

KNOTT COUNTY WATER AND SEWER DISTRICT

Basic Financial Statements,
Required Supplementary Information, And
Independent Auditor's Report

For The Year Ended December 31, 2015

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Independent Auditor's Report

To the Members of the Board
Knott County Water and Sewer District
Vicco, Kentucky

We have audited the accompanying financial statements of the business-type activities of Knott County Water and Sewer District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Knott County Water and Sewer 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.

INDEPENDENT AUDITOR'S REPORT
Knott County Water and Sewer District
(Continued)

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 Knott County Water and Sewer District as of December 31, 2015, 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 information that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension information schedules as listed in the table of contents 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 Knott County Water and Sewer District's basic financial statements. The pension schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The pension schedules and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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

INDEPENDENT AUDITOR'S REPORT
Knott County Water and Sewer District
(Continued)

of America. In our opinion, Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The pension schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 4, 2016, on our consideration of the Knott County Water and Sewer 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 Knott County Water and Sewer District's internal control over financial reporting and compliance.

Respectfully submitted,



Ross & Company, PLLC
April 4, 2016

KNOTT COUNTY WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION AS OF
December 31, 2015

ASSETS

Current Assets

Cash	\$ 37,122
Cash - restricted	229,950
Accounts receivable, net	460,826
Other current assets	20,046
Total Current Assets	<u>747,944</u>

Capital Assets

Construction in progress (Non-depreciable)	1,553,722
Land, Structures, and Equipment, net of depreciation	38,222,534
Total Capital Assets, Net	<u>39,776,256</u>

Total Assets

\$ 40,524,200

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 104,888
Payroll Liabilities	23,550
Accrued Compensation	36,216
Other Current Liabilities	163,522
Current Maturity of Long Term Debt	59,238
Total Current Liabilities	<u>387,414</u>

Non-current Liabilities

Bonds, Notes, and Lease Payable	572,335
Net Pension Liability (CERS)	534,153
Total Non-current Liabilities	<u>1,106,488</u>

Total Liabilities

1,493,902

Deferred Inflows

Pension Inflows	59,624
Total Liabilities and Inflows	<u>1,553,526</u>

NET POSITION

Investments in Capital Assets, net of related debt	39,144,683
Unrestricted	(344,335)
Restricted	229,950
Total Net Position	<u>39,030,298</u>

Total Liabilities and Net Position

\$ 40,524,200

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

**KNOTT COUNTY WATER AND SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

OPERATING REVENUES

Water Service	\$ 1,953,641
Sewer Service	72,341
Tap Fees	20,250
Penalties	15,475
Reconnection and Collection Fees	6,882
Total Operating Revenue	<u>2,068,589</u>

OPERATING EXPENSES

Salaries and Fringe Benefits	757,087
Commissioner Fee	29,463
Office Expense	1,525
Water Consumption	97,554
Electricity	344,613
Telephone	11,589
Travel and Training	3,323
Rents	14,424
Contractual Fees	258,863
Vehicle Expense	33,289
Operating Supplies and Maintenance	244,215
Licenses, Permits, Dues, and Fees	6,995
Insurance and Bonds	56,129
Depreciation	1,631,615
Total Operating Expenses	<u>3,490,684</u>
Excess (Deficiency) of Operating Revenue Over Expense	<u>(1,422,095)</u>

NON-OPERATING REVENUES (EXPENSES)

Miscellaneous Income	22,381
Contributed Capital	1,326,941
Interest Income	11
Interest Expense	(35,160)
Total Non-Operating Revenues (Expenses)	<u>1,314,173</u>
Net Income (Loss)	(107,922)
Net Position - Beginning (Restated)	<u>39,138,220</u>
Net Position - Ending	<u>\$ 39,030,298</u>

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

**KNOTT COUNTY WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 2,120,424
Payments to suppliers	(1,199,674)
Payments to employees	(812,692)
Other receipts (Payments)	23,246
Net Cash Provided (Used) for Operating Activities	131,304

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES

Capital Asset Expenditures	(1,324,485)
Contributed Capital	1,326,941
Principal paid on capital debt	(61,146)
Interest paid on capital debt	(35,160)
Net cash provided (used) by capital and related financing activities	(93,850)

CASH FLOWS FROM INVESTING ACTIVITES

Interest	11
Net cash provided (used) by investing activities	11

Net Cash increase (decrease) in cash and cash equivalents 37,465

Balances- beginning of year 229,607

Balances - end of year \$ 267,072

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITES

Operating Income (Loss)	(1,422,095)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation Expense	1,631,615
Miscellaneous Income (Expense)	22,381
Change in Assets & Liabilities	
Accounts Payable	90,058
Payroll and Other Payables	(23,826)
Receivables, net	(166,829)
Net cash provided (used) by operating activities	\$ 131,304

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

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Knott County Water and Sewer District (the District) was created by the Knott County Fiscal Court on February 10, 1999 to be governed and operated under rules and procedures established under KRS Chapter 74, relating to water districts and KRS Chapter 220 relating to sanitation districts. The entity's plans are to expand its operating activities into parts of Knott County not presently served with water and sewer utility services.

