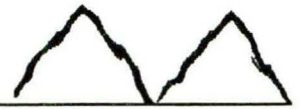




BLACK MOUNTAIN UTILITY DISTRICT



609 FOURMILE ROAD • BAXTER, KY 40806

Phone: 1-606-573-1277
Fax: 1-606-573-1276

December 27, 2018

Public Service Commission
Jeff D. Cline
PO Box 615
211 Sower Blvd.
Frankfort, KY 40602

RECEIVED

JAN 02 2019

PUBLIC SERVICE
COMMISSION

RE: Black Mountain Utility District
Case No. 2015-00088

Mr. Cline:

Pursuant to your request of November 9, 2018 I have put together the following information on behalf of Black Mountain Utility District.

1. Spreadsheet generated for 2016 Surcharge Income and related bank statements where money was deposited and copies of bank statements and copies of out-going checks for loan payments to KIA and Rural Development.

I have also attached a copy of the 2017 audit completed by Christian Sturgeon and Associates. As you are aware, BMUD is under review by PSC involving Case No. 2018-00068, they have not requested a copy of Districts audit results, however if you don't mind please share with them a copy of this report.

I will be working on 2017 request and forward those to you under a separate cover.

Respectfully Submitted:

Charles H. Guyn
Accountant

Encl
Cc:bmud

RECEIVED

JAN 02 2019

PUBLIC SERVICE
COMMISSION

BLACK MTN UTILITY SURCHARGE INCOME FY 2016	
JAN	9,182.19
FEB	12,698.40
MAR	12,671.58
APR	12,141.02
MAY	12,708.73
JUNE	12,672.93
JULY	12,394.68
AUG	12,856.27
SEPT	12,724.07
OCT	12,556.15
NOV	12,839.64
DEC	12,150.06
TOTALS	147,595.72



The BANK OF HARLAN

P.O. BOX 919
HARLAN, KENTUCKY 40831
PHONE 606-573-1202

www.bankofharlan.com



Page Number
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Date

1 of 1
[REDACTED]
01/31/16

**BLACK MOUNTAIN UTILITY DISTRIC
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



PRIVACY NOTICE-Federal law requires us to tell you how we collect, share, and protect your personal information. Our privacy policy has not changed and you may view our policy and practices with respect to your personal information at <https://www.bankofharlan.com/PrivacyPolicy.aspx> or we will mail you a free copy upon request if you call us at 606 573-1202.

Money Market Deposit Account

Beginning Balance \$ 5,521.08	We Have Added Number Deposits/Credits 1 \$.14	We Have Subtracted Number Checks/Debits 0 \$ 0	Current Balance \$ 5,521.22	Days in Period 31	Items Enclosed 0
Annual Percentage Yield Earned 0.03%		Interest Period From To 01/01/2016 01/31/2016		Interest Earned This Period \$ 0.14	Interest Paid This Year \$ 0.14

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
01/29/2016	0.14	Interest Credit

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
12/31/2015	5,521.08	01/04/2016	5,521.08	01/29/2016	5,521.22
		0.00	0.00		
		0.00	0.00		

NOTES

DATE	DESCRIPTION
01/04/2016	Effective Interest Rate 0.03%



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02/29/16

**BLACK MOUNTAIN UTILITY DISTRICT
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



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Money Market Deposit Account

Beginning Balance	We Have Added	We Have Subtracted	Current Balance	Days in Period	Items Enclosed
\$ 5,521.22	Number Deposits/Credits 2 \$ 9,182.47	Number Checks/Debits 0 \$ 0	\$ 14,703.69	29	1
	Annual Percentage Yield Earned	Interest Period	Interest Earned	Interest Paid	
	0.03%	From To 02/01/2016 02/29/2016	This Period \$ 0.28	This Year \$ 0.42	

DEPOSITS

DATE	AMOUNT	DESCRIPTION	DATE	AMOUNT	DESCRIPTION
02/10/2016	9,182.19	Regular Deposit			

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
02/29/2016	0.28	Interest Credit

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
01/31/2016	5,521.22	02/10/2016	14,703.41		
02/01/2016	5,521.22	02/29/2016	14,703.69		
			0.00		0.00
			0.00		0.00

NOTES

DATE	DESCRIPTION
02/01/2016	Effective Interest Rate 0.03%



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PHONE 606-573-1202
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03/31/16

**BLACK MOUNTAIN UTILITY DISTRICT
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



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Money Market Deposit Account

Beginning Balance	We Have Added Number Deposits/Credits	We Have Subtracted Number Checks/Debits	Current Balance	Days in Period	Items Enclosed
\$ 14,703.69	2 \$ 12,698.87	0 \$ 0	\$ 27,402.56	31	1
	Annual Percentage Yield Earned	Interest Period From To	Interest Earned This Period	Interest Paid This Year	
	0.03%	03/01/2016 03/31/2016	\$ 0.47	\$ 0.89	

DEPOSITS

DATE	AMOUNT	DESCRIPTION	DATE	AMOUNT	DESCRIPTION
03/23/2016	12,698.40	Regular Deposit			

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
03/31/2016	0.47	Interest Credit

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
02/29/2016	14,703.69	03/23/2016	27,402.09		
03/01/2016	14,703.69	03/31/2016	27,402.56		
		0.00	0.00		
		0.00	0.00		

NOTES

DATE	DESCRIPTION
03/01/2016	Effective Interest Rate 0.03%



The BANK OF HARLAN

P.O. BOX 919
HARLAN, KENTUCKY 40831
PHONE 606-573-1202
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[REDACTED]
04/30/16

