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WEST DAVIESS COUNTY WATER DISTRICT

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

DECEMBER 31, 2015 AND 2014

WEST DAVIESS COUNTY WATER DISTRICT
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December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
West Daviess County Water District

Report on the Financial Statements

We have audited the accompanying financial statements of West Daviess County Water District (District), a component unit of the Daviess County Fiscal Court, Kentucky, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the 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 an opinion on these financial statements based on our audits. We conducted our audits 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.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of West Daviess County Water District as of December 31, 2015 and 2014, and the results of its operations and its cash flows 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 budgetary comparison information on page 16 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.

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016 on our consideration of West Daviess County Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 West Daviess County Water District's internal control over financial reporting and compliance.

Alotach & Company CPAs PSC

Owensboro, Kentucky
March 28, 2016

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2015 and 2014

	2015	2014
Assets		
CURRENT ASSETS		
Cash	\$ 545,261	\$ 326,665
Accounts receivable	166,529	153,482
Investments	1,732,554	1,713,555
Interest receivable	2,860	2,821
Prepaid insurance	6,405	12,291
Inventory	80,227	94,788
	2,533,836	2,303,602
 RESTRICTED FUNDS		
Cash - Meter Setting Fund	108,398	78,097
Cash - Medical Reimbursement Fund	102,152	71,136
Investments - customer deposits	94,660	90,860
Investments - medical reimbursement	238,359	235,271
Interest receivable	526	516
	544,095	475,880
 CAPITAL ASSETS		
Land	38,232	38,232
Water plant	10,256,098	10,115,821
Construction in progress	10,440	1,220
	10,304,770	10,155,273
Less accumulated depreciation	(4,043,757)	(3,780,053)
	6,261,013	6,375,220
NET CAPITAL ASSETS		
	6,261,013	6,375,220
 TOTAL ASSETS		
	\$ 9,338,944	\$ 9,154,702

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Net Position
December 31, 2015 and 2014

	2015	2014
Liabilities and Net Assets		
CURRENT LIABILITIES		
Accounts payable	\$ 122,874	\$ 107,301
Accrued pension	15,578	15,229
Accrued school and sales taxes	4,292	4,195
Payroll taxes and withholding	5,174	5,060
Accrued payroll	9,137	8,992
Current liabilities payable from restricted assets:		
Accounts payable	7,518	8,135
TOTAL CURRENT LIABILITIES	164,573	148,912
NONCURRENT LIABILITIES		
Customer deposits payable from restricted assets	94,660	90,860
TOTAL LIABILITIES	259,233	239,772
NET POSITION		
Net investment in capital assets	6,261,013	6,375,220
Unrestricted	2,818,698	2,539,710
TOTAL NET POSITION	9,079,711	8,914,930
TOTAL LIABILITIES AND NET POSITION	\$ 9,338,944	\$ 9,154,702

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Water sales	\$ 1,564,638	\$ 1,532,393
Tap on fees	110,120	65,390
Miscellaneous service revenues	55,514	54,487
TOTAL OPERATING REVENUES	1,730,272	1,652,270
OPERATING EXPENSES		
Advertising	310	439
Audit, accounting and legal	7,300	7,100
Bad debts	2,511	3,367
Depreciation	266,829	254,018
Education and seminars	225	445
Employee benefits	130,811	124,327
Engineering	269	-
Insurance	25,000	24,094
Materials, supplies, and repairs	87,648	44,524
Miscellaneous	6,235	6,459
Office supplies and expense	29,661	28,213
Payroll taxes	22,018	20,972
Phone and communication	3,254	2,888
PSC assessment	3,017	3,093
Rent of real estate	4,783	4,783
Salaries and wages	289,014	282,889
Transportation	16,355	27,803
Uniforms	2,042	1,838
Utilities	40,290	39,279
Water purchased	685,822	671,850
Water tests and meter service	9,671	9,027
TOTAL OPERATING EXPENSES	1,633,065	1,557,408
INCOME FROM OPERATIONS	97,207	94,862
NONOPERATING REVENUES (EXPENSES)		
Interest income	26,753	21,290
Interest expense	(177)	(124)
Gain on disposal of assets	6,864	1,850
TOTAL NONOPERATING REVENUES (EXPENSES)	33,440	23,016
INCOME BEFORE CONTRIBUTIONS	130,647	117,878

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2015 and 2014

	2015	2014
CONTRIBUTED CAPITAL REVENUE		
Contributions in aid of construction	\$ 34,134	\$ 360,380
CHANGE IN NET POSITION	164,781	478,258
NET POSITION, BEGINNING OF YEAR	8,914,930	8,436,672
NET POSITION, END OF YEAR	\$ 9,079,711	\$ 8,914,930