2. Accounting Policies and Procedures

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The District's fund balance includes cash and cash equivalents and investments.

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

b. Fixed Assets and Depreciation

Property, plant and equipment are stated at historical or estimated cost. Fixed assets costing over \$1,500 are recorded and depreciated using the straight-line method of accounting over the respective assets useful lives as follows:

Equipment	5-7 years
Transmission Lines	20-40 years
Water Wells, Structures and Improvements	15-40 years

c. Allowance for Doubtful Accounts

Knott County Water and Sewer District's financial statements reflect an allowance account for its customer accounts receivable based on management's estimates of probable losses. The prior year allowance of \$93,541 was deemed sufficient and no further bad debt expense was recognized for the year ended December 31, 2015.

d. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2015**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Accounting Policies and Procedures (continued)

Estimates (Continued)

assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

e. Basis of Presentation

GASB 34 creates basic financial statements for reporting on the governmental financial activities. Financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Knott County Water and Sewer District is considered a special purpose government engaged in a business-type activity. No governmental type funds are recognized.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following fund:

Proprietary Funds (Enterprise Funds)

The Water and Sewer Revenue Fund accounts for revenues and expenses related to customer utility services.

f. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. For its water and sewer enterprise operations the District uses the full-accrual basis of accounting where revenues are recorded when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2015**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Accounting Policies and Procedures (continued)

f. Basis of Accounting (continued)

and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

g. Net Position

GASB 63, implemented for the year ended December 31, 2012, has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

h. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for utility services provided.

i. Materials and Supplies

Inventory is currently charged to expense as incurred. Supplies are acquired on an as needed basis.

**KNOTT COUNTY WATER AND SEWER DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)
 DECEMBER 31, 2015**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Accounting Policies and Procedures (continued)

j. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement system (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B: DEPOSITS

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the district's deposits may not be returned. The district does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). On December 31, 2015, the district's deposits were adequately covered with pledged securities and a properly executed collateral security agreement.

NOTE C: OTHER CURRENT ASSETS

Other current assets consisted of the following at December 31, 2015:

Prepaid insurance	\$ 17,863
Prepaid maintenance agreement	1,202
Deposits trade and other	<u>981</u>
	<u>\$ 20,046</u>

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2015**

NOTE D: OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following at December 31, 2015:

Customer deposits payable	\$ 98,878
Sales Tax payable	531
Construction Contract Payables	11,623
Engineering Contract Payables	1,100
Contractor retainage	48,075
Utility tax payable	<u>3,315</u>
	<u>\$ 163,522</u>

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2015**

NOTE E: CHANGES IN FIXED ASSETS

Following are changes in fixed assets for Knott County Water and Sewer District at December 31, 2015:

	KNOTT COUNTY WATER AND SEWER DISTRICT			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Fixed Assets - Water operations</u>				
Land and land rights	\$ 117,294	\$	\$	\$ 117,294
Construction in progress	242,737	1,310,985		1,553,722
Water plant and transmission lines	46,990,411			46,990,411
Vehicles	366,349	13,500		379,849
Operating equipments	182,310			182,310
Office furniture and equipment	177,713			177,713
Subtotal	<u>48,076,814</u>	<u>1,324,485</u>		<u>49,401,299</u>
<u>Accumulated Depreciation - Water operations</u>				
Water plant and transmission lines	7,859,150	1,532,693		9,391,843
Vehicles	258,181	44,065		302,246
Operating equipment	125,217	10,857		136,074
Office furniture and equipment	99,107	25,580		124,687
Subtotal	<u>8,341,655</u>	<u>1,613,195</u>		<u>9,954,850</u>
<u>Total</u>	<u>39,735,159</u>	<u>(288,710)</u>		<u>39,446,449</u>
<u>Fixed Assets - Sewer operations</u>				
Land and land rights	\$ 2,790			2,790
WWTPs & Collections System	621,104			621,104
Operating equipment	68,811			68,811
Subtotal	<u>692,705</u>		<u>0</u>	<u>692,705</u>
<u>Accumulated Depreciation - Sewer operations</u>				
WWTPs & Collections System	307,538	10,961		318,499
Operating equipment	36,939	7,459		44,398
Subtotal	<u>344,477</u>	<u>18,420</u>	<u>0</u>	<u>362,897</u>
<u>Total</u>	<u>\$ 348,228</u>	<u>\$ (18,420)</u>	<u>\$</u>	<u>\$ 329,808</u>