**BLACK MOUNTAIN UTILITY DISTRICT
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



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Money Market Deposit Account

Beginning Balance	We Have Added Number Deposits/Credits	We Have Subtracted Number Checks/Debits	Current Balance	Days in Period	Items Enclosed
\$ 27,402.56	2 \$ 12,672.31	0 \$ 0	\$ 40,074.87	30	1
	Annual Percentage Yield Earned	Interest Period From To	Interest Earned This Period	Interest Paid This Year	
	0.03%	04/01/2016 04/30/2016	\$ 0.73	\$ 1.62	

DEPOSITS

DATE	AMOUNT	DESCRIPTION	DATE	AMOUNT	DESCRIPTION
04/26/2016	12,671.58	Regular Deposit			

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
04/29/2016	0.73	Interest Credit

DAILY BALANCE INFORMATION

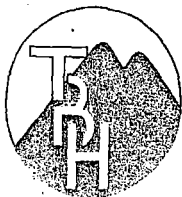
DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
03/31/2016	27,402.56	04/26/2016	40,074.14		
04/01/2016	27,402.56	04/29/2016	40,074.87		

0.00 0.00

0.00 0.00

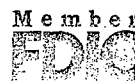
NOTES

DATE	DESCRIPTION
04/01/2016	Effective Interest Rate 0.03%



The BANK OF HARLAN

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05/31/16

**BLACK MOUNTAIN UTILITY DISTRICT
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



Please see our Schedule of Fees effective June 30, 2016.

Money Market Deposit Account

Beginning Balance \$ 40,074.87	We Have Added Number Deposits/Credits 1 \$.96	We Have Subtracted Number Checks/Debits 2 \$ 15,084.86	Current Balance \$ 24,990.97	Days in Period 31	Items Enclosed 2
	Annual Percentage Yield Earned 0.03%	Interest Period From 05/01/2016 To 05/31/2016	Interest Earned This Period \$ -0.96	Interest Paid This Year \$ 2.58	

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
05/31/2016	0.96	Interest Credit

CHECKS

CHECK NO	DATE	AMOUNT	CHECK NO	DATE	AMOUNT
137	05/27/2016	6,578.50	138	05/27/2016	\$,506.36

* - denotes missing check number in sequence

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
04/30/2016	40,074.87	05/27/2016	24,990.01		
05/02/2016	40,074.87	05/31/2016	24,990.97		
		0.00	0.00		
		0.00	0.00		

NOTES

DATE	DESCRIPTION
05/02/2016	Effective Interest Rate 0.03%



The BANK OF HARLAN

Account: [REDACTED]

BLACK MOUNTAIN UTILITY DISTRICT
 BOND & INTEREST FUND
 600 FOUR MILE ROAD
 BAXTER, KY 40006

9th. 20 May, 2016

KENTUCKY INFRASTRUCTURE AUTHORITY \$6,578.50

Six Thousand Five Hundred Seventy Eight Dollars—50/1000000

Robert Long
 Cashier

05/27/2016 137 \$6,578.50

BLACK MOUNTAIN UTILITY DISTRICT
 BOND & INTEREST FUND
 600 FOUR MILE ROAD
 BAXTER, KY 40006

9th. 20 May, 2016

KENTUCKY INFRASTRUCTURE AUTHORITY \$8,506.36

Eight Thousand Five Hundred Six Dollars—36/1000000

Robert Long
 Cashier

05/27/2016 138 \$8,506.36

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive Suite 340
Frankfort, Kentucky 40601
Telephone: (502) 573-0260
Fax: (502) 573-0157

** PAYMENT REQUEST **

Charles Guyn
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806

LOAN NUMBER: [REDACTED]
INVOICE DATE: 04/15/2016
PAYMENT DATE: 06/01/2016
INTEREST RATE: 1.00%

PAYMENT DETAILS:

PRINCIPAL DUE:	\$5,441.24
INTEREST DUE:	\$909.81
SERVICE FEE DUE:	\$227.45
CHARGE\CREDIT:	\$0.00

TOTAL PAYMENT DUE:

\$6,578.50
(rounded to nearest .01)

REMAINING LOAN BALANCE:

\$176,521.52

BLACK MOUNTAIN UTILITY DISTRICT BOND & INTEREST FUND 609 FOUR MILE ROAD BAXTER, KY 40806		73-780/421	No	[REDACTED]
KENTUCKY INFRASTRUCTURE AUTHORITY		Date		20 May, 2016
Six Thousand Five Hundred Seventy Eight Dollars--50/100		\$6,578.50		
THE Bank of Harlan P.O. BOX 919, HARLAN, KENTUCKY 40831		Name		[REDACTED]
[REDACTED]		[REDACTED]		[REDACTED]

THORITY.
RETURN
Issued on late

RG
1167365
s 60 Livingston Ave
St. Paul, MN 55107-2292

OBI DW RFP FD F REVOLV
REF# [REDACTED]

Bank Use Only: Acct. No. [REDACTED]

Date Paid: _____

Initialed by USBank, KY: _____

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive Suite 340
Frankfort, Kentucky 40601
Telephone: (502) 573-0260
Fax: (502) 573-0157

** PAYMENT REQUEST **

Charles Guyn
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806

LOAN NUMBER: [REDACTED]
INVOICE DATE: 04/15/2016
PAYMENT DATE: 06/01/2016
INTEREST RATE: 3.00%

PAYMENT DETAILS:

