BIG SANDY
WATER DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
for the year ended December 31, 2018

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Big Sandy Water District
Catlettsburg, Kentucky

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of the Big Sandy Water District as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
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 the Big Sandy Water District as of December 31, 2018, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion & analysis on pages 3 and 4 and NPL & OPEB schedules & notes on pages 21-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Sandy Water District's basic financial statements. The comparative statement of revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The comparative statement of revenues and expenses 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 comparative statement of revenues and expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other reports required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2019 on our consideration of the Big Sandy Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Big Sandy Water District's internal control over financial reporting and compliance.

John T. Lane & Associates, LLC

Mount Sterling, Kentucky
May 29, 2019
This report contains 27 pages.

Management's Discussion and Analysis

In June, 1999, the Governmental Accounting Standards Board (GASB) adopted Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The standard requires that a "Management Discussion and Analysis" be included in the annual report along with annual audited financial statements.

Our discussion and analysis of the Big Sandy Water District's Financial performance provided an overview of the Company's financial activities for the year ended December 31, 2018. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

In 2018, Big Sandy Water District had three significant activities that affected our financial status.

In September 2018, Big Sandy Water District did an emergency stream crossing for Highway 1/Highway 3 that had washed out. The cost of this was $38,200.

In December 2018, Big Sandy purchased a 2018 Chevrolet Silverado for $27,900.

In December 2018, Big Sandy purchased a 2019 Chevrolet Silverado for $27,400.

Required Financial Statements

The financial statements of Big Sandy Water District (BSWD) reports information of BSWD using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information and its activities. The Statement of New Assets included all of Big Sandy Water District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to BSWD creditors (liabilities). It also provides the basis for evaluating the capital structure of BSWD and assessing the liquidity and financial flexibility of BSWD.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of Big Sandy Water District's operations over the past year and can be used to determine whether BSWD has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did the cash come from, what was the cashed used for, and what was the change in cash balance during the reporting period.

Financial Analysis

Total assets to total liabilities for 2018 show a ratio of 2.63 to 1 meaning BSWD has $2.63 worth of assets to each $1.00 worth of liabilities. This compares to 2017 at 2.69 to 1 and 2016 at 2.65 to 1.

The Operating Revenue in 2018 decreased from $2,608,768 to $2,569,544. Fifty percent of the revenue goes to purchase water. Nineteen percent of the revenue goes to hourly employees and benefits.

Charge-off accounts that were deemed not collectable were $18,737 in 2018 compared to $14,970 in 2017. This is .73% of revenue. That amount is covered by the $59,931 collected as late payment penalties.

Request for Information

This financial report is designed to provide our customers and creditors with a general overview of Big Sandy Water District's Finances and to demonstrate Big Sandy Water District's accountability for the funds it receives. If you have any questions about this report or need any additional information, please contact Randy McDaniels or Teresa Brown at (606) 928-2075 or 1-800-354-2933.

Big Sandy Water District
Statement of Net Position
Proprietary Fund Type
December 31, 2018

ASSETS

Current Assets	
Cash and cash equivalents - unrestricted	$ 594,626
Cash and cash equivalents - restricted (note 6)	520,078
Accounts receivable - net of allowance for doubtful accounts (note 1)	249,314
Inventory	67,817
Prepaid expenses	11,819
Total Current Assets	1,443,654
Noncurrent Assets	
Capital assets: (note 1)	
Land	99,529
Construction in process	168,130
Plant, equipment and lines	20,358,460
Less accumulated depreciation	(8,900,680)
Total Noncurrent Assets	11,725,439
Deferred outflow of resources	158,266
Total Assets & Deferred Outflow of Resources	$ 13,327,359

LIABILITIES

Current Liabilities	
Accrued expenses	$ 174,816
Notes/Bonds payable (note 2)	212,992
Payable from restricted assets	127,817
Total Current Liabilities	515,625
Noncurrent Liabilities	
Notes/Bonds payable (note 2)	3,552,866
Accrued pension & OPEB liabilities	686,030
Total Noncurrent Liabilities	4,238,896
Deferred Inflows of Resources	321,671
Total Liabilities & Deferred Inflow of Resources	5,076,192