Total depreciation expense for the year ended December 31, 2014 is allocated as follows:

	<u>Depreciation</u>
Water operations	1,613,195
Sewer operations	18,420
<u>Total</u>	<u>\$ 1,631,615</u>

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2015**

NOTE F: LONG-TERM DEBT

A. A Rural Utilities Service bond, dated December 19, 2003 was issued to pay off prior debt of Knott County Water and Sewer District. The bond issue has an annual interest rate of 4.5%. The total amount of the loan was \$185,000. The bond calls for 40 annual interest and principal payments.

Following is the RUS debt service schedule for this issue:

Year	Principal	Interest	Total
2016	\$	\$ 7,268	\$ 7,268
2017	3,000	7,133	10,133
2018	3,500	6,998	10,498
2019	3,500	6,840	10,340
2020	3,500	9,983	13,483
2021-2025	20,000	30,917	50,917
2026-2030	25,500	25,944	51,444
2031-2035	32,000	19,622	51,622
2036-2040	39,000	11,836	50,836
2041-2043	28,500	2,611	31,111
Totals	\$ 158,500	\$ 129,152	\$ 287,652

B. Knott County Water and Sewer District entered into an assistance, agreement with the Kentucky Infrastructure Authority for KIA Fund C03-3 loan assistance dated January 1, 2004 having a maturity date of June 1, 2022 for expenditures related to the Highway 899/Mallie waterworks improvement project. The original principal balance was \$547,000. The interest rate is 4.05%. The District entered into an agreement to pay past due interest and fees of \$65,047 beginning with the March 1, 2011 due date.

Following is a debt service schedule:

Year	Principal	Interest	Servicing Fees	Past Due Interest	Total
2016	\$ 50,165	\$ 15,864	\$ 685	\$ 6,410	\$ 73,124
2017	52,235	13,876	583		66,694
2018	54,390	11,806	477		66,673
2019	56,634	9,651	366		66,651
2020	58,971	7,407	250		66,628
2021-2022	93,050	8,082	149		101,281
Totals	\$ 365,445	\$ 66,686	\$ 2,510	\$ 6,410	\$ 441,051

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2014**

NOTE F: LONG-TERM DEBT (Continued)

C. A Rural Utilities Service bond, dated January 26, 2007 was issued to finance a portion of the Water Treatment Plant project. The bond issue has an annual interest rate of 4.125%. The total amount of the loan was \$100,000. The bond calls for 40 annual interest and principal payments.

Following is a debt service schedule:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	\$ 4,190	\$ 4,190
2017	1,400	4,127	5,527
2018	1,500	4,064	5,564
2019	1,500	3,996	5,496
2020	1,600	3,929	5,529
2021-2025	9,200	18,487	27,687
2026-2030	11,500	16,224	27,724
2031-2035	14,300	13,397	27,697
2036-2040	17,900	9,865	27,765
2041-2045	22,100	5,474	27,574
2046	10,400	734	11,134
<u>Totals</u>	<u>\$ 91,400</u>	<u>\$ 84,487</u>	<u>\$ 175,887</u>

D. On November 1, 2014, the district entered into a Government Obligation Contract to finance the purchase of a pickup truck. The original principal amount is \$27,250. The obligation requires 12 quarterly payments of \$2,454 with the first due on November 1, 2014.

Following is a debt service schedule:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 9,073	\$ 741	\$ 9,814
2017	7,154	206	7,360
<u>Totals</u>	<u>\$ 16,227</u>	<u>\$ 947</u>	<u>\$ 17,174</u>

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2015**

NOTE F: LONG-TERM DEBT (Continued)

E. Changes in long-term debt for the District are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
US Rural Development 91-11	\$ 92,800	\$	\$ (1,400)	\$ 91,400	\$
Kentucky Infrastructure Authority C03-03	413,622		(48,177)	365,445	50,165
Rural Utilities Service 93-05	161,500		(3,000)	158,500	
Kansas Sate Bank 3347361	<u>24,797</u>		<u>(8,569)</u>	<u>16,228</u>	<u>9,073</u>
Total	<u>\$ 692,719</u>	<u>\$ 0</u>	<u>\$ (61,146)</u>	<u>\$ 631,573</u>	<u>\$ 59,238</u>