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,721,025	\$ 1,655,541
Cash payments to employees for services	(443,502)	(430,683)
Cash payments for goods and services	(886,626)	(894,826)
NET CASH PROVIDED BY OPERATING ACTIVITIES	390,897	330,032
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(118,488)	(434,046)
Proceeds from sale of assets	6,864	1,850
Contribution in aid of construction	-	294,179
Interest paid	(177)	(124)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(111,801)	(138,141)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments - net	(25,887)	(348,399)
Interest on investments	26,704	21,251
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	817	(327,148)
NET INCREASE (DECREASE) IN CASH	279,913	(135,257)
CASH AT BEGINNING OF YEAR	475,898	611,155
CASH AT END OF YEAR	\$ 755,811	\$ 475,898

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income from operations	\$ 97,207	\$ 94,862
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	266,829	254,018
(Increase) decrease in:		
Accounts receivable	(13,047)	86
Prepaid insurance	5,886	(496)
Inventory	14,561	17,404
Increase (decrease) in:		
Accounts payable	14,956	(38,778)
Accrued pension	349	(31)
Accrued school and sales tax	97	(37)
Accrued payroll	145	(203)
Payroll taxes and withholding	114	22
Customer deposits	3,800	3,185
Total adjustments	293,690	235,170
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 390,897	\$ 330,032

See accompanying notes.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The West Daviess County Water District (District) is a component unit of the Daviess County Fiscal Court, Kentucky and, therefore, is part of the financial reporting entity of the Daviess County Fiscal Court. The District is a water utility which operates in the rural section of West Daviess County, Kentucky, and its sales are primarily to residential customers.

Proprietary Fund

The District is classified as a proprietary fund type. Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are the determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary funds' activities are included on its statement of net position.

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Government Accounting Standards Board (GASB) pronouncements.

The accrual basis of accounting is used for proprietary fund types. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Regulation

The District's utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the Commonwealth of Kentucky, Public Service Commission. The District's accounting policies recognize the financial effects of the rate making and accounting practices and policies of the Public Service Commission.

Accounts Receivable

The District follows a monthly billing cycle. When meter reading is delayed, estimated bills are rendered based on the average of the three previous bills in order to promote consistency of water revenue.

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established based on a favorable history over a substantial period of time. If an account becomes more than sixty days overdue, it will be charged to operations using the direct write-off method.

Management Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenue

Operating revenue is recognized upon completion of monthly meter readings. At the end of each month water service which has been rendered from the latest meter reading to the end of the month is unbilled.

Inventory

Inventory consists of materials and supplies, and is stated at lower of cost (determined on the first-in, first-out basis) or market.

Water Plant

Water plant is stated at original cost (cost of the property to whoever first devoted it to public service). The cost of labor for additions to the water plant constructed by the District's employees is not capitalized.

Capital Assets

Utility plant assets are stated at cost. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized.

Depreciation is provided on the basis of the estimated useful lives of assets using the straight-line method. Depreciation expense was \$266,829 and \$ 254,018 for the years 2015 and 2014, respectively. Estimated useful lives of major class of the water plant in service are as follows:

Pumping system	10-50 years
Transmission and distribution system	30-70 years
General plant	5-30 years

Cash Flows Information

For the purposes of the Statements of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Noncash financing activities for 2015 and 2014, representing water lines donated to the District, were \$ 34,134 and \$ 66,201, respectively.

Cash at year end consists of:

	2015	2014
Cash	\$ 545,261	\$ 326,665
Cash – Meter Setting Fund	108,398	78,097
Cash – Medical Reimbursement Fund	102,152	71,136
	\$ 755,811	\$ 475,898

WEST DAVIESS COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

NOTE B – CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, the District's bank balances were exposed to custodial credit risk as follows:

	2015	2014
Bank balances	\$ 2,821,787	\$ 2,515,630
FDIC insured	(500,000)	(498,183)
Uninsured and covered by collateral held by bank	(2,214,023)	(2,017,447)
Uninsured and not covered by collateral	\$ 107,764	\$ ---

Investments

Investments consist of five certificates of deposit at local banks as of December 31, 2015. The first certificate of deposit has a value of \$ 451,244. This certificate pays an interest rate of .75% with a maturity date of February 12, 2016. The second certificate of deposit has a value of \$ 452,597. This certificate pays an interest rate of 1.05% with a maturity date of November 12, 2016. The third certificate of deposit has a value of \$ 454,632. This certificate pays an interest rate of 1.50% with a maturity date of November 12, 2017. The fourth certificate of deposit has a value of \$ 456,674. This certificate pays an interest rate of 1.95% with a maturity date of November 12, 2018. The fifth certificate of deposit has a value of \$250,426. This certificate pays an interest rate of .90% with a maturity date of May 13, 2016.