PRINCIPAL DUE:	\$6,112.96
INTEREST DUE:	\$2,243.81
SERVICE FEE DUE:	\$149.59
CHARGE\CREDIT:	\$0.00


TOTAL PAYMENT DUE:

\$8,506.36

(rounded to nearest .01)

REMAINING LOAN BALANCE:

\$143,474.46

BLACK MOUNTAIN UTILITY DISTRICT BOND & INTEREST FUND 609 FOUR MILE ROAD BAXTER, KY. 40806	73-780/421 [REDACTED] <i>NO</i>	[REDACTED]
KENTUCKY INFRASTRUCTURE AUTHORITY		\$ 8,506.36
Eight Thousand Five Hundred Six Dollars-----36/000		
 THE Bank of Harlan P.O. BOX 919, HARLAN, KENTUCKY 40831	<i>[Signature]</i>	

JTHORITY.
RETURN
passed on late

RG
1167365
Beneficiary Account Address 60 Livingston Ave
St. Paul, MN 55107-2292

OBI GAP REV FD
REF# [REDACTED]

Bank Use Only: Acct. No. [REDACTED]

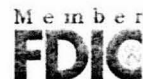
Date Paid: _____

Initialed by USBank, KY: _____



The BANK OF HARLAN

P.O. BOX 919
HARLAN, KENTUCKY 40831
PHONE 606-573-1202
www.bankofharlan.com



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[REDACTED]
06/30/16

**BLACK MOUNTAIN UTILITY DISTRICT
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



Please see our Schedule of Fees effective June 30, 2016.

Money Market Deposit Account

Beginning Balance	We Have Added Number Deposits/Credits	We Have Subtracted Number Checks/Debits	Current Balance	Days in Period	Items Enclosed
\$ 24,990.97	2	1	\$ 49,809.84	30	1

Annual Percentage Yield Earned	Interest Period From To	Interest Earned This Period	Interest Paid This Year
0.03%	06/01/2016 06/30/2016	\$ 0.82	\$ 3.40

DEPOSITS

DATE	AMOUNT	DESCRIPTION	DATE	AMOUNT	DESCRIPTION
06/20/2016	24,849.75	Regular Deposit	06/15	139	29,949.05

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
06/30/2016	0.82	Interest Credit

OTHER DEBITS

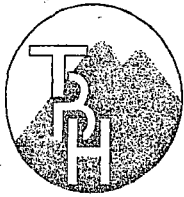
DATE	AMOUNT	DESCRIPTION
06/01/2016	31.70	Ach withdrawal CHECK ORDER CHARGE

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE
05/31/2016	24,990.97	06/20/2016	49,809.02
06/01/2016	24,959.27	06/30/2016	49,809.84
		0.00	0.00
		0.00	0.00

NOTES

DATE	DESCRIPTION
06/01/2016	Effective Interest Rate 0.03%



The BANK OF HARLAN

P.O. BOX 919
HARLAN, KENTUCKY 40831
PHONE 606-573-1202
www.bankofharlan.com



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[REDACTED]
07/31/16

**BLACK MOUNTAIN UTILITY DISTRICT
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



Money Market Deposit Account

Beginning Balance \$ 49,809.84	We Have Added Number Deposits/Credits 1 \$.65	We Have Subtracted Number Checks/Debits 1 \$ 27,968.75	Current Balance \$ 21,841.74	Days in Period 31	Items Enclosed 1
Annual Percentage Yield Earned 0.03%		Interest Period From 07/01/2016 To 07/31/2016		Interest Earned This Period \$ 0.65	Interest Paid This Year \$ 4.05

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
07/29/2016	0.65	Interest Credit

CHECKS

CHECK NO	DATE	AMOUNT	CHECK NO	DATE	AMOUNT
.139	07/05/2016	27,968.75			

* - denotes missing check number in sequence

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
06/30/2016	49,809.84	07/05/2016	21,841.09		
07/01/2016	49,809.84	07/29/2016	21,841.74		
		0.00	0.00		
		0.00	0.00		

NOTES

DATE	DESCRIPTION
07/01/2016	Effective Interest Rate 0.03%



Bank of Harlan

Account: [REDACTED]

BLACK MOUNTAIN UTILITY DISTRICT		[REDACTED]	1/2
BOND & INTEREST FUND		[REDACTED]	
609 FOUR MILE ROAD		21 June, 2016	
BAXTER, KY 40006			
USDA RURAL DEVELOPMENT			\$27,968.75
Twenty Seven Thousand Nine Hundred Sixty Eight Dollars			000/100
[REDACTED]			\$27,968.75
Bank of Harlan	ST LOUIS MISSOURI INT		
Int: Payment			

07/05/2016 139 \$27,968.75



The BANK OF HARLAN

P.O. BOX 919
HARLAN, KENTUCKY 40831
PHONE 606-573-1202
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Member
FDIC

Page Number
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[REDACTED]
08/31/16

**BLACK MOUNTAIN UTILITY DISTRICT
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



Money Market Deposit Account

Beginning Balance	We Have Added Number Deposits/Credits	We Have Subtracted Number Checks/Debits	Current Balance	Days in Period	Items Enclosed
\$ 21,841.74	2 \$ 12,683.73	0 \$ 0	\$ 34,525.47	31	1
	Annual Percentage Yield Earned	Interest Period From To	Interest Earned This Period	Interest Paid This Year	
	0.03%	08/01/2016 08/31/2016	\$ 0.80	\$ 4.85	