Net Position

Net investment in capital assets	7,959,581
Restricted	392,261
Unrestricted	(100,675)
Total Net Position	$ 8,251,167

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

Big Sandy Water District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund Type
For the year ended December 31, 2018

Revenues	
User fees	$ 2,541,195
Other water revenue	28,349
Total Revenues	2,569,544
Expenses	
Wages	391,115
Commissioners expense	2,224
Taxes & benefits	91,026
Purchased water & power	1,274,534
Materials & supplies	175,824
Contractual services	63,665
Trasnsportation expense	37,060
Equipment expense	12,190
Insurance	25,044
Postage	21,189
Bad debt	18,737
Other expense	19,523
Telephone	7,159
Depreciation	526,389
Total Operating Expenses	2,665,679
Operating Income (Loss)	(96,135)
Nonoperating Revenues (Expenses)	
Tap fees	32,175
Interest income	2,806
Grant income	3,084
Other nonoperating revenues	5,035
Interest expense	(140,200)
Net Nonoperating Revenues (Expenses)	(97,100)
Net Income (Loss)	(193,235)
Total Net Position - beginning as restated	8,444,402
Total Net Position - ending	$ 8,251,167

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

Big Sandy Water District
Statement of Cash Flows
Proprietary Fund Type
December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating revenues	$ 2,567,799
Cash paid to employees	(391,115)
Cash paid for general and administrative expenses	(1,753,878)
Net Cash provided by operating activities	422,806
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	2,806
Customer deposits	2,067
Net Cash provided by investing activities	4,873
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Note/bond payments	(207,993)
Note/bond proceeds	-
Tap fees	32,175
Purchase of assets	(222,724)
Grant income	3,084
Other nonoperating revenues	5,035
Interest paid	(147,502)
Net Cash used in capital and financing activities	(537,925)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(110,246)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,224,950
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 1,114,704
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Operating Income	$ (96,135)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
(Increase)/Decrease in inventory	(10,578)
Depreciation	526,389
Pension & OPEB expense	(48,690)
(Increase)/Decrease in accounts receivable	(1,745)
Increase/(Decrease) in accounts payable	53,565
Net cash provided by operating activities	$ 422,806

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

Note 1 - Summary of Significant Accounting Policies

The Big Sandy Water District is a water utility which services areas of Boyd, Carter, Johnson and Lawrence Counties. Its sales are primarily to residential customers. The District is a corporate body set forth in Kentucky Revised Statutes (KRS) 74.070 which was created November, 1981. The District is subject to the regulatory District of the Kentucky Public Service Commission pursuant to KRS 278. 040.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

The Reporting Entity
The District, for financial purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Big Sandy Water District.

The financial statements of the District would include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of financial interdependency, selection of governing District, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service, and financing relations.

Based on the foregoing criteria there are not other organizations included in these financial statements.

Depreciation Reserve Fund - Monthly transfers are required to be made into this fund until it reaches the fully funded level of $233,400. Only expenditures for capital improvements or extraordinary expenses are permitted to be paid from this fund. The District had set aside $210,813 into this fund at December 31, 2018. The required balance at December 31, 2017 is $203,160.

Bond and Interest Sinking Fund (USDA) - Monthly transfers are required to be made into this account in an amount equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date for all outstanding bonds and one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding due date. The required balance of the fund at December 31, 2018 was $124,569. The District had set aside $167,074.

Bond and Interest Sinking Fund (KRWFC) - Monthly transfers are required to be made into this account in an amount equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest due date for all outstanding bonds and one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding due date. The required balance of the fund at December 31, 2018 was $139,166. The District had set aside $142,191.

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 balance sheet. Net assets (i.e., total assets net of total liabilities) are segmented into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Enterprise Funds
Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting
The records of the District are maintained and the budgetary process is based on the accrual method of accounting.