Investments at December 31, 2014, consisted of five certificates of deposit at local banks. The first certificate of deposit has a value of \$ 447,876. This certificate pays an interest rate of .75% with a maturity date of February 12, 2016. The second certificate of deposit has a value of \$ 447,876. This certificate pays an interest rate of 1.05% with a maturity date of November 12, 2016. The third certificate of deposit has a value of \$ 447,876. This certificate pays an interest rate of 1.50% with a maturity date of November 12, 2017. The fourth certificate of deposit has a value of \$ 447,876. This certificate pays an interest rate of 1.95% with a maturity date of November 12, 2018. The fifth certificate of deposit has a value of \$248,182. This certificate pays an interest rate of .90% with a maturity date of August 13, 2015. Investments are shown on the Statements of Net Position as:

	2015	2014
Investments	\$ 1,732,554	\$ 1,713,555
Investments-customer deposits	94,660	90,860
Investments-medical reimbursement	238,359	235,271
	\$ 2,065,573	\$ 2,039,686

WEST DAVIESS COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

NOTE B – CASH DEPOSITS AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United State government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. The District's investment policy only allows investment choices that are in compliance with the state statues. At December 31, 2015, all investments held by the District were insured or collateralized with securities held by the District or by its agent in the District's name, except for \$107,764. At December 31, 2014, all of the investments held by the District were insured or collateralized.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer. The District's investments consist of five certificates of deposit at local banks.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
Capital assets not depreciated:				
Land	\$ 38,232	\$ -	\$ -	\$ 38,232
Construction in progress	1,220	9,220	-	10,440
Total capital assets not depreciated	<u>39,452</u>	<u>\$ 9,220</u>	<u>-</u>	<u>48,672</u>
Capital assets depreciated:				
Buildings	151,199	4,765	-	155,964
Pumping stations	613,715	-	-	613,715
Equipment	205,423	3,663	496	208,590
Tanks, lines, meters and hydrants	9,145,484	142,861	10,516	9,277,829
Total capital assets depreciated	<u>10,115,821</u>	<u>151,289</u>	<u>11,012</u>	<u>10,256,098</u>
Less accumulated depreciation:				
Buildings	121,522	6,067	-	127,589
Pumping stations	261,123	19,526	-	280,649
Equipment	121,599	23,441	496	144,544
Tanks, lines, meters and hydrants	3,275,809	217,795	2,629	3,490,975
Total accumulated depreciation	<u>3,780,053</u>	<u>266,829</u>	<u>3,125</u>	<u>4,043,757</u>
Total capital assets depreciated, net	<u>6,335,768</u>	<u>(115,540)</u>	<u>7,887</u>	<u>6,212,341</u>
Total capital assets, net	<u>\$ 6,375,220</u>	<u>\$ (106,320)</u>	<u>\$ 7,887</u>	<u>\$ 6,261,013</u>

WEST DAVIESS COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

NOTE C – CAPITAL ASSETS (continued)

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014
Capital assets not depreciated:				
Land	\$ 38,232	\$ -	\$ -	\$ 38,232
Construction in progress	52,277	287,534	338,591	1,220
Total capital asset not depreciated:	<u>90,509</u>	<u>287,534</u>	<u>338,591</u>	<u>39,452</u>
Capital assets depreciated:				
Buildings	149,682	2,655	1,138	151,199
Pumping stations	543,836	69,879	-	613,715
Equipment	193,731	26,013	14,321	205,423
Tanks, lines, meters and hydrants	8,694,259	457,355	6,130	9,145,484
Total capital assets depreciated	<u>9,581,508</u>	<u>555,902</u>	<u>21,589</u>	<u>10,115,821</u>
Less accumulated depreciation:				
Buildings	116,864	5,796	1,138	121,522
Pumping stations	243,636	17,487	-	261,123
Equipment	114,354	21,566	14,321	121,599
Tanks, lines, meters and hydrants	3,068,172	209,169	1,532	3,275,809
Total accumulated depreciation	<u>3,543,026</u>	<u>254,018</u>	<u>16,991</u>	<u>3,780,053</u>
Total capital assets depreciated, net	<u>6,038,482</u>	<u>301,884</u>	<u>4,598</u>	<u>6,335,768</u>
Total capital assets, net	<u>\$ 6,128,991</u>	<u>\$ 589,418</u>	<u>\$ 343,189</u>	<u>\$ 6,375,220</u>

NOTE D – PENSION PLAN

The District has a money purchase pension plan covering substantially all employees. The District's policy is to fund pension cost accrued. The district contributes 11% of the employee's gross salary in accordance with plan schedules. Pension expense was \$ 30,498 for 2015 and \$ 29,938 for 2014. Accrued pension expense as of December 31, 2015 and 2014 was \$ 15,578 and \$ 15,229, respectively.