NOTE G: EMPLOYEE RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. Employees of the Knott County Water and Sewer District are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the KRS. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publically available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. Kentucky Revised Statue Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2015**

NOTE G: EMPLOYEE RETIREMENT SYSTEM (continued)

General Information about the Pension Plan (Continued)

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

Contributions. Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The Knott County Water and Sewer District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended December 31, 2015, employer contributions for the Knott County Water and Sewer District were \$78,281 based on a rate of 17.67% of covered payroll for nonhazardous covered employees. In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (nonhazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution. By law, employer contributions are required to be paid. The KRS may intercept the Knott County Water and Sewer District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2014**

NOTE G: EMPLOYEE RETIREMENT SYSTEM (continued)

Net Pension Liability

The Knott County Water and Sewer District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. (See Note F for a restatement related to the net pension liability.)

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 percent
Salary increases	Representative values of the assumed annual rates of future salary increases from 4.75%-13.0% for nonhazardous members and 4.5%-20.0% for hazardous members, including inflation.
Investment rate of return	7.75% per annum, compounded annual for retirement and insurance benefits.

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Table for other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2005 through June 30, 2008. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below.). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumptions is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**KNOTT COUNTY WATER AND SEWER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2014**

NOTE G: EMPLOYEE RETIREMENT SYSTEM (continued)

Net Pension Liability (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic Equity	8.45%	30.00%
International Equity	8.85%	22.00%
Emerging Market Equity	10.50%	5.00%
Private Equity	11.25%	7.00%
Real Estate	7.00%	5.00%
Core US Fixed Income	5.25%	10.00%
High Yield US Fixed Income	7.25%	5.00%
Non US Fixed Income	5.50%	5.00%
Commodities	7.75%	5.00%
TIPS	5.00%	5.00%
Cash	3.25%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Knott County Water and Sewer District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. 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 net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Knott County Water and Sewer District calculated using the discount rate of 7.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Knott County Water and Sewer District's net pension liability			
Nonhazardous	\$ 702,911	\$ 534,153	\$ 385,053

**KNOTT COUNTY WATER AND SEWER DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (continued)
 DECEMBER 31, 2015**

NOTE G: EMPLOYEE RETIREMENT SYSTEM (continued)

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

For the year ended June 30, 2014, the District recognized pension expense of \$123,307 for nonhazardous. At June 30, 2014, the District reported deferred inflows of resources for nonhazardous of \$121,080 from the net difference between expected and actual earnings on pension plan investments.

The Knott County Water and Sewer District's net pension liability of \$1,084,710 was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. (See Note F for a restatement related to the net pension liability.)

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2014, the District's proportion was 0.033 percent for non-hazardous.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$	15,180
2017		15,180
2018		15,180
2019		15,180
	<u>\$</u>	<u>60,720</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE F: PRIOR PERIOD RESTATEMENT AND CHANGE IN ACCOUNTING PRINCIPAL

Effective January 1, 2015, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$733,633 reduction in beginning net position on the Statement of Activities.

SUPPLEMENTARY INFORMATION

**KNOTT COUNTY WATER AND SEWER DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amount	Actual Amount	Variance with Final Budget Favorable (Unfavorable)
OPERATING REVENUES			
Water Service	\$ 2,340,434	\$ 1,953,641	\$ (386,793)
Sewer Service	-	72,341	72,341
Tap Fees		20,250	20,250
Penalties	13,600	15,475	1,875
Reconnection and Collection Fees		6,882	6,882
Total Operating Revenue	<u>\$2,354,034.00</u>	<u>2,068,589</u>	<u>(285,445)</u>
OPERATING EXPENSES			
Salaries and Fringe Benefits	731,851	757,087	(25,236)
Commissioner Fee	27,600	29,463	(1,863)
Office Expense	9,319	1,525	7,794
Water Consumption	87,533	97,554	(10,021)
Electricity	395,973	344,613	51,360
Telephone	12,163	11,589	574
Travel and Training	2,988	3,323	(335)
Advertisement	1,555	-	1,555
Rents	12,226	14,424	(2,198)
Vehicle Expense	32,507	33,289	(782)
Operating Supplies and Maintenance	291,479	244,215	47,264
Licenses, Permits, Dues, and Fees	133,127	6,995	126,132
Insurance and Bonds	55,830	56,129	(299)
Depreciation	1,436,253	1,631,615	(195,362)
Total Operating Expenses	<u>3,230,404</u>	<u>3,490,684</u>	<u>(260,280)</u>
NON-OPERATING REVENUES (EXPENSES)			
Miscellaneous Income		22,381	22,381
Capital Contributions		1,326,941	1,326,941
Miscellaneous Expense	(4,835)		4,835
Interest Income		11	11
Interest Expense	(24,066)	(35,160)	(11,094)
Total Non Operating Revenues (Expenses)	<u>(28,901)</u>	<u>1,314,173</u>	<u>1,343,074</u>
Change in Net Position	<u>\$ (905,271)</u>	<u>\$ (107,922)</u>	<u>\$ 797,349</u>