DEPOSITS

DATE	AMOUNT	DESCRIPTION	DATE	AMOUNT	DESCRIPTION
08/09/2016	12,682.93	Regular Deposit			

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
08/31/2016	0.80	Interest Credit

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
07/31/2016	21,841.74	08/09/2016	34,524.67		
08/01/2016	21,841.74	08/31/2016	34,525.47		
		0.00	0.00		
		0.00	0.00		

NOTES

DATE	DESCRIPTION
08/01/2016	Effective Interest Rate 0.03%



The BANK OF HARLAN

PO BOX 144
HARLAN, KENTUCKY 40342
PHONE 502-370-1200

www.bankofharlan.com



Page Number
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Date

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[REDACTED]
09/30/16

BLACK MOUNTAIN UTILITY DISTRIC
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806

|||||

Money Market Deposit Account

Beginning Balance	We Have Added Number Deposits/Credits	We Have Subtracted Number Checks/Debits	Current Balance	Days in Period	Items Enclosed
\$ 34,525.47	1 \$.85	0 \$ 0	\$ 34,526.32	30	0
	Annual Percentage Yield Earned	Interest Period From To	Interest Earned This Period	Interest Paid This Year	
	0.03%	09/01/2016 09/30/2016	\$ 0.85	\$ 5.70	

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
09/30/2016	0.85	Interest Credit

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
08/31/2016	34,525.47	09/01/2016	34,525.47	09/30/2016	34,526.32
			0.00		
			0.00		

NOTES

DATE	DESCRIPTION
09/01/2016	Effective Interest Rate 0.03%



The BANK OF HARLAN

P.O. BOX 919
HARLAN, KENTUCKY 40831
PHONE 606-573-1202
www.bankofharlan.com

Member
FDIC

Page Number **1 of 2**
Account Number: 3 [REDACTED]
Date **10/31/16**

**BLACK MOUNTAIN UTILITY DISTRICT
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



Money Market Deposit Account

Beginning Balance	We Have Added Number	We Have Subtracted Number	Current Balance	Days in Period	Items Enclosed
\$ 34,526.32	3	1	\$ 59,778.78	31	3
	Deposits/Credits	Checks/Debits			
	\$ 70,252.46	\$ 45,000.00			
	Annual Percentage Yield Earned	Interest Period From	Interest Earned This Period	Interest Paid This Year	
	0.03%	10/01/2016 To 10/31/2016	\$ 1.51	\$ 7.21	

DEPOSITS

DATE	AMOUNT	DESCRIPTION	DATE	AMOUNT	DESCRIPTION
10/12/2016	45,000.00	Regular Deposit	10/25/2016	25,250.95	Regular Deposit

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
10/31/2016	1.51	Interest Credit

OTHER DEBITS

DATE	AMOUNT	DESCRIPTION
10/26/2016	45,000.00	Miscellaneous Debit

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
09/30/2016	34,526.32	10/12/2016	79,526.32	10/26/2016	59,777.27
10/01/2016	34,526.32	10/25/2016	104,777.27	10/31/2016	59,778.78
		0.00	0.00		
		0.00	0.00		

NOTES

DATE	DESCRIPTION
10/01/2016	Effective Interest Rate 0.03%



The BANK OF HARLAN

P.O. BOX 919
HARLAN, KENTUCKY 40831
PHONE 606-573-1202
www.bankofharlan.com



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11/30/16

**BLACK MOUNTAIN UTILITY DISTRIC
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



Money Market Deposit Account

Beginning Balance	We Have Added	We Have Subtracted	Current Balance	Days in Period	Items Enclosed
\$ 59,778.78	Number Deposits/Credits	Number Checks/Debits	\$ 57,432.45	30	3
	2	2			
	\$ 12,725.62	\$ 15,071.95			
	Annual Percentage Yield Earned	Interest Period	Interest Earned	Interest Paid	
	0.03%	From To	This Period	This Year	
		11/01/2016 11/30/2016	\$ 1.55	\$ 8.76	

DEPOSITS

DATE	AMOUNT	DESCRIPTION	DATE	AMOUNT	DESCRIPTION
11/23/2016	12,724.07	Regular Deposit			

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
11/30/2016	1.55	Interest Credit

CHECKS

CHECK NO	DATE	AMOUNT	CHECK NO	DATE	AMOUNT
140	11/30/2016	6,571.70	141	11/30/2016	8,500.25

* - denotes missing check number in sequence

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
10/31/2016	59,778.78	11/23/2016	72,502.85		
11/01/2016	59,778.78	11/30/2016	57,432.45		
		0.00	0.00		
		0.00	0.00		

NOTES

DATE	DESCRIPTION
11/01/2016	Effective Interest Rate 0.03%

KENTUCKY INFRASTRUCTURE AUTHORITY

Telephone: (502) 573-0260
Fax: (502) 573-0157


INVOICE

Charles Guyn
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806

LOAN NUMBER: [REDACTED]
INVOICE DATE: 10/17/2016
PAYMENT DUE DATE: 12/01/2016
INTEREST RATE: 1.00%

PAYMENT DETAILS:

PRINCIPAL DUE:	\$5,468.44
INTEREST DUE:	\$882.61
SERVICE FEE DUE:	\$220.65
CHARGE\CREDIT:	\$0.00
TOTAL PAYMENT DUE:	\$6,571.70