Inventory

The cost of inventory is recorded as a disbursement at the time of payment for the purchase. Materials on hand are inventoried at year end and recorded as an asset at that time. They are recorded at lower of cost or market valued on the FIFO method.

Cash

At December 31, 2018, the carrying amount of the District's deposits was $1,114,704 and the bank balance was $1,189,329. Of the bank balance $410,522 was covered by federal deposit insurance and $778,807 was collateralized with securities held by the pledging financial institution's trust department. The District considers all investments with a maturity of three months or less from date of purchase to be cash equivalents. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

Capital assets

Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

Class	Life
Lines and tanks	50 years
Hydrants	30 years
Meters	20 years
Equipment	10 years
Vehicles	5 years

The District's capitalization policy is as follows: expenditures costing more than $5,000 with an estimated useful life greater than one year are capitalized; all others are expensed.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use by external restrictions.

Investments

Investments, if any, are carried at cost which is the lower of cost or fair market value.

Accounts Receivable

The receivable reflected in the statements in the amount of $249,314 is net of allowance for uncollectible in the amount of $-0-.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Unites States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 - Notes Payable

The amount shown in the accompanying financial statements as notes payable represents the District's future obligation to make loan payments from future revenues. At December 31, 2018, eight separate loans had outstanding balances. Details of each of these issues are summarized as follows:

Note A

Lender – Rural Development
Balance of loan - $747,000
Rate – 4.5%
Principal due January 1
Interest due January and July 1
Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Note B

Lender – USDA
Balance of loan - $413,500
Rate – 4.5%
Principal due January 1
Interest due January and July 1
Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Note C

Lender – USDA
Balance of loan - $1,002,500
Rate – 2.75%
Principal due January 1
Interest due January 1 and July 1
Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Note D

Lender – USDA
Balance of loan - $350,000
Rate – 4.5%
Principal due January 1
Interest due January 1 and July 1
Prepayment provision – subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Note E

Lender – KRWFC
Balance of loan - $511,000
Rate – Variable
Principal due – January 1
Interest due January 1 and July 1

Note F

Lender – KRWFC
Balance of loan - $545,000
Rate – variable
The bonds were sold at a premium of $84,203, which is being amortized over the term of the bond. The unamortized bond premium is recorded as a noncurrent liability. The premium amortization which is a decrease to interest expense was $5,263 for 2016. The unamortized bond premium at December 31, 2016 was $63,151.
Principal due – January 1
Interest due – January 1 and July 1

Note G

Lender – USDA
Balance of loan - $110,500
Rate – 3.25%
Principal due January 1
Interest due January and July 1
Prepayment provision - subject to payment prior to its stated maturity without penalty or premium, at any time upon ten (10) days notice.

Note H
Lender – Kubota Credit Corporation
Balance of loan - $33,733
Rate –0%
Principal- monthly payments of $1,249

Schedule of Notes/Bonds Payable	balance 12/31/2017	Additions	Payments	balance 12/31/2018	Current Portion
USDA 91-07	$780,000	$-	$33,000	$747,000	$34,500
USDA 91-10	361,500	-	11,500	350,000	12,000
USDA 91-11	423,500	-	10,000	413,500	10,500
USDA 91-16	1,018,500	-	16,000	1,002,500	16,500
USDA 91-18	112,000	-	1,500	110,500	1,500
Kubota	48,726	-	14,993	33,733	14,992
Kentucky Rural Water 2007	557,000	-	46,000	511,000	48,000
Kentucky Rural Water 2013	620,000	-	75,000	545,000	75,000
	$3,921,226	$ -	$ 207,993	$3,713,233	$ 212,992
Bond premium	57,888	-	5,263	52,625	-
	$3,979,114	$ -	$ 213,256	$3,765,858	$ 212,992

