

SANDY HOOK WATER DISTRICT
AUDIT OF FINANCIAL STATEMENTS
For The Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Sandy Hook Water District
Sandy Hook, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Sandy Hook Water District, as of and for the year ended December 31, 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.

Auditors' 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 auditors' 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 auditors consider 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

To the Commissioners
Sandy Hook Water District
Sandy Hook, Kentucky

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 respective financial position of the business-type activities of Sandy Hook Water District, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sandy Hook Water District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Commissioners
Sandy Hook Water District
Sandy Hook, Kentucky

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the 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 the District's internal control over financial reporting and compliance.

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky

March 25, 2015

**SANDY HOOK WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2014**

ASSETS

CURRENT ASSETS

Cash - Unrestricted	\$ 67,278
Cash - Restricted	351,994
Accounts Receivable	63,065
Prepaid Expenses	<u>7,145</u>

Total Current Assets 489,482

NONCURRENT ASSETS

Capital Assets - Net of Accumulated Depreciation

Land	146,998
Construction in Progress	830,707
Land Improvements	7,073
Buildings and Building Improvements	731,346
Wells and Springs	31,424
Electric Pumping Equipment	11,341
Transmission and Distribution	5,206,173
Treatment Plant	85,555
Miscellaneous Equipment	15,429
Furniture and Fixtures	<u>425</u>

Total Noncurrent Assets 7,066,471

TOTAL ASSETS \$ 7,555,953

The accompanying notes are an integral part of the financial statements.

**SANDY HOOK WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2014**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accrued Interest	\$	25,028
Due to City of Sandy Hook		16,128
Accrued Taxes		7,130
Accrued Salaries		894
Unearned Revenues		2,833
Compensated Absences		6,319
Accounts Payable		12,657
Accounts Payable - Construction		16,307
Bonds Payable		31,200
 Total Current Liabilities		 118,496

LONG-TERM BONDS PAYABLE 1,495,300

OTHER LIABILITIES

Customer Deposits		25,303
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TOTAL LIABILITIES 1,639,099

NET POSITION

Invested in Capital Assets, Net of Related Debt		5,523,664
Restricted for:		
Debt Service		145,773
Depreciation Reserve		101,984
Construction		51
Sewer Collections		16,128
Unrestricted		129,254

TOTAL NET POSITION 5,916,854

TOTAL LIABILITIES AND NET POSITION \$ 7,555,953

The accompanying notes are an integral part of the financial statements.

SANDY HOOK WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSTION
For The Year Ended December 31, 2014

OPERATING REVENUES

Water Sales	\$ 632,747
Service Revenues	16,570
Miscellaneous Revenues	<u>13,204</u>
 Total Operating Revenues	 662,521

OPERATING EXPENSES

Water Expenses	
Advertising	64
Depreciation	183,682
Dues and Subscriptions	756
Lease Expense	1,476
Legal and Accounting Services	18,288
Miscellaneous	10,858
Office Supplies	4,593
Payroll Taxes	13,496
Postage	6,263
Professional Services	4,270
Insurance	40,981
Repairs and Maintenance	28,102
Retirement	36,524
Salaries and Wages	189,422
Supplies and Testing	35,189
Taxes and Licenses	1,231
Telephone and Utilities	70,517
Travel and Automobile	<u>12,653</u>
 Total Operating Expenses	 <u>658,365</u>

NET OPERATING INCOME (LOSS)	4,156
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The accompanying notes are an integral part of the financial statements.

SANDY HOOKWATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For The Year Ended December 31, 2014

NON OPERATING REVENUES (EXPENSES)

Grant Proceeds	238,283
Interest Expense	(48,713)
Interest Income	<u>330</u>
Total Non Operating Revenues (Expenses)	<u>189,900</u>
Net Change in Net Position	194,056
Net Position - Beginning	<u>5,722,798</u>
Total Net Position - Ending	<u><u>\$ 5,916,854</u></u>

The accompanying notes are an integral part of the financial statements.