BLACK MOUNTAIN UTILITY DISTRICT BOND & INTEREST FUND 609 FOUR MILE ROAD BAXTER, KY 40806	73-780/421 300412731	<i>MD</i>	[REDACTED]
Date: 22 November, 2016			
ORDER OF: KENTUCKY INFRASTRUCTURE AUTHORITY		\$ 6,571.70	
Six Thousand Five Hundred Seventy One Dollars -- 70/1000			
 THE Bank of Harlan P.O. BOX 919, HARLAN, KENTUCKY 40831			
Name: [REDACTED]			
[REDACTED]	<i>Charles S. Guyn</i>		

RITY

ROPER

Ky Infrastructure Authority c/o
US Bank KY Pooled Checks
P.O. Box 003422
Cincinnati, OH 45264-3422

RBK: U.S. BANK N.A.
ABA: [REDACTED]
BFN: USBANK CT WIRE CLRG
Beneficiary Account #: [REDACTED]
Beneficiary Account Address: 60 Livingston Ave
St. Paul, MN 55107-2292

OBI: 72K019031
REF#: DW RFP FD F REVOLV

KENTUCKY INFRASTRUCTURE AUTHORITY

Telephone: (502) 573-0260
Fax: (502) 573-0157

INVOICE


Charles Guyn
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806

LOAN NUMBER: [REDACTED]
INVOICE DATE: 10/17/2016
PAYMENT DUE DATE: 12/01/2016
INTEREST RATE: 3.00%

PAYMENT DETAILS:

PRINCIPAL DUE:	\$6,204.66
INTEREST DUE:	\$2,152.12
SERVICE FEE DUE:	\$143.47
CHARGE\CREDIT:	\$0.00

TOTAL PAYMENT DUE: \$8,500.25

BLACK MOUNTAIN UTILITY DISTRICT		73-780/421
BOND & INTEREST FUND		[REDACTED]
609 FOUR MILE ROAD BAXTER, KY 40806		
DATE: <u>22 November</u> , 2016		
PAY TO THE KENTUCKY INFRASTRUCTURE AUTHORITY		\$8,500.25
Eight Thousand Five Hundred Dollars	25/100 LARS	← Heat Reactive Ink
 THE Bank of Harlan P.O. BOX 919, HARLAN, KENTUCKY 40831		
MEMO: [REDACTED]		
[REDACTED]		<i>Charles I. Guyn</i>
<small>LOOK FOR FRAUD-DETECTING FEATURES INCLUDING THE SECURITY SQUARE AND HEAT-REACTIVE INK. DETAILS ON BACK.</small>		

Ky Infrastructure Authority c/o
US Bank KY Pooled Checks
P.O. Box 003422
Cincinnati, OH 45264-3422

RBK: U.S. BANK N.A.
ABA: [REDACTED]
BFN: USBANK CT WIRE CLRG
Beneficiary Account #: [REDACTED]
Beneficiary Account Address: 60 Livingston Ave
St. Paul, MN 55107-2292

OBI: [REDACTED]
REF#: GAP REV FD



The BANK OF HARLAN

P.O. BOX 919
HARLAN, KENTUCKY 40831
PHONE 606-573-1202
www.bankofharlan.com



Page Number
Account Number:
Date

1 of 2
[REDACTED]
12/31/16

**BLACK MOUNTAIN UTILITY DISTRIC
BOND & INTEREST FUND
609 FOUR MILE RD
BAXTER, KY 40806**



Money Market Deposit Account

Beginning Balance	We Have Added Number Deposits/Credits	We Have Subtracted Number Checks/Debits	Current Balance	Days in Period	Items Enclosed
\$ 57,432.45	3 \$ 26,073.36	0 \$ 0	\$ 83,505.81	31	2
	Annual Percentage Yield Earned 0.03%	Interest Period From To 12/01/2016 12/31/2016	Interest Earned This Period \$ 1.57	Interest Paid This Year \$ 10.33	

DEPOSITS

DATE	AMOUNT	DESCRIPTION	DATE	AMOUNT	DESCRIPTION
12/27/2016	12,839.64	Regular Deposit	12/27/2016	13,232.15	Regular Deposit

OTHER CREDITS

DATE	AMOUNT	DESCRIPTION
12/31/2016	1.57	Interest Credit

DAILY BALANCE INFORMATION

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
11/30/2016	57,432.45	12/27/2016	83,504.24		
12/01/2016	57,432.45	12/31/2016	83,505.81		
		0.00	0.00		
		0.00	0.00		

NOTES

DATE	DESCRIPTION
12/01/2016	Effective Interest Rate 0.03%



The BANK OF HARLAN

Account: [REDACTED]

FRONT DEPOSIT TICKET

The BANK OF HARLAN
Blair, Mo., 64514

FOR *Brooks, Inc. Fund*

DATE *12-27-16*
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

DATE	CURRENCY	CHEQUE	COIN	TOTAL
		<i>0/00</i>		<i>12,839.64</i>
				TOTAL <i>12,839.64</i>

ACCOUNT NUMBER: * [REDACTED] \$ *12,839.64*

11

12/27/2016 \$12,839.64

FRONT DEPOSIT TICKET

The BANK OF HARLAN
Blair, Mo., 64514

FOR *Brooks, Inc. Fund*

DATE *12-27-16*
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

DATE	CURRENCY	CHEQUE	COIN	TOTAL
		<i>0/00</i>	<i>678.51</i>	<i>13,232.15</i>
				TOTAL <i>13,232.15</i>

ACCOUNT NUMBER: * [REDACTED] \$ *13,232.15*

11

12/27/2016 \$13,232.15



United States Department of Agriculture

NOTICE OF PAYMENT DUE

December 6, 2016

Black Mountain Utility District
Attn: Steve Sargent, Chairman
609 Fourmile Road
Baxter, KY 40806

Overdue

FILE COPY

According to our records, the following amount(s) are due on your Rural Development indebtedness on or before January 1, 2017. Please make check payable to USDA/Rural Development and mail to the address listed below.

