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Michael R. Spears, C.P.A., P.S.C.
Certified Public Accountant

July 22, 2019

To the Board of Commissioners and Management
Southern Water and Sewer District
McDowell, Kentucky

We are pleased to confirm our acceptance and understanding of the services we are to provide for Southern Water and Sewer District for the year ended December 31, 2019.

You have requested that we prepare the financial statements of Southern Water and Sewer District, which comprise the annual and monthly statement of net assets and the related statements of revenues, expenses and changes in fund net assets for the year ended December 31, 2019. These financial statements will not include statements of cash flows and related notes to the financial statements as required by accounting principles generally accepted in the United States of America.

You have also requested that we prepare the following, based on information provided by the District:

- Federal Contractor Registration renewals and updates online.
- SPGE Registration and updates online.
- PSC filing of Annual Report after the audit is finalized.
- Monthly financials consist of recording transactions as provided by the District and reconciling all bank accounts of the District, adjusting accounts receivable, accounts payable, payroll liabilities, notes payable to amortizations, projected depreciation, accrued interest, and Solid Waste accounts payable based upon information provided by the District.
- Bi-weekly payroll after we receive employee hours from the District and produce payroll for Direct Deposit.
- Quarterly and annual payroll filings.
- Pre audit preparation for the District. We will prepare the audit file with detail workpapers of all balances on the statement of Net Assets for the auditor to perform the annual audit.
- Draft the financial report for the District as required by audit guidelines.
- Attend all monthly meetings and special called meetings when requested by the District.
- Assist in the preparation of the annual budget by pulling information from the last 12 months to assist in budgeting for the next calendar year.
- Use of our software to prepare payroll and financial statements in our office.

Our Responsibilities:

The objective of our engagement is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the District or noncompliance with laws and regulations.

Management Responsibilities:

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARS:

1. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements.
2. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
3. The prevention and detection of fraud.
4. To ensure that the District complies with the laws and regulations applicable to its activities.
5. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgements, you provide to us for the engagement to prepare financial statements.
6. To provide us with documentation, and other related information that is relevant to the preparation and presentation of the financial statements. Additional information that may be requested for the purpose of the preparation of the financial statements, and unrestricted access to persons within the District with whom we determine it necessary to communicate.

The financial statements will not be accompanied by a report. However, you agree that the financial statements will clearly indicate that no assurance is provided on them.

Michael R. Spears is the engagement partner and is responsible for supervising the engagement.

Our fees for these services will be billed at standard hourly rates for each employee assigned to the work. These fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the work performed. Our invoices for these fees will be rendered each month as work progresses and are payable within 30 days of receipt.

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,



Michael R. Spears, CPA, PSC

Acknowledged:

Southern Water and Sewer District

Jim Prater

Chairperson

7-22-19

Date