Schedule of maturities

	Principal	Interest		Principal	Interest
2019	212,992	136,351	2029-2033	671,500	225,690
2020	218,491	127,921	2034-2038	359,500	128,065
2021	212,250	119,282	2039-2043	248,500	72,898
2022	209,000	110,520	2044-2048	193,000	43,354
2023	205,000	101,644	2049-2053	222,000	13,668
2024-2028	908,500	387,777	2054-2058	52,500	-
				$3,713,233	$ 1,467,170

Note 3 - Leave Policies

The District's employees are covered by leave policies as follow:

a) sick leave – one day per month to a maximum accumulation of sixty days;
b) annual leave – five days per annum with 1-2 years employment; ten days per annum with 3-9 years employment; fifteen days per annum after 10 years employment. One week of annual leave may be carried forward to the next year, but must be taken by March 31st of that year. Up on the retirement, termination of or medical retirement of an employee the District shall continue to employ and pay the employee for any accrued earned vacation days. The employee termination date shall be the last day of earned vacation paid.

Note 4 - Changes in Capital assets

The following is a summary of changes in the capital assets for the fiscal year:

	balance 12/31/17	Transfer/ Additions	Deletions	balance 12/31/18
Land	$99,529	$0	$0	$99,529
Structure & improvements	121,531	-	-	121,531
Distributions system	17,762,561	55,419	-	17,817,980
Utility plant in service (UPIS)	124,728	-	-	124,728
UPIS acquisition adjustment	24,805	-	-	24,805
Vehicles	228,628	55,300	(31,022)	252,906
Equipment	2,016,510	-	-	2,016,510
Construction in process	56,125	112,005	-	168,130
	20,434,417	222,724	(31,022)	20,626,119
Accumulated depreciation	8,405,313	526,389	(31,022)	8,900,680
Net capital assets	12,029,104			11,725,439

Note 5 - Revenue Bonds

Water and Revenue Bonds constitute special obligations of the District solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions, which require the District to maintain pledged revenues. The District must transfer monthly 1/6 of the next succeeding interest payment and 1/12 of the next succeeding principal payment from the operations and maintenance account into the bond and interest sinking account.

Note 6 - Restricted Cash

Restricted cash is composed of the following:

Depreciation reserve fund	$210,813
Debt reserve fund Regions (KRWFC)	142,191
Debt reserve fund (USDA)	167,074
	$520,078

Note 7 - Contingencies

The District is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the District in the current and prior years. There were no examinations for the year ended December 31, 2018. Areas of noncompliance, if any, as a result of examinations would be included as a part of the “Findings and Questioned Costs” section of this report.

Note 8 - Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance coverage for the risks to the extent deemed prudent by District management.

Note 9 - Investments

The District’s investment policy is governed by the Kentucky Statutes. These requirements authorize the District to invest in obligations backed by full faith and credit of the United States and obligations of any corporation of the United States government. The policy requires that amounts on deposit with financial institutions be collateralized at a rate of 100% of amounts in excess of deposit insurance coverage.

Note 10 – Subsequent Events

The District has evaluated subsequent events through May 29, 2019 the date which the financial statements were available to be issued.

Note 11 – Defined Benefit Pension Plan

General Information About the Pension Plan

Plan description - Regular, full-time, employees of the District are provided with pensions through the County Employees' Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System. The assets of CERS are pooled with two other retirement systems Kentucky Retirement System administers, KERS & SPRS. Although invested as a whole each system's assets are used only for the members of that plan. Kentucky Revised Statute (KRS) chapter 61 grants the District to establish and amend the benefit terms to the Kentucky Retirement System's Board of Trustees (Board). Kentucky Retirement System issues a publicly available financial report that can be obtained on their website.

