	9,639
2025	55,002	8,016
2026	56,675	6,343
2027	58,399	4,619
2028	60,175	2,843
2029	62,007	1,012
	\$ 719,683	\$ 162,570

Note P-Schedule of Annual Debt Requirements (Continued)

<u>Year End</u>	Issue: 1997 Issue (91-03)				
	Bond Prin. Due January 1, 2015	Interest		Total Interest	Total Requirements
		January 1, 2015	July 1, 2015		
2016	\$ 9,000	\$ 7,775	\$ 7,775	\$ 15,550	\$ 24,550
2017	10,000	7,550	7,550	15,100	25,100
2018	10,000	7,300	7,300	14,600	24,600
2019	11,000	7,050	7,050	14,100	25,100
2020	11,000	6,775	6,775	13,550	24,550
2021	12,000	6,500	6,500	13,000	25,000
2022	13,000	6,200	6,200	12,400	25,400
2023	13,000	5,875	5,875	11,750	24,750
2024	14,000	5,550	5,550	11,100	25,100
2025	15,000	5,200	5,200	10,400	25,400
2026	15,000	4,825	4,825	9,650	24,650
2027	17,000	4,450	4,450	8,900	25,900
2028	17,000	4,025	4,025	8,050	25,050
2029	18,000	3,600	3,600	7,200	25,200
2030	19,000	3,150	3,150	6,300	25,300
2031	20,000	2,675	2,675	5,350	25,350
2032	20,000	2,175	2,175	4,350	24,350
2033	21,000	1,675	1,675	3,350	24,350
2034	22,000	1,150	1,150	2,300	24,300
2035	24,000	600	600	1,200	25,200
	<u>\$ 311,000</u>	<u>\$ 94,100</u>	<u>\$ 94,100</u>	<u>\$ 188,200</u>	<u>\$ 499,200</u>

Note P-Schedule of Annual Debt Requirements (Continued)

<u>Year End</u>	Issue: 1997 Issue (91-05)				
	Principle	Interest		Total	Total
	Due			Interest	Requirements
	<u>January 1, 2015</u>	<u>January 1, 2015</u>	<u>July 1, 2015</u>		
2016	4,600	3,898	3,898	7,795	12,395
2017	4,800	3,783	3,783	7,565	12,365
2018	5,100	3,663	3,663	7,325	12,425
2019	5,300	3,535	3,535	7,070	12,370
2020	5,600	3,403	3,403	6,805	12,405
2021	5,900	3,263	3,263	6,525	12,425
2022	6,200	3,115	3,115	6,230	12,430
2023	6,500	2,960	2,960	5,920	12,420
2024	6,900	2,798	2,798	5,595	12,495
2025	7,200	2,625	2,625	5,250	12,450
2026	7,600	2,445	2,445	4,890	12,490
2027	8,000	2,255	2,255	4,510	12,510
2028	8,400	2,055	2,055	4,110	12,510
2029	8,900	1,845	1,845	3,690	12,590
2030	9,500	1,663	1,663	3,325	12,825
2031	10,000	1,385	1,385	2,770	12,770
2032	10,600	1,135	1,135	2,270	12,870
2033	11,100	870	870	1,740	12,840
2034	11,600	593	593	1,186	12,786
2035	12,100	303	303	606	12,706
	<u>155,900</u>	-	<u>47,592</u>	<u>47,592</u>	<u>95,177</u>
				<u>95,177</u>	<u>251,077</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 Members of the Peaks Mill Water District
Frankfort, Kentucky 40601**

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 governmental activities, of the Peaks Mill Water District, as of and for the year ended December 31, 2015 & 2014, and the related notes to the financial statements, which collectively comprise the Peaks Mill Water District's basic financial statements, and have issued our report thereon dated September 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Peaks Mill 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Peaks Mill Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Peaks Mill 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 a 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 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 the Peaks Mill 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*.

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.



Rick R. Waddle, Jr., CPA, PLLC

Frankfort, Kentucky 40601
September 2, 2016

Required Supplementary Information

Peaks Mill Water District
Statement of Revenues, Expenses & Changes in Net Position
Budget v Actual
For The Year Ended December 31, 2015

	Budget	Actual	Variance
Operating Income			
Water Revenue	\$ 600,000	\$ 642,556	\$ 42,556
Miscellaneous Income	24,500	5,692	(18,808)
Total Operating Income	<u>624,500</u>	<u>648,248</u>	<u>23,748</u>
Operating Expenses			
Purchased Water & Power	228,000	255,383	(27,383)
Contractual Services	50,280	50,280	-
Advertising	500	1,141	(641)
Salaries	25,000	26,835	(1,835)
Payroll taxes	4,000	3,254	746
Postage	5,500	3,115	2,385
Maintenance	20,910	84,993	(64,083)
Office Supplies	3,000	888	2,112
Office Expenses	-	341	(341)
Insurance	10,000	9,018	982
Legal & Professional	10,000	10,869	(869)
Commissioner's Fees	10,800	11,025	(225)
Utilities & Telephone	2,500	2,564	(64)
Rent	8,400	8,400	-
Administrative Fee (KIA)	-	-	-
Chemical & Lab Analysis	1,000	3,369	(2,369)
Miscellaneous	8,860	5,718	3,142
Bad Debt Expense	-	3,342	(3,342)
Depreciation	198,000	191,704	6,296
Total Operating Expenses	<u>586,750</u>	<u>672,239</u>	<u>85,489</u>
Operating Income	<u>37,750</u>	<u>(23,991)</u>	<u>(61,741)</u>
Non-Operating Revenue (Expenses)			
Interest Revenue	250	962	712
Interest Expense	(43,000)	(46,464)	(3,464)
Total Non-Operating Revenue (Expenses)	<u>(42,750)</u>	<u>(45,502)</u>	<u>(2,752)</u>
Net Income Before Contributions	<u>(5,000)</u>	<u>(69,493)</u>	<u>(64,493)</u>
Government Grants	-	-	-
Contributions From Customers	<u>5,000</u>	<u>4,843</u>	<u>(157)</u>
Change In Net Assets	<u>-</u>	<u>(64,650)</u>	<u>(64,650)</u>