**SANDY HOOK WATER DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Payments from Customers	\$ 647,212
Payments for Sewer Collection Fees	9,779
Payments to Vendors	(231,056)
Payments for Payroll and Related Expenses	<u>(247,032)</u>
Net Cash Provided (Used) by Operating Activities	178,903

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Grant Proceeds	238,283
Land Purchase	(3,500)
Loan Proceeds - Interim Financing	257,976
Construction in Progress	(698,157)
Payments on Interim Financing	(296,662)
Revenue Bond Proceeds	504,000
Payments on Capital Debt	<u>(87,517)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(85,577)

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest	<u>330</u>
Net Cash Provided (Used) by Investing Activities	<u>330</u>
INCREASE (DECREASE) IN CASH	93,656
CASH AT BEGINNING OF YEAR	<u>325,616</u>
CASH AT END OF YEAR	<u><u>\$ 419,272</u></u>

The accompanying notes are an integral part of the financial statements.

**SANDY HOOK WATER DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2014**

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:

Net Operating Income	\$ 4,156
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	183,682
Changes in Assets (Liabilities):	
Accounts Receivable	(6,537)
Accounts Payable	78
Accrued Taxes	(90)
Accrued Payroll Taxes	263
Due to City of Sandy Hook	179
Accrued Retirement Expenses	(3,655)
Customer Deposits	827
	<hr/>
Net Cash Provided (Used) by Operating Activities	<u>\$ 178,903</u>

Supplementary Information

Interest Expensed	\$ 48,713
Interest Capitalized	7,629
	<hr/>
Interest Paid	<u>\$ 56,342</u>

The accompanying notes are an integral part of the financial statements.

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Sandy Hook Water District (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who are responsible for their integrity and objectivity. These accounting policies, as applied to the aforementioned financial statements, conform to generally accepted accounting principles applicable to governmental units.

Regulatory Requirements

The District is subject to the regulatory authority of the Kentucky Public Service Commission (“PSC”) pursuant to KRS 278.040.

Organization & Activity

The District was created in accordance with Chapter 74 of the Kentucky Revised Statutes in 1957. The purpose of the District is to provide water services to residents in Sandy Hook, Kentucky and the surrounding area.

Financial Reporting Entity

The District complies with GASB Statements No. 14, “The Financial Reporting Entity” and No. 39, “Determining Whether Certain Organizations Are Component Units.” These Statements establish standards for defining and reporting on the financial reporting entity. They define component units as legally separate organizations for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The District is not considered a component unit of any other governmental unit for financial reporting purposes.

The District considered all potential component units in determining what organizations should be included in its financial statements. Based on an evaluation of the established criteria, management determined that there were no component units to include in the District’s financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America.

All activities of the District are accounted for within a single proprietary (enterprise reporting) entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, 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

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net Position is segregated into “invested in capital assets, net of related debt”; ‘restricted’; and “unrestricted’ components.

The District’s various bond resolutions or ordinances require the establishment of certain accounts, which are referred to as “funds”. These required accounts are maintained as part of accounting records of the Water Fund. They include the Sinking Fund (Debt Service), Revenue Fund and Depreciation Reserve Fund (Repairs and Maintenance). These are not “funds” as the term is used in generally accepted accounting principles, but are separate “accounts” used to delineate the accounting and reporting for bond related money and repayment security requirements. The balances and activity that occur in these various accounts represent specific segments of the Water Utility enterprise fund as reported in the District’s financial statements.

The enterprise fund used by the District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District’s ongoing operations. The principal operating revenues are charges to customers for sales and services that are provided to them. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 they are needed.

Budgeting

In accordance with Kentucky Revised Statute 65.065, the District is required to submit a balanced budget to the Elliott County Fiscal Court prior to December 1. The budget includes proposed expenditures and means of financing them for the upcoming year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at calendar year end.

Allowance for Doubtful Accounts

No allowance for doubtful accounts has been established. The District considers all receivables to be fully collectible based on their strict cut-off policy. If amounts become uncollectible, the amounts due are offset by any customer deposit held and the balance charged to operations when that determination is made.