KNOTT COUNTY WATER AND SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

<u>Program Title</u>	<u>Federal CFDA No.</u>	<u>Program Expenditures</u>	TOTAL FOR CFDA #
U. S. DEPARTMENT OF INTERIOR			
<i>Passed Through Kentucky Natural Resources and Environmental Protection Cabinet</i>			
Abandoned Mines Land - Red Fox Project	15.252	841,476	
Abandoned Mines Land - Knott County Branch Lines Project	15.252	18,227	
Abandoned Mines Land - Carr Creek Multi Site	15.252	426,879	1,286,582 *
TOTAL U.S. DEPARTMENT OF INTERIOR		1,286,582	
U.S. DEPARTMENT OF DEFENSE			
<i>-Direct-</i>			
** ARRA - Southern and Eastern KY Environmental Infrastructure	12.127	88,196	88,196
TOTAL U.S. DEPARTMENT OF INTERIOR		88,196	
TOTAL EXPENDITURES OF FEDERAL AWARDS			1,374,778
** ARRA Funds		Tested as Major Program	*

**KNOTT COUNTY WATER AND SEWER DISTRICT
 REQUIRED SUPPLEMENTAL SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 CERS NON -HAZARDOUS**

	2014	2015
Total Net Pension Liability for County Employees Retirement Systems	\$ 3,671,082,000	\$ 3,244,376,000
Employer's Proportion (Percentage) of Net Pension Liability	0.016%	0.016%
Employer's Proportion (Amount) of Net Pension Liability	\$ 604,405	\$ 534,153
Employer's Covered-Employer payroll	\$ 515,536	\$ 341,623
Employer's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	117.24%	156.36%

**KNOTT COUNTY WATER AND SEWER DISTRICT
 REQUIRED SCHEDULE OF PENSION CONTRIBUTIONS
 CERS NON-HAZARDOUS**

	2014	2015
Actuarially determined contribution	\$ 98,469	\$ 71,346
Contributions in relation to the actuarially determined contribution	98,469	71,349
Covered-employee payroll	\$ 604,405	\$ 341,623
Contributions as a percentage covered- employee payroll	16.29%	20.89%

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To the Members of the Board
Knott County Water and Sewer District
Vicco, Kentucky

<p>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u></p>

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 Knott County Water and Sewer District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Knott County Water and Sewer District's basic financial statements and have issued our report thereon dated April 4, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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
(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knott County Water and Sewer 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 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.

Respectively Submitted,



Ross & Company, PLLC
April 4, 2016

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Members of the Board
Knott County Water and Sewer District
Vicco, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Knott County Water and Sewer District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Compliance Supplement that could have a direct and material effect on each of Knott County Water and Sewer District's major federal programs for the year ended December 31, 2015. Knott County Water And Sewer District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Knott County Water And Sewer District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Knott County Water And Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion On Each Major Federal Program

In our opinion, Knott County Water And Sewer District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

**Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance
(Continued)**

Report on Internal Control over Compliance

Management of Knott County Water And Sewer District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Knott County Water And Sewer District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Knott County Water And Sewer District's internal control over compliance.

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

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

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

Respectfully submitted,



Ross & Company, PLLC
April 4, 2016

**KNOTT COUNTY WATER AND SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended December 31, 2015**

A. Summary Of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Knott County Water And Sewer District.
2. No significant deficiencies and no material weaknesses relating to the audit of the financial statement are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statement of Knott County Water And Sewer District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal awards program are reported in the Independent Auditor's Report
5. The auditor's report on compliance for the audit of the major federal awards programs for Knott County Water And Sewer District expresses an unmodified opinion.
6. There are no findings relative to the major federal awards programs for Knott County Water And Sewer District reported in Part C of this schedule.
7. The program tested as a major program was: Abandoned Mines Land (CFDA #15.252).
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Knott County Water And Sewer District was not determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

None.

C. Findings And Questioned Costs - Major Federal Awards Program Audit

None.

D. Summary Schedule Of Prior Audit Findings

None.