Benefits provided - CERS provides retirement, insurance, disability, and death benefits. Retirement benefits are determined from an average of the five highest years of compensation for those whose participation began before September 01, 2008. For those who began participation on or after September 01, 2008 retirement benefits are determined as an average of the last complete five years. A percentage is then taken from those averages based on the employee's months of service. Employees are eligible for service-related disability benefits with at least 60 months of service. If the member is receiving monthly benefits based on at least four years of service, then a $5,000 death benefit is payable to the member's designated beneficiary. For those employees whose participation began prior to July 01, 2003, CERS will pay a portion of the monthly premium for single coverage based upon service credit accrued at retirement. For those employees whose participation began on or after July 01, 2003 and before September 01, 2008, employees are required to earn at least 10 years of service credit to be eligible for insurance benefits. Employees whose participation began on or after September 01, 2008 must earn at least 15 years of service credit to be eligible for insurance benefits.

Cost of living adjustments to monthly retirement allowance must be approved by the Kentucky State Legislature (Legislature) and requires the system to be either 100% funded or appropriations are made to cover the increase are by the Legislature.

Contributions - Employees are required to contribute 5% of their annual pay. Employees whose participation began on or after September 01, 2008 are required to contribute an additional 1%. This additional 1% is credited to the insurance fund and is non-refundable. The District's contractually required contribution rate for the year ended December 31, 2018 was 19.18% & 21.48% (14.48%/16.22% pension; 4.70%/5.26% insurance) of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $63,335 for the year ended December 31, 2018. The District's contribution was allocated $48,213 to the pension fund and $15,122 to the insurance fund.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the District reported a liability of $531,014 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's portion of the net pension liability was based on the District's proportionate share of retirement contributions for the fiscal year ended June 30, 2018. At June 30, 2018 the District's proportionate share was 0.008719%.

For the year ended December 31, 2018, the District recognized pension expense of $8,799. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$-0-	$-0-
Differences between expected and actual Liability experience	17,320	7,773
Differences between expected and actual Investment experience	24,693	31,060
Changes in assumptions	51,895	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36	182,764
District's contributions subsequent to the measure date	25,193	-0-
Total	$119,137	$221,597

$25,193 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. The remaining amount of ($127,653) reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
December 31, 2019	($34,492)
December 31, 2020	(52,136)
December 31, 2021	(38,174)
December 31, 2022	(2,851)
December 31, 2023	-0-
Thereafter	-0-
Total	($127,653)

Actuarial methods & assumptions: For financial reporting, the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

Inflation	2.30%
Salary increases	3.05% average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

Long-Term Expected Rate of Return - The long-term expected rate of return was determined by using a building-block method in which best- estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	**17.50%**	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	**17.50%**	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	**24.00%**	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	**100.00%**	**6.09%**

Discount rate - The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
District's proportionate share of the net pension liability	$668,491	$531,014	$415,832

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

Note 12- Overland Development

During 2016 the District acquired Overland Development Inc. (Overland). The District acquired the water utility system, including its water lines and approximately 116 meters. Overland services the Lockwood Estates area of Boyd County, Kentucky. The District paid $50,000 to acquire Overland and will pay Overland an additional $50,000 over the next sixty months ($833.33/month) for consulting services. No provision has been made for the monthly payments. These monthly payments will be recognized as an expense monthly, as the consulting services are provided.

At the time of acquisition, Overland's capital assets totaled $124,728 and its accumulated depreciation on the assets totaled $99,533. The District has included these amounts with its capital assets and accumulated depreciation. As a result an acquisition adjustment of $24,805 has also been included and is being amortized accordingly.

Note 13 - Other Postemployment Benefits Plan (OPEB)

Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS) is a participating employer of the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description - The Kentucky Retirement Systems' (KRS) Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan that covers substantially all regular full-time members employed in positions of each participating county, city and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Actuarial Methods & Assumptions - For financial reporting the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled- forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	0.0% for KERS non-hazardous and hazardous, and 2.0% for CERS non-hazardous and hazardous
Salary Increases	3.05%, average
Investment Rate of Return	6.25% Healthcare
Trend Rates	
Pre - 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

Long-Term Expected Rate of Return - The long-term expected rate of return was determined by using a building-block method in which best- estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	**17.50%**	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	**17.50%**	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	**24.00%**	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	**100.00%**	**6.09%**