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivables

Accounts receivables are stated at face amount and include billed and unbilled receivables due as of December 31, 2014. Unbilled receivables represent income earned during the current year, but not yet billed to the customer. The billing mailed on December 30, 2014 was for customer usage from approximately November 25 through December 25, 2014. The entire amount is considered accounts receivable as of December 31, 2014. The billing mailed on January 27, 2015 was for usage from approximately December 26, 2014 through January 25, 2015. Approximately five days of this billing is considered unbilled receivables at December 31, 2014.

Deposits and Investments

KRS 66.480 authorizes the District to invest in the following, including but not limited to, obligations of the United States and of 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, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Property, Plant and Equipment

Capital assets, which include property, plant, equipment, and infrastructure assets, e.g., water distribution systems, and similar items, are reported as a component of noncurrent assets in the basic financial statements. Capital assets are generally defined by the District as being those assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The reported value excludes the costs of normal maintenance and repairs that are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Depreciation is charged as an expense against operations. Capital assets of the District are depreciated using the straight-line method over their estimated useful lives in years.

The depreciation expense provided on proprietary fund assets during the period ended December 31, 2014 is \$183,682.

Capitalized Interest On Indebtedness

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed. The total interest expense incurred by the District during the current fiscal year was \$48,713. \$7,629 of capitalizable interest was incurred during the year ended December 31, 2014.

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of these financial statements, cash and cash equivalents consist of unrestricted and restricted cash on hand, demand and savings deposits and certificates of deposit.

Inventory and Prepaid Items

The District maintains an inventory of supplies to make minor repairs to the water district systems. It is the policy of the water district to expense the items as they are purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. An example of a prepaid item for the District is property and liability insurance premiums.

Restricted Net Position

Some of the District's assets have certain constraints that have been placed on how they can be used. By definition, restricted assets are cash or other assets, whose use in whole or in part are restricted for specific purposes bound by virtue of contractual agreements, legal requirements or enabling legislation.

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The "debt service" accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The "depreciation reserve" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals, replacements and extensions.

The District collects sewer revenues on behalf of the City of Sandy Hook. The amount owed to the City of Sandy Hook as of December 31, 2014 is reported as a component of restricted net position.

The District began a construction project during 2013. This construction project was still ongoing as of December 31, 2014. The construction account is used to report resources set aside to pay construction costs as they become due.

Federal Income Tax

The District is exempt from federal income tax since it is a governmental entity. Accordingly, the financial statements include no provision for income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE B – RESTRICTIONS ON CASH

Bond Sinking Fund

Deposits into Bond Sinking Funds are required to be made monthly in order to accumulate funds for payment of bond principle and interest. At December 31, 2014, \$81,256 was required to be on deposit to meet payments of interest and principal due on bonds at January 1, 2014. The balance in this account at December 31, 2014 was \$145,773.

Depreciation Reserve

The Depreciation Reserve Account is being maintained as required in various bond documents. The District was required to deposit \$2,760 per month into the account. At December 31, 2014, \$99,960 was the required balance of the Depreciation Reserve account. The District had \$101,984 in this account for the purpose of maintaining the water system.

Restricted Cash Accounts

The District is required to maintain special deposit accounts for customer deposits and long-term debt obligations. The following is a listing of restricted cash accounts of the District:

Construction Account	\$ 51
Customer Deposit Fees Account	29,146
Escrow Account	3,872
Equipment Replacement Account	55,040
Sewer Revenue Held for the City of Sandy Hook	16,128
Bond and Interest Sinking Fund	145,773
Depreciation Reserve Fund	101,984
 Total Restricted Cash Accounts	 \$ 351,994

NOTE C – NET POSITION

Equity is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets;
- Restricted net position - resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and
- Unrestricted net position - those assets that do not meet the definition of restricted net position or invested in capital assets.

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE D – CASH AND INVESTMENTS

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of December 31, 2014, these requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned to it. As of December 31, 2014, the bank balance was \$433,057.