NOTE E – RESTRICTED FUNDS

Cash and investments held by fiscal agents or in trusts are classified as restricted funds and liabilities to be paid by the fiscal agents or trusts are classified as liabilities payable from restricted funds.

NOTE F – CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction represent additions to water plant through extensions of the water distribution system. These additions are funded by individual users through payments made directly to the District or to independent contractors. Contributions to the water distribution system amounted to \$ 34,134 for 2015 and \$ 360,380 for 2014.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

NOTE G – INCOME TAX STATUS

The District is exempt from federal and state income taxes and, accordingly, no provision for such taxes has been made.

NOTE H – OPERATING AND ADMINISTRATION EXPENSES

The District shares office space and personnel with the Southeast Daviess County Water District. Administrative expenses and operating salaries and wages are allocated between the two water districts based upon management's estimated usage. Currently 45% of those expenses are allocated to the District.

NOTE I – LEASING ARRANGEMENTS

The District conducts its operations from facilities which are constructed upon land leased for a period of ten years commencing March 1, 1982. The lease provides that the lessee shall have the right to extend this lease for additional five-year periods. Unless notice is given to cancel this lease sixty (60) days before the end of the original period or any extension thereof, then such extension shall be automatic.

In the event of one or more extensions, the rental shall be increased during such extensions by an amount equal to 10% of the rent set in the preceding period. The District renewed the option to extend the lease in February, 2012. Rental expense was \$ 4,783 for 2015 and 2014.

The following is a schedule of future minimum rental payments required under the above lease as of December 31, 2015.

Year Ended December 31	Amount
2016	\$ 4,783
2017	797
	\$ 5,580

NOTE J – SUPPLIER

The District purchases all of its water for resale from the City Utility Commission of the City of Owensboro, Kentucky operating as Owensboro Municipal Utilities (OMU).

NOTE K – NET POSITION

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets; restricted; and unrestricted net assets. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other net assets not included in the above categories.

WEST DAVIESS COUNTY WATER DISTRICT
Notes to Financial Statements
December 31, 2015 and 2014

NOTE K – NET POSITION (continued)

Included in restricted net position at December 31,

	<u>2015</u>	<u>2014</u>
Investments – Customer Deposits	\$ 94,660	\$ 90,860
Less: Restricted Liabilities	<u>(94,660)</u>	<u>(90,860)</u>
Restricted Net Position	<u>\$ -</u>	<u>\$ -</u>

NOTE L – SUBSEQUENT EVENTS

The District did not have any subsequent events through March 28, 2016, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2015.

SUPPLEMENTAL INFORMATION

WEST DAVIESS COUNTY WATER DISTRICT
Budgetary Comparison Schedule
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES	<u>\$ 1,721,500</u>	<u>\$ 1,721,500</u>	<u>\$ 1,730,272</u>	<u>\$ 8,772</u>
OPERATING EXPENSES				
Operation and maintenance expense	1,416,200	1,416,200	1,363,219	52,981
Depreciation expense	257,000	257,000	266,829	(9,829)
Taxes other than income	3,200	3,200	3,017	183
TOTAL OPERATING EXPENSES	<u>1,676,400</u>	<u>1,676,400</u>	<u>1,633,065</u>	<u>43,335</u>
INCOME FROM OPERATIONS	<u>45,100</u>	<u>45,100</u>	<u>97,207</u>	<u>52,107</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	27,000	27,000	26,753	(247)
Interest expense	(200)	(200)	(177)	23
Gain on disposal of assets	-	-	6,864	6,864
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>26,800</u>	<u>26,800</u>	<u>33,440</u>	<u>6,640</u>
INCOME BEFORE CONTRIBUTIONS	<u>71,900</u>	<u>71,900</u>	<u>130,647</u>	<u>58,747</u>
CONTRIBUTED CAPITAL REVENUE	<u>30,000</u>	<u>30,000</u>	<u>34,134</u>	<u>4,134</u>
CHANGE IN NET POSITION	<u>\$ 101,900</u>	<u>\$ 101,900</u>	<u>\$ 164,781</u>	<u>\$ 62,881</u>



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

To the Board of Commissioners
West Daviess County Water District

We have audited, 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, the financial statements of West Daviess County Water District (District) as of and for the year ended December 31, 2015 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, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Daviess County 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 West Daviess County Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Alpade & Company CPAS PSC

Owensboro, Kentucky
March 28, 2016

WEST DAVIESS COUNTY WATER DISTRICT
Schedule of Findings and Responses
Year Ended December 31, 2015

SUMMARY OF AUDITORS' RESULTS

1. An unmodified opinion was issued on the financial statements for the year ended December 31, 2015.
2. The audit did not disclose any deficiencies in internal control.
3. The audit did not disclose any noncompliance which was material to the financial statements.