
SEDALIA WATER
DISTRICT

FINANCIAL REPORT

For The Year Ended
December 31, 2015



INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Commissioners

Sedalia Water District
100 E. Broadway
3rd Floor
Mayfield, KY 42066

Management is responsible for the accompanying financial statements of the Sedalia County Water District, which comprise the statement of net position as of December 31, 2015, and the related statement of revenues, expenses, and changes in net position and cash flows for the one month ended and the related notes to the financial statements in accordance with the accounting principles prescribed or permitted by the Public Service Commission, which practices differ from accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor was we required to perform any procedures to verify the accuracy or completeness of the information by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Romaine & Associates, PLLC

Mayfield, Kentucky
February 26, 2016

SEDALIA WATER DISTRICT

STATEMENT OF NET POSITION

December 31, 2015

	<u>December 31, 2015</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,537
Accounts Receivable	1,171
Prepaid Insurance	502
Total Current Assets	<u>5,210</u>
Noncurrent Assets	
Utility Plant in Service	293,175
Accumulated Depreciation	<u>(277,763)</u>
Total Noncurrent Assets	<u>15,412</u>
Total Assets	<u><u>\$ 20,622</u></u>
LIABILITIES & NET POSITION	
Current Liabilities	
Accounts Payable	\$ 3,613
Customer Deposits	1,600
Tax Collections Payable	114
N/P Graves County Fiscal Court	3,344
N/P Graves County Water District	10,000
Total Current Liabilities	<u>18,671</u>
Net Position	
Investments in Capital Assets, Net of Related Debt	5,412
Unrestricted	<u>(3,461)</u>
Total Net Position	<u>1,951</u>
Total Liabilities & Net Position	<u><u>\$ 20,622</u></u>

SEDALIA WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

Operating Revenue	
Water Metered Sales	\$ 40,507
Other Water Revenue	1,645
Total Operating Revenue	<u>42,152</u>
 Operating Expenses	
Purchased Power	3,818
Contract Labor	42,266
Chemicals & Analysis	5,447
Materials & Supplies	1,235
Rental of Equipment	200
Utility Assessment Fee	90
Bad Debt	1,173
Depreciation Expense	2,288
Miscellaneous	41
Total Operating Expenses	<u>56,558</u>
Operating Income (Loss)	<u>(14,406)</u>
Net Income (Loss)	(14,406)
 Net Position, Beginning	 <u>16,357</u>
Net Position, Ending	<u><u>\$ 1,951</u></u>

SEDALIA WATER DISTRICT**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2015

Cash Flows From (To) Operating

Cash Received From Customers	\$ 44,269
Cash Payments To Suppliers For Goods And Services	(51,136)
Customer Deposits received (returned)	550
Net Cash Provided From (To) Operating Activities	<u>(6,317)</u>

Cash Flows From (To) Capital And Related Financing Activities

Acquisitions Of Capital Assets	(2,612)
Proceeds From Debts	10,000
Net Cash Provided From (To) Capital And Related Financing Activities	<u>7,388</u>

Net Increase (Decrease) In Cash 1,071

Cash At Beginning 2,466

Cash At Ending \$ 3,537

Reconciliation Of Operating Income To Net Cash From Operating Activities:

Operating Income (Loss)	\$ (14,406)
Adjustments To Reconcile Operating Income To Net Cash From Operating Activities:	
Depreciation	2,288
Change In Assets And Liabilities	
(Increase) Decrease in Accounts Receivable	2,117
(Increase) Decrease In Prepaid Insurance	(502)
Increase (Decrease) In Accounts Payable	3,613
Increase (Decrease) In Accrued Liabilities	23
Increase (Decrease) In Customer Deposits	550
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,317)</u>

Note 1. Description of Entity & Significant Accounting Policies

The Sedalia Water District is engaged in providing water supply to who live in The Sedalia, Kentucky area. The district was created in 1966 under Chapter 14 of the Kentucky Revised Statutes.

In evaluating how to define Sedalia 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 Sedalia 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 Sedalia Water District is not subject to income taxes.

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.

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.

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

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

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.

Note 3. 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 4. 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 5. 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 6. 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, 2015, as management considers all amounts fully collectible.

Note 7. 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 8. Short-Term Debt

Graves County Fiscal Court

The Sedalia Water District entered into an agreement during the 2014 fiscal year with the Graves County Fiscal Court in the amount of \$3,344. Principal is due upon demand and the note bears no interest.

Graves County Water District

The Sedalia Water District entered into an agreement during the current fiscal year with the Graves County Water District in the amount of \$10,000. Principal is due upon demand and the note bears no interest.

Note 9. Changes in Short-Term Debt

Changes in Short-Term Debt consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Graves County Fiscal Court	\$ 3,344	\$ -	\$ -	\$ 3,344
Graves County Water District	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total	<u>\$ 3,344</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 13,344</u>

Note 10. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 26, 2016, the date financial statements were available to be issued. During the prior calendar year the Sedalia Water District turned over the district to the Graves County Water District due to economic conditions.

Note 11. Capital Assets

A summary of Sedalia Water District's change in capital assets for the year ended December 31, 2015 is as follows:

<u>Water System</u>	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<u>Description</u>	<u>Balance</u>			<u>Balance</u>
Organization	\$ 18,944			\$ 18,944
Land & Land Rights	440			440
Structures & Improvements	5,440			5,440
Wells and Springs	16,956			16,956
Pumping Equipment	2,621			2,621
Distribution Reservoirs	144,354			144,354
Transmission and Distribution Mains	65,148			65,148
Services	7,035			7,035
Meters	28,932	2,613		31,545
Furniture and Equipment	692			692
Total at Historical Cost	<u>290,562</u>	<u>2,613</u>	<u>-</u>	<u>293,175</u>
Less: Accumulated Depreciation				
Total Accumulated Depreciation	<u>(275,475)</u>	<u>(2,288)</u>		<u>(277,763)</u>
Capital Assets, Net	<u>\$ 15,087</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ 15,412</u>