The bank balances were either insured by FDIC or covered by pledged collateral as of December 31, 2014.

NOTE E – PROPERTY, PLANT, AND EQUIPMENT

The District's major classes of utility capital assets and accumulated depreciation are shown below:

	Balance 12/31/2013	Additions	Disposals	Balance 12/31/2014
Land	\$ 142,498	\$ 4,500	\$	\$ 146,998
Construction in Progress	113,686	717,021		830,707
Land Improvements	16,320			16,320
Buildings and Building Improvements	906,007			906,007
Wells and Springs	78,896			78,896
Transmission and Distribution	7,283,195			7,283,195
Treatment Plant	420,514			420,514
Electric Pumping Equipment	30,344			30,344
Miscellaneous Equipment	102,087			102,087
Furniture and Fixtures	5,876			5,876
Transportation Equipment	55,766			55,766
Total	9,155,189	721,521		9,876,710

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE E – PROPERTY, PLANT, AND EQUIPMENT (Continued)

	Balance 12/31/2013	Additions	Disposals	Balance 12/31/2014
Accumulated Depreciation:				
Land Improvements	8,159	1,088		9,247
Buildings and Building Improvements	156,962	17,699		174,661
Wells and Springs	45,550	1,922		47,472
Transmission and Distribution	1,931,256	145,766		2,077,022
Treatment Plant Electric Pumping Equipment	323,931	11,028		334,959
	17,697	1,306		19,003
Miscellaneous Equipment	84,349	2,309		86,658
Furniture and Fixtures	5,398	53		5,451
Transportation Equipment	53,255	2,511		55,766
Total	2,626,557	183,682		2,810,239
Fixed Assets Net of A/D	\$ 6,528,632	\$ 537,839	\$ 0	\$ 7,066,471

NOTE F – SHORT TERM DEBT

On December 5, 2013, the District entered into a Loan Agreement with Kentucky Rural Water Finance Corporation and Regions Bank as interim financing for the construction of waterline extensions in the maximum amount of \$504,000. Principal and interest payments at a rate of 2.5% are required on the earlier of (i) the business day following the receipt of the proceeds of permanent financing in the form of bonds purchased by Rural Development or (ii) the maturity date of August 1, 2014. As of December 31, 2014, the principal balance was paid in full.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Interim Financing	\$ 38,686	\$ 257,976	\$ 296,662	\$	\$
Business-type Activities					
Current Liabilities	\$ 38,686	\$ 257,976	\$ 296,662	\$ 0	\$ 0

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE G – BONDS PAYABLE

1. Waterworks Revenue Series 1988

On May 25, 1988, the District entered into an agreement with Rural Development to issue \$237,000 in Waterworks Revenue Bonds for the purpose of financing the cost of the construction of extensions, additions, and improvements to the existing waterworks system of the District. Semiannual interest payments at a rate of 6.25% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2014, the principal balance outstanding was \$160,000. Debt service requirements for year ending December 31, 2014, and thereafter are as follows:

Year Ended December 31	Scheduled Interest	Scheduled Principal
2015	\$ 10,000	\$ 7,000
2016	9,562	8,000
2017	9,062	8,000
2018	8,562	9,000
2019	8,000	9,000
2020-2024	38,502	57,000
2025-2028	10,000	62,000
Totals	\$ 93,688	\$ 160,000

2. Waterworks Revenue Bond Series 1991

On July 24, 1991, the District entered into an agreement with Rural Development to issue \$316,000 in Waterworks Revenue Bonds for the purpose of the construction of extensions, additions, and improvements to the existing waterworks system of the District. Semiannual interest payments at a rate of 5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2014, the principal balance outstanding was \$200,000. Debt service requirements for year ending December 31, 2014, and thereafter are as follows:

Year Ended December 31	Scheduled Interest	Scheduled Principal
2015	\$ 10,000	\$ 8,000
2016	9,600	9,000
2017	9,150	9,000
2018	8,700	10,000
2019	8,200	10,000
2020-2024	32,800	60,000
2025-2029	16,150	77,000
2030	850	17,000
Totals	\$ 95,450	\$ 200,000