Discount Rate - The projection of cash flows used to determine the discount rate of 5.86% for KERS Non-hazardous, 5.88% for KERS Hazardous, 5.85% for CERS Non-hazardous, and 5.97% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Use of Estimates in the Preparation of the Schedules - The preparation of the schedules in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

The following actuarial methods and assumptions, for actuarially determined contributions effective for the fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal Amortization
Method	Level Percent of Pay Remaining
Amortization Period	27 Years, Closed Payroll Growth
Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00%, average
Investment Rate of Return	7.50% Healthcare Trend Rates
Pre - 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post - 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

Implicit Subsidy - The fully-insured premiums KRS pays for the KERS, CERS and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB Statement No. 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows related to contributions made after the measurement date. The Water District’s implicit subsidy for the year ended December 31, 2018 was $1,850.

Contributions - Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board.

For the fiscal year ended December 31, 2018, participating employers contributed 4.73%/5.26% of each employee's covered payroll to the Kentucky Retirement Systems' Insurance Fund, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

Employees hired after September 1, 2008 are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h). These members are classified in the Tier 2/Tier 3 structure of benefits, and the 1% contribution to the 401(h) account is non-refundable.

The Water District contributed $10,171 for the year ended December 31, 2018 of the required contribution to the insurance fund. Total contributions to the insurance fund, including the implicit subsidy for the year ended June 30, 2018 were $12,021. For additional information regarding contributions, please refer to the Defined Benefit Pension Plan footnote.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2018, the Water District reported a liability of $155,017 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled-forward to June 30, 2018 using generally accepted actuarial principles. The Water District's proportion of the net OPEB liability was determined using the Water District's actual contributions for the year ended June 30, 2018. This method is expected to be reflective of the Water District's long-term contribution effort. For the year ended December 31, 2018, the Water District's proportion was 0.008731%.

For the year ended December 31, 2018, the Water District recognized OPEB expense of $6,363. At December 31, 2018, the Water District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	$-	$18,065
Effects of changes in assumptions	-	358
Differences between expected and actual investment experience	-	10,678
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,959	70,973
Contributions subsequent to the measurement date	8,170	-0-
Total	$39,129	$100,074

$8,170 reported of deferred outflows of resources resulting from the Water District’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as the net effect of deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended	Amount
December 30, 2019	$(12,862)
December 30, 2020	(12,862)
December 30, 2021	(12,862)
December 30, 2022	(10,788)
December 30, 2023	(14,729)
Thereafter	(5,012)
Total	$(69,115)

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the proportionate share of the net OPEB liability calculated using the single discount rate of 5.85%, as well as what the Water District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (4.85 percent) or 1% higher (6.85 percent) than the current rate:

	Discount Rate	Proportionate Share of Net OPEB Liability
1% decrease	4.85%	$201.342
Current discount rate	5.85%	$155,017
1% increase	6.85%	$115.556

Sensitivity of the Water District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1% lower or 1% higher than the current rates:

	Proportionate Share of Net OPEB Liability
1% decrease	$115,142
Current healthcare cost trend rate	$155,017
1% increase	$201,700

Note 14 – Prior period adjustment

During the 2018 fiscal year the District implemented GASB No. 75, Accounting and Reporting For Post-employment Benefits Other Than Pensions. This statement addresses financial reporting for state and local governments that offer their employees post-employment benefits other than pensions. GASB No. 75 replaces the requirements of GASB No. 45.Statement 75 requires employers to report OPEB liabilities and expenses based on their proportionate share of the collective amounts for all participating governments in the plan. GASB No. 75 is to be applied retroactively .This retroactive treatment resulted in the restatement of the beginning net position as follows:

Net position, 7/1/17 as originally reported	8,675,096
Beginning OPEB liability & deferred outflows	(229,790)
Pension liability	(904)
Net position, 7/1/17 as restated	8,444,402

REQUIRED SUPPLEMENTAL INFORMATION

Big Sandy Water District
Schedule of Proportionate Share of Net Pension Liability
12/31/2018