Table with 5 columns: Loan No., Interest Due, Principal Due, Total Due, Late Fee. Includes rows for loans 91-01 through 91-15 and a TOTAL row. Handwritten annotations include '27,922.75' and '45,400.00'.

US
BA
10
Lc

Check form from THE Bank of Harlan, dated 27 December, 2016. Payable to USDA RURAL DEVELOPMENT for \$73,548.20. Includes bank logo, address, and signature.

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KACo Workers Compensation Fund - Payroll Audit

Member Name: Black Mountain Utility District

Member #: 1010

Policy Number: [REDACTED]

Policy Period: 7/1/2015 - 7/1/2016

Coverage administered under: KACo Workers Compensation
in the State of: KY

<i>Class</i>	<i>Class Description</i>	<i>Coverage</i>	<i>Estimated Payroll</i>	<i>Estimated Premium</i>	<i>Actual Payroll</i>	<i>Actual Premium</i>
520	Waterworks operations & drivers	4.72	\$265,000	\$12,508.00	\$249,977	\$11,798.91
810	Clerical office employees	0.25	\$60,000	\$150.00	\$61,048	\$152.62

Subtotal for Classes		\$12,658.00	\$11,951.53
Prorata Adjustment	1.0000	12,658.00	11,952.00
Experience Modifier	0.8200	(2,278.00)	(2,151.00)
Schedule Credits	1.1000	1,038.00	980.00
Premium Discounts:		0.00	0.00
Premium Subtotal		11,418.00	10,781.00
Minimum Premium		350.00	350.00
Tax Fund		704.00	665.00
Total Annual Premium		\$12,122.00	\$11,446.00
		Refund Due	(\$676.00)

If you have any questions, please call 1-800-264-5226

Deposit Summary

12/27/2016 10:23 AM

Summary of Deposits to BOH-BOND & INTEREST ACCOUNT on 12/27/2016

<u>Chk No.</u>	<u>PmtMethod</u>	<u>Rcd From</u>	<u>Memo</u>	<u>Amount</u>
████	Check	KACO	W/C REFUND	676.00
Less Cash Back:				
Deposit Total:				676.00

RECEIVED

JAN 02 2019

PUBLIC SERVICE
COMMISSION

Black Mountain Utility District
Baxter, Kentucky

Independent Auditors' Report
And Financial Statements
For the Year Ended
December 31, 2017

Black Mountain Utility District
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Independent Auditors' Report

To the Commissioners
Black Mountain Utility District
Baxter, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Black Mountain Utility District (the District) as of and for the year ended December 31, 2017, 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 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 the business-type activities of Black Mountain Utility District, as of December 31,

2017, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2018 on our consideration of Black Mountain Utility 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Black Mountain Utility District's internal control over financial reporting and compliance.

Christian Sturgeon & Associates, PSC

Christian Sturgeon & Associates, PSC
London, Kentucky

August 3, 2018

Black Mountain Utility District
Statement of Net Position
December 31, 2017

Assets

Current Assets	
Cash and cash equivalents	\$ 32,305
Receivable, less allowance for doubtful accounts of \$64,000 and \$46,000, respectively	182,212
Unbilled accounts receivable	83,000
Prepaid expenses	23,508
Total Current Assets	<u>321,025</u>
Noncurrent Assets	
Restricted Assets	
Customer deposits	35,968
Debt and interest funds	6,694
Total Restricted Assets	<u>42,662</u>
Capital Assets	
Land and improvements	29,112
Buildings and improvements	254,288
Source of supply and pumping	1,460,855
Water treatment equipment	141,978
Transmission and distribution plant	18,598,070
Vehicles and other equipment	549,633
Sewer lines	130,311
Less: accumulated depreciation	<u>(6,210,066)</u>
Net Capital Assets	<u>14,954,181</u>
Total Noncurrent Assets	<u>14,996,843</u>
Total Assets	<u><u>\$ 15,317,868</u></u>

Black Mountain Utility District
Statement of Net Position (Continued)
December 31, 2017

Liabilities

Current Liabilities

Current portion of long-term debt	\$ 73,907
Note payable - line of credit	142,000
Accounts payable	318,793
Accrued interest payable	1,512
Accrued salaries and taxes payable	13,148
Customer deposits	70,642
Other current liabilities	40,684
Total Current Liabilities	<u>660,686</u>

Noncurrent Assets

Long-term debt, less current portion included in current liabilities	<u>1,333,707</u>
Total Noncurrent Liabilities	<u>1,333,707</u>

Total Liabilities	<u>1,994,393</u>
-------------------	------------------

Net Position

Net investment in capital assets	13,404,567
Restricted	42,662
Unrestricted	<u>(123,754)</u>
Total Net Position	<u>\$ 13,323,475</u>

Black Mountain Utility District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017