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE G – BONDS PAYABLE (CONTINUED)

3. Waterworks Revenue Bond Series 1992

On May 27, 1992, the District entered into an agreement with Rural Development to issue \$70,000 Waterworks Revenue Bonds for the purpose of the construction of extensions, additions, and improvements to the existing waterworks system of the District. Semiannual interest payments at a rate of 5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2014, the principal balance outstanding was \$48,500. Debt service requirements for year ending December 31, 2014, and thereafter are as follows:

Year Ended December 31	Scheduled Interest	Scheduled Principal
2015	\$ 2,426	\$ 1,700
2016	2,340	1,800
2017	2,250	1,900
2018	2,156	2,000
2019	2,056	2,100
2020-2024	8,598	12,200
2025-2029	5,222	15,500
2030-2032	1,148	11,300
Totals	<u>\$ 26,196</u>	<u>\$ 48,500</u>

3. Waterworks Revenue Bonds Series 1995

On April 27, 1995, the District entered into an agreement with Rural Development to issue \$259,000 in Waterworks Revenue Bonds for the purpose of the construction of extensions, additions, and improvements to the existing waterworks system of the District. Semiannual interest payments at a rate of 4.5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2014, the principal balance outstanding was \$190,000. Debt service requirements for year ending December 31, 2014, and thereafter are as follows:

Year Ended December 31	Scheduled Interest	Scheduled Principal
2015	\$ 8,550	\$ 6,000
2016	8,280	6,000
2017	8,010	6,500
2018	7,718	7,000
2019	7,402	7,000
2020-2024	31,884	41,500
2025-2029	21,666	51,000
2030-2034	9,092	65,000
Totals	<u>\$ 102,602</u>	<u>\$ 190,000</u>

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE G – BONDS PAYABLE (CONTINUED)

4. Waterworks Revenue Bonds Series 2001

On June 20, 2001, the District entered into an agreement with Rural Development to issue \$495,000 Waterworks Revenue Bonds for the purpose of the construction of extensions, additions, and improvements to the existing waterworks system of the District. Semiannual interest payments at a rate of 4.5% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2014, the principal balance outstanding was \$424,000. Debt service requirements for year ending December 31, 2014, and thereafter are as follows:

Year Ended December 31	Scheduled Interest	Scheduled Principal
2015	\$ 19,080	\$ 8,500
2016	18,698	8,500
2017	18,316	9,000
2018	17,910	9,500
2019	17,482	10,000
2020-2024	80,214	57,500
2025-2029	66,128	71,000
2030-2034	48,670	88,500
2035-2039	26,888	110,000
2040-2041	3,510	51,500
Totals	\$ 316,896	\$ 424,000

5. Waterworks Revenue Bonds Series 2014

On July 21, 2014, the District entered into an agreement with Rural Development to issue \$504,000 Waterworks Revenue bonds for the purpose of the construction of extensions, additions and improvements to the existing waterworks system of the District. Semiannual interest payments at a rate of 2.75% are required on January 1 and June 1 with principal amount due each January 1. As of December 31, 2014, the principal balance outstanding was \$504,000. Debt service requirements for year ending December 31, 2014, and thereafter are as follows:

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE G – BONDS PAYABLE (CONTINUED)

5. Waterworks Revenue Bonds Series 2014 (Continued)

Year Ended December 31	Scheduled Interest	Scheduled Principal
2015	\$ 13,860	\$
2016	13,757	7,500
2017	13,544	8,000
2018	13,324	8,000
2019	13,097	8,500
2020-2024	61,840	45,500
2025-2029	55,137	52,000
2030-2034	47,533	59,000
2035-2039	38,817	68,000
2040-2044	28,841	77,500
2045-2049	17,326	90,000
2050-2053	4,428	80,000
Totals	<u>\$ 321,504</u>	<u>\$ 504,000</u>