	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability	0.008719%	0.013693%	0.014360%	0.014640%
District's proportionate of the net pension liability	531,014	801,493	707,032	629,451
District's covered employee payroll	253,775	340,789	342,371	334,849
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	209.25%	235.19%	206.51%	187.98%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%

Big Sandy Water District
Schedule of Pension Contributions-Net Pension Liability
12/31/2018

	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Contractually required contribution	48,213	36,170	46,709	43,278
Contributions in relation to the contractually required contribution	48,213	36,170	46,709	43,278
Contribution deficiency	-	-	-	-
District's covered payroll	314,297	255,681	353,920	343,796
Contributions as a percentage of covered employee payroll	15.34%	14.15%	13.20%	12.59%

Big Sandy Water District
Schedule of Proportionate Share of Net OPEB Liability
12/31/2018

	6/30/2018	6/30/2017
District's proportion of the OPEB liability	0.008731%	0.013693%
District's proportionate of the OPEB liability	155,017	275,276
District's covered employee payroll	342,371	334,849
District's proportionate share of the OPEB liability as a percentage of its covered employee payroll	45.28%	82.21%
Plan fiduciary net position as a percentage of the total pension liability	57.62%	52.39%

Big Sandy Water District
Schedule of Pension Contributions- Net OPEB Liability
12/31/2018

	12/31/2018	12/31/2017
Contractually required contribution	15,122	12,579
Contributions in relation to the contractually required contribution	15,122	12,579
Contribution deficiency	-	-
District's covered payroll	314,297	255,681
Contributions as a percentage of covered employee payroll	4.81%	4.92%

Net Pension Liability

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ending 2018, determined as of June 30, 2017. Based on the June 30, 2017 actuarial valuation report, the actuarial methods and assumptions used to calculate these contributions raets are below:

• Determined by the actuarial valuation as of:	June 30, 2016
• Actuarial cost method	Entry age
• Asset valuation method:	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
• Amortization method	Level percent of pay
• Amortization period	27 years, closed
• Investment return	7.50%
• Inflation	3.25%
• Salary increase	4.00%, average
• Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

Net OPEB Liability

The actuarially determined contributions rates effective for fiscal year ending 2018 that are documented in the schedule, Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate, are calculated as of June 30, 2017. Based on the June 30, 2017 actuarial valuation report, the actuarial methods and assumptions used to calculate these contributions are below:

• Determined by the actuarial valuation as of	June 30, 2016
• Actuarial cost method	Entry Age Normal
• Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
• Amortization method	Level Percent of Pay
• Amortization period	27 Years, Closed
• Payroll Growth Rate	4.00%
• Investment return	7.50%
• Inflation	3.25%
• Salary Increase	4.00%, average
• Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)7.50%
• Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

SUPPLEMENTAL INFORMATION

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Kentucky Society of CPA's

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

Board of Commissioners
Big Sandy Water District
Catlettsburg, 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 the Big Sandy Water District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Big Sandy Water District 's basic financial statements and have issued our report thereon dated May 29, 2019**.**

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Big Sandy Water District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Sandy Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Sandy Water District's internal control.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Big Sandy Water District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

John T. Lane & Associates, LLC
Mount Sterling, Kentucky
May 29, 2019

Big Sandy Water District
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES
for the years ended December 31, 2018 and 2017

	2018	2017
Revenues		
User fees	$ 2,541,195	$ 2,575,375
Other water revenue	28,349	33,393
Total Revenues	2,569,544	2,608,768
Total Operating Expenses	2,665,679	2,371,844
Operating Income (Loss)	(96,135)	236,924
Nonoperating Revenues (Expenses)		
Tap fees	32,175	20,075
Grant income	3,084	55,946
Interest income	2,806	1,649
Other nonoperating revenues	5,035	8,700
Interest expense	(140,200)	(156,681)
Net Nonoperating Revenues (Expenses)	(97,100)	(70,311)
Net Income (Loss)	$ (193,235)	$ 166,613