Operating Revenues	
Water sales	\$ 1,574,692
Sewer sales	1,328
Other revenues	<u>323,656</u>
Total Operating Revenues	<u>1,899,676</u>
Operating Expenses	
Salaries and wages	315,597
Employee benefits	119,757
Purchased water	797,894
Utilities	111,684
Chemicals	4,511
Materials and supplies	105,933
Contracted services	17,100
Vehicle and equipment expenses	97,895
Insurance	20,200
Office expenses	51,824
Bad debt expense, net of recoveries	28,877
Depreciation	509,975
Other operating expenses	<u>132,116</u>
Total Operating Expenses	<u>2,313,363</u>
Operating Income	<u>(413,687)</u>
Non-operating Revenues (Expenses)	
Interest income	15
Interest expense	<u>(63,718)</u>
Total Non-operating Revenues (Expenses)	<u>(63,703)</u>
Change in Net Position	(477,390)
Net Position, Beginning of Year	<u>13,800,865</u>
Net Position, End of Year	<u><u>\$ 13,323,475</u></u>

Black Mountain Utility District
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows From Operating Activities	
Receipts from customers	\$ 1,866,074
Payments to employees	(314,474)
Payments to suppliers	<u>(1,496,373)</u>
Net Cash Provided by Operating Activities	<u>55,227</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of property, plant and equipment	(15,232)
Principal payments on debt	(79,909)
Interest payments on debt	<u>(62,943)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(158,084)</u>
Cash Flows From Investing Activities	
Interest income	<u>15</u>
Net Cash Provided by Investing Activities	<u>15</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(102,842)
Cash and Cash Equivalents at Beginning of Year	<u>177,809</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 74,967</u></u>
Reconciliation of cash per Statement of Net Position to cash per Statement of Cash Flows:	
Cash and cash equivalents	\$ 32,305
Customer deposits	35,968
Debt and interest funds	<u>6,694</u>
Cash and cash equivalents per Statement of Cash Flows	<u><u>\$ 74,967</u></u>

Black Mountain Utility District
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2017

Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income (loss)	\$ (413,687)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	509,975
Bad debt expense	28,877
(Increase) Decrease in operating assets	
Accounts receivable	(13,853)
Unbilled receivables	(8,000)
Prepaid expenses	(2,332)
Increase (Decrease) in operating liabilities	
Accounts payable	(54,122)
Accrued salaries and taxes payable	1,123
Customer deposits	(872)
Other current liabilities	8,118
	<hr/>
Net Cash Provided by Operating Activities	<u>\$ 55,227</u>

Black Mountain Utility District
Notes to Financial Statements
December 31, 2017

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Black Mountain Utility District, of Harlan County, Kentucky (“District”) was created in 1983 under Chapter 74 of the Kentucky Revised Statutes. The District is governed by a five person board of Commissioners which is appointed by the Harlan County Fiscal Court. The District is regulated by the Kentucky Public Service Commission.

The District is a rural water utility system whose purpose is to establish, develop and operate a water supply and distribution system, including limited sewer services, for its members and customers in Harlan County, Kentucky. The District’s primary source of revenue is from water sales to its customers, including public bodies and local businesses in its service area.

Basis of Accounting, Financial Presentation and Measurement Focus

The basic financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The District applies all relevant Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails. In addition, the District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the District as a whole. These statements include all funds of the District.

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported by the District includes revenues and expenses related to the continuing operation of water service for its customers. Principal operating revenues are charges to customers for services. Principal operating expenses are the costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

The District considers demand deposits and certificates of deposit with maturities of less than three months to be cash equivalents.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Receivables include amounts due from customers for water and sewer services. These receivables are due at the time the services are billed and are considered past due on the sixteenth day of the following month. Accounts receivable are presented net of uncollectible accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2017, the allowance for doubtful accounts was \$64,000.

Unbilled Accounts Receivable

Estimated unbilled revenues from water sales are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billing during the month following the close of the fiscal year.

Prepaid Expenses

Prepaid expenses include payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Capital Assets

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Asset Classification	Range of Lives
Structures and improvements	10-40 years
Transmission distribution mains	25-50 years
Plant equipment	10-25 years
Meters and services	25 years
Other equipment and vehicles	5-10 years

Customer Deposits

The District collects and holds in escrow a \$75 deposit from customers to ensure collection of its water charges. Interest at an annual rate of 1.25% is paid on these deposits.

Net Position

The District has adopted accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of restricted assets less liabilities and deferred inflows of resources related to those assets. Restricted assets are those with limits on their use that are externally imposed 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 – This component of net position consists of net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or the restricted component of net position.

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 2 – Restricted Assets

Under the terms of all loan resolutions, the District is required to maintain certain accounts and funds for the benefit and protection of the creditors. In addition, the District is also required to collect reasonable and sufficient rates and charges for services rendered, prohibited from selling, leasing or mortgaging any part of the system without prior approval, required to maintain the operating system in good condition and to carry adequate insurance on all properties to protect against loss or damage.

The resolutions require the District to establish a depreciation fund or reserve to be used to finance the cost of unusual repairs, renewals and replacements not included in the annual budget and to pay for future system extensions. The balance of these accounts at December 31, 2017 was \$6,694. Restricted assets at December 31, 2017 also included customer deposits of \$35,968.

Note 3 – Kentucky Revised Statute

At December 31, 2017, \$69,493 of the cash of the District was covered by federal depository insurance. In accordance with Kentucky Revised Statute (KRS) 91A.060, the deposits are to be insured by the Federal Depository Insurance Corporation or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), financial institutions shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS 66.480, the District is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, interest bearing deposits of insured savings and loans, or interest bearing deposits of insured national or state banks. For additional cash descriptive information, see Note 1.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2017

Note 4 – 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, 2017, none of the District's total deposits at banks of \$69,493 were exposed to custodial credit risk.

Note 5 – Capital Assets

The following is a summary of capital asset transactions for the year ended December 31, 2017:

	Balance Dec. 31, 2016	Additions	Dispositions	Balance Dec. 31, 2017
Land and improvements	\$ 29,112	\$ -	\$ -	\$ 29,112
Building and improvements	254,288	-	-	254,288
Source of supply and pumping	1,460,855	-	-	1,460,855
Water treatment equipment	141,978	-	-	141,978
Transmission and distribution plant	18,598,070	-	-	18,598,070
Vehicles and other equipment	546,557	15,234	12,158	549,633
Sewer lines	130,311	-	-	130,311
Totals at historical cost	<u>21,161,171</u>	<u>15,234</u>	<u>12,158</u>	<u>21,164,247</u>
Less accumulated depreciation for:				
Building and improvements	90,870	8,992	-	99,862
Source of supply and pumping	441,784	72,087	-	513,871
Water treatment equipment	98,432	5,679	-	104,111
Transmission and distribution plant	4,693,323	380,276	-	5,073,599
Vehicles and other equipment	325,438	37,156	12,158	350,436
Sewer lines	62,402	5,785	-	68,187
Total accumulated depreciation	<u>5,712,249</u>	<u>509,975</u>	<u>12,158</u>	<u>6,210,066</u>
Capital assets - net	<u>\$ 15,448,922</u>	<u>\$ (494,741)</u>	<u>\$ -</u>	<u>\$ 14,954,181</u>

Note 6 – Line of Credit

The District has a line of credit with a local bank for \$144,000 maturing May 27, 2018, with interest payable monthly at 2.3% per annum. The line of credit is secured by a certificate of deposit. The outstanding balance at December 31, 2017 is \$142,000.

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2017

Note 7 – Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 2017:

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Due Within</u> <u>One Year</u>
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 3%, payable on a semi-annual basis, with final payment due June 1, 2026	\$ 137,270	\$ -	\$ 12,690	\$ 124,580	\$ 13,073
Loan payable to Kentucky Infrastructure Authority, principal and interest, at the rate of 1%, payable on a semi-annual basis, with final payment due June 1, 2031	171,053	-	11,019	160,034	10,634
Various loans payable to United States Department of Agriculture, payable annually in varying principal amounts, with final payments due January 1, 2026 to January 1, 2038; interest payable on a semi-annual basis at the rate of 4.5% to 5%	<u>1,171,100</u>	<u>-</u>	<u>48,100</u>	<u>1,123,000</u>	<u>50,200</u>
	<u>\$ 1,479,423</u>	<u>\$ -</u>	<u>\$ 71,809</u>	<u>\$ 1,407,614</u>	<u>\$ 73,907</u>

Black Mountain Utility District
Notes to Financial Statements (Continued)
December 31, 2017

Note 7 – Long-Term Debt

The aggregate annual repayments on long-term debt are summarized as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 73,907	\$ 56,627	\$ 130,534
2019	76,009	53,807	129,816
2020	80,624	50,876	131,500
2021	82,352	47,730	130,082
2022	85,994	44,502	130,496
2023-2027	441,360	170,079	611,439
2028-2032	379,168	88,715	467,883
2033-2037	188,200	20,530	208,730
	<u>\$ 1,407,614</u>	<u>\$ 532,866</u>	<u>\$ 1,940,480</u>

Note 8 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage for the year and settlements have not exceeded coverage in the past three years.

Note 9 - Subsequent Events

Date of Management Evaluation

Management of the District has evaluated subsequent events through August 3, 2018, the date on which the financial statements were available to be issued.



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
Black Mountain Utility District
Baxter, Kentucky

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 the business-type activities of Black Mountain Utility District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Black Mountain Utility District's basic financial statements, and have issued our report thereon dated August 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Black Mountain Utility 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 Black Mountain Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (See items 2017-1 and 2017-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Black Mountain Utility 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-3.

Black Mountain Utility District's Response to Findings

Black Mountain Utility District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Black Mountain Utility District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 on 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.

Christian Sturgeon & Associates, PSC

Christian Sturgeon & Associates, PSC
London, Kentucky

August 3, 2018

Black Mountain Utility District
Schedule of Findings and Responses
December 31, 2017

Findings – Financial Statements

2017-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The District's limited internal resources prevent the preparation of financial statements and related note disclosures in accordance with generally accepted accounting principles.

Effect:

The District was unable to prepare their financial statements and related note disclosures in accordance with generally accepted accounting principles.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

2017-2

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The size of the District's office staff does not allow proper segregation of duties with regard to bank reconciliations, cash collections, billings, postings to the accounts receivable ledger, and expenditures for goods or services.

Effect:

This condition creates a weakness in internal controls which could result in unauthorized transactions being processed.

Views of responsible officials and planned corrective actions:

The District feels that it would not be cost beneficial to hire the personnel required to complete these tasks.

Black Mountain Utility District
Schedule of Findings and Responses
December 31, 2017

2017-3

Criteria:

The bonding agreements entered into with Rural Development for construction of water lines state that the District is to maintain a certain percentage of the operating income in a depreciation account for its upkeep and replacement. The District should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, it was noted that the District is not maintaining the depreciation reserve funds as required by the bonding contracts.

Cause:

The lack of funds available to the District prevents the ability for reservation in a depreciation account.

Effect:

This condition causes the District to be in violation of its bonding agreements and could result in the bonds being called prematurely.

Views of responsible officials and planned corrective actions:

The District currently does not have funds available to maintain an adequate depreciation reserve account. The District will consider requesting a rate increase which will help fund the depreciation reserve account.