6. Long Term Debt Maturity in the Aggregate

Year Ended December 31	Scheduled Interest	Scheduled Principal
2015	\$ 63,916	\$ 31,200
2016	62,237	40,800
2017	60,332	42,400
2018	58,370	45,500
2019	56,237	46,600
2020-2024	253,838	273,700
2025-2029	174,303	328,500
2030-2034	107,293	240,800
2035-2039	65,705	178,000
2040-2044	32,351	129,000
2045-2049	17,326	90,000
2050-2053	4,428	80,000
Totals	<u>\$ 956,336</u>	<u>\$ 1,526,500</u>

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE G – BONDS PAYABLE (CONTINUED)

7. Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Revenue Bonds	\$ 1,051,600	\$ 504,000	\$ 29,100	\$ 1,526,500	\$ 31,200
Business-type Activities Long-term Liabilities	<u>\$ 1,051,600</u>	<u>\$ 504,000</u>	<u>\$ 29,100</u>	<u>\$ 1,526,500</u>	<u>\$ 31,200</u>

NOTE H – RETIREMENT

The District has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to be allocated as follows: 5% will go to the member's account and 1% will go to the KRS insurance fund. The District's contribution rate for nonhazardous employees was 18.89 percent for the first six months of 2014 and percent for the last six months of 2014.

The District's contribution for calendar year 2012 was \$32,251, 2013 was \$37,007, and 2014 was \$36,524.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For member participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

**SANDY HOOK WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE H – RETIREMENT (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

NOTE I – INSURANCE COVERAGE

The District is exposed to various risks of loss. The District carries commercial insurance for risks of loss. As of December 31, 2014, there were no known losses for which an accrual was considered necessary and no estimated claims that have been incurred, but not reported.

NOTE J – COMPENSATED ABSENCES

It is the District's policy to permit its employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave because the District does not have a policy to pay any amounts when employees separate from service with the District. The unused vacation or annual leave is considered a vested employee benefit.

In recognition of the resulting obligation, the District has accrued a liability for earned but unused vacation leave, having determined that payment of such compensation is probable and having developed a reasonable estimate based upon current salary costs and annual leave balances as of December 31, 2014. The liability for compensated absences at December 31, 2014 was \$6,319.

NOTE K – CONSTRUCTION IN PROGRESS

Construction in progress at December 31, 2014 consists of \$830,707 associated with a waterline extension project.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 25, 2015, which is the date the financial statements were available to be issued.

**SANDY HOOK WATER DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2014**

<u>Program Title</u>	<u>Pass- Through Grantor's Number</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Rural Utilities Service Loan	N/A	10.760	\$ 465,314
Rural Utilities Service Grant	N/A	10.760	<u>254,590</u>
Total CFDA No. 10.760			<u>719,904</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 719,904</u></u>

SANDY HOOK WATER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended December 31, 2014

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sandy Hook Water District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Morgan-Franklin, LLC

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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 Commissioners
Sandy Hook Water District
Sandy Hook, Kentucky

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 business-type activities of Sandy Hook Water District, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Sandy Hook Water District's basic financial statements and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-003 to be a significant deficiency.

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sandy Hook 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

Sandy Hook Water District's Responses to Findings

Sandy Hook Water District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky

March 25, 2015

Morgan-Franklin, LLC

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Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133

To the Commissioners
Sandy Hook Water District
Sandy Hook, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Sandy Hook Water District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sandy Hook Water District's major federal programs for the year ended December 31, 2014. Sandy Hook Water District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Sandy Hook Water District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sandy Hook Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sandy Hook Water District's compliance.

Opinion on Each Major Federal Program

In our opinion, Sandy Hook Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133

Report on Internal Control over Compliance

Management of Sandy Hook Water District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sandy Hook Water District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sandy Hook Water District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky

March 25, 2015

**SANDY HOOK WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statement of Sandy Hook Water District
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the auditors' report on compliance and internal control. One of the deficiencies is reported as a material weakness.
3. One instance of noncompliance material to the financial statement of Sandy Hook Water District was disclosed during the audit.
4. No material weaknesses in internal control over major federal award programs are reported in the auditors' report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Sandy Hook Water District expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program is U.S. Department of Agriculture, Rural Utilities Grant/Loan Programs (CFDA 10.760).
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. Sandy Hook Water District does not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAW AND REGULATION

2014-001 The County Judge/Executive Appointed The Deputy County Judge/Executive To Serve As A Board Member Of The District

Condition: The county judge/executive appointed the deputy county judge/executive to serve as a board member of the district.

Criteria: OAG 78-651 states, A county judge/executive cannot legally serve at the same time as a water board commissioner, since that would involve a common-law incompatibility and would be against public policy and none of the other members of the fiscal court (that is, the magistrates or commissioners on the fiscal court) can legally serve as commissioners of a water board for the same year for the same reasons.

The deputy county judge/executive serves in the capacity of the county judge/executive except he is not permitted to preside over fiscal court meetings.

Effect: The appointment of the deputy county judge/executive may not have been a legal appointment.

Cause: Unknown

Recommendation: We recommend the District request a written legal opinion from their attorney regarding this matter.

**SANDY HOOK WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

STATE LAW AND REGULATION (Continued)

2014-001 The County Judge/Executive Appointed The Deputy County Judge/Executive To Serve As A Board Member Of The District (Continued)

District's Response: Will turn over to the Commonwealth of Ky to find out if [Deputy County Judge/Executive] is a legal appointment.

MATERIAL WEAKNESS

2014-002 The District Should Have Adequate Controls Over The Preparation Of The Financial Statements Being Audited

Condition: The District should have adequate controls over the preparation of the financial statements being audited.

Criteria: SAS 115 states that an entity must have sufficient controls in place to prepare a full set of GAAP financial statements, including full disclosures.

Effect: Management may not be able to identify deficiencies in reporting.

Cause: Lack of controls over the preparation of the financial statements.

Recommendation: We recommend that The District's management develop adequate controls over the preparation of the financial statements.

Management may engage a qualified individual with suitable skills to review the draft audit in order to advise management sufficiently for them to be able to take responsibility for the financial statements.

Or management could implement the following controls.

1. Review draft financial statements by comparing to year-end QuickBooks reports that were prepared by management.
2. Read footnotes accompanying the financial statement to ensure no discrepancies between footnotes and financial statements.
3. Review a disclosure checklist and compare to the footnotes for omitted or inaccurate disclosures.

These controls could be documented by initialing and dating the draft financial statement and disclosure checklist.

District's Response: District cannot afford to hire CPA to do Financials every year.

**SANDY HOOK WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014**

SIGNIFICANT DEFICIENCY

2014-003 The District Should Have Adequate Internal Controls Over Disbursements

Condition: During our audit, we tested twenty-five disbursements and noted the following:

- Three instances in which expenditures were not coded to the correct account.
- One instance in which a check included only one signature.
- One instance in which a paid invoice was not cancelled.
- Two instances in which a disbursement paid does not agree to the amount approved.
- Four instances in which the check number per the general ledger did not agree with the check number per the cancelled check.
- Two instances in which the date of the check per the general ledger did not agree with the date per the cancelled check.

Criteria: Someone independent of the disbursement process should ensure the following:

- Invoices should be properly coded.
- All checks require dual signatures.
- Invoices should be cancelled.
- The dates and check numbers recorded in the general ledger should agree to the actual checks issued.

Effect: Disbursements may be materially misstated and not be detected in a timely manner in the course of employees performing their assigned duties.

Cause: Lack of adequate internal controls over disbursements.

Recommendation: We recommend the District reevaluate their controls over disbursements to determine the controls that would best address the findings listed under the condition section above. The District may determine the controls listed above under the criteria section are adequate or may decide to implement other controls to eliminate such internal control weaknesses in the future.

District's Response: Every effort will be taken to be more careful when signing checks that none are over looked for second signature. Any outstanding checks of six months or more will be voided and monies moved to escrow if on dep fee account. Will try to be more diligent in looking for mistakes.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

NONE